Annual Report

of the **TELES Group**

for the

Fiscal year 2023

Table of contents

Combined management report

In addition to the TELES Group (hereinafter "TELES Group", "TELES Group" or "TELES"), the combined management report also includes the parent company, TELES AG, based in Berlin, Germany. It is prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Accounting Standard (DRS) No. 20.

TELES AG prepares the annual financial statements in accordance with the accounting principles of the HGB and the consolidated financial statements in accordance with the accounting principles of the International Financial Reporting Standards (IFRS). The management report and the group management report are summarized. The asset, financial and earnings situation as well as the statements on risk, opportunity and forecast reporting are each presented separately.

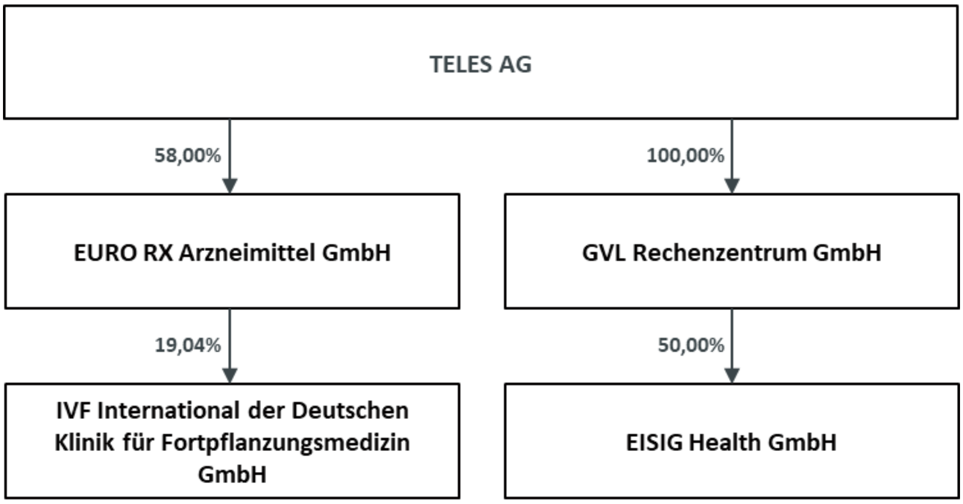
Basic information on the TELES Group

Since October 1, 2023, TELES has only been active in the pharmaceutical segment. The telecommunications segment with the areas of development, service, and order management for existing customers (partial operations) was sold as part of an asset deal on October 1, 2023. The employees in the part of the business have also been transferred to the purchaser. This meant that TELES AG was transformed into a pure financial holding company with responsibility for group accounting and group IT.

In the Pharma segment, TELES focuses on the growth area of Specialty Pharma in Germany and Europe. Specialty Pharma usually includes high-priced drugs for chronic, complex, or rare diseases, such as those sold by TELES. The TELES group focuses on six indication areas: oncology, neurology, autoimmune diseases, ophthalmology, hemophilia, and infectious diseases.

The Pharma segment combines pharmaceutical supply with a focus on digitalization and process optimization along the pharmaceutical value chains and the management of large data volumes in the pharmaceutical industry.

In the telecommunications segment, TELES Carrier Solutions delivered digitalization solutions for the development and maintenance of telecommunications networks to national or international carriers (fixed or mobile network operators). TELES migrated traditional TDM/SDH networks to all-IP networks and offered cloud-based Unified Communication as a Service.



EURO RX Arzneimittel GmbH, Wedemark (EURO RX) is a specialized pharmaceutical supplier that uses a digitalized supply chain to ensure reliable pharmaceutical care for patients across Europe. Due to the elevated level of automation, the EURO RX can deliver medications for cancer, autoimmune deficiencies, and combination therapies for personalized medicine (specialty pharma) quickly and reliably. EURO RX holds a 19.04% stake in IVF International of the German Clinic for Reproductive Medicine GmbH, Bad Münder.

GVL Rechenzentrum GmbH, Berlin (GVL) is a specialized pharmacy computing center that focuses on the implementation of electronic prescriptions (e-prescriptions). This will enable simpler billing options between pharmacies and health insurance companies in the future, which will also support healthcare research for the pharmaceutical industry. GVL holds a 50% stake in EISIG Health GmbH, Berlin. EISIG Health GmbH currently does not conduct any operational business and is therefore only of minor importance for the consolidated financial statements.

Control system

The operational business of the TELES Group and TELES AG is controlled using significant financial performance indicators.

Pharma segment	TELES AG
Sales volume Gross profit margin Operating result (EBIT) Order receipt	Sales volume Operating result (EBIT) Order receipt

The gross profit margin relates the gross profit to the sales achieved.

Order intake in the Pharma segment is the indicator that determines sales with a small-time lag. The order intake of TELES AG or in the telecommunications segment is an important indicator of sales with a small-time lag (project business) or, with a higher time lag (maintenance contracts), for sales in the next 12 months.

Non-financial performance indicators do not play a significant role in the management of the group. The Group Management Board has established an extensive group reporting system for the significant performance indicators of the group companies and conducts regular reviews (corporate planning with plan-actual analyzes) with the group companies.

In addition, liquidity is monitored daily to be able to react early to deviations from the planned cash flows.

Research & Development

Until the telecommunications segment is sold on October 1, 2023, TELES AG has focused its research and development on quickly developing and introducing new marketable products, constantly optimizing development processes, and reducing the costs of developing and producing high-quality new ones and more reliable products. In the 2023 fiscal year, research and development expenses primarily reflect the further development of the soft switch (Carrier Solutions' main product) for mobile network operators and virtual mobile network operators. In the past fiscal year, six employees (previous year: 6) worked in research and development until September 30, 2023. Expenses in the fiscal year amounted to EUR 330 thousand.

Economic report

Overall economic situation

The global economy slowed significantly again in almost all-important economic areas in 2023. According to the International Monetary Fund (IMF), real gross domestic product (GDP) in industrialized countries grew by only 1.5% in 2023 compared to the previous year and growth will slow to 1.4% in 2024[1]. Global GDP growth is estimated at three percent in 2023 and growth of 2.9% is forecast for 2024[2].

According to the IMF, the economic outlook has changed since the April 2023 update as follows: "Global growth forecasts have remained the same since the April 2023 update. However, global growth is still well below the historical average growth of 3.8 percent (between 2000 and 2019). The war in Ukraine and the immense outbreak of Covid-19 in China in 2020 had a negative impact on growth. The inflation rate was at a long-term high at the end of 2022. Although the IMF expects inflation rates to fall in the current year 2023, inflation will still be well above pre-Corona crisis levels."[3]

Industry-related framework conditions for pharma

According to Statista, sales in the pharmacy market in Europe reached a value of around EUR 265.3 billion in 2023. In 2024, sales are expected to be EUR 316.6 billion and there will be an annual growth rate (CAGR 2024-2028) of 3 .26% expected, leading to a forecast market volume of EUR 360.0 billion in 2028.[4]

According to the Classic market report from IQVIA, pharmacies in Germany recorded slight sales growth (+1.9%) in the first nine months of 2023 with a moderate decline in sales (-2.7%). These slightly fewer medication packs were delivered to patients compared

[1] Statista 02.01.2024: IWF Prognose: Wachstum des BIP nach Ländergruppen bis 2024
[2] Statista 02.01.2024: IWF Prognose: Wachstum des BIP nach Ländergruppen bis 2024
[3] Statista 02.01.2024: IWF Prognose: Wachstum des BIP nach Ländergruppen bis 2024
[4] Statista: Marktprognose Apotheken - Europa

to the same period last year, achieving a value of 35.1 billion euros (at the pharmaceutical company's selling price, including vaccines and test diagnostics).[5]

The market segment for prescription preparations (Rx) will grow cumulatively by 2.4% in terms of sales and +1.9% in terms of sales in the first nine months of 2023. This corresponds to a market volume of around 30.6 billion euros or 587 million packs.[6]

Business development of the TELES Group

As part of the following analysis of business development, it should be noted that the comparative information was adjusted due to the sale of the telecommunications segment on October 1, 2023.

The TELES Group's sales in the reporting year were EUR 59.3 million (previous year: EUR 73.4 million). In the Pharma segment, sales amounted to EUR 59.3 million (previous year: EUR 73.4 million), which consists of the sale of prescription drugs (important are special drugs for cancer, autoimmune deficiencies, and combination therapies for personalized medicine). The decline in sales is due to a significant price increase in purchasing for a cancer drug that will be successful in Germany in 2022. The telecommunications segment was sold on October 1, 2023. No sales are reported for the years 2022 and 2023. Only the result from discontinued operations is shown. In the Pharmaceuticals segment, the cost of materials was EUR 56.0 million (previous year: EUR 70.2 million).

Personnel expenses fell to EUR 2.1 million due to the sale of the telecommunications segment (previous year: EUR 2.7 million). No stock options were issued in 2023. In the previous year, the proportion of share-based payments was EUR 0.5 million. Depreciation was EUR 1.0 million (previous year: 16.5 million), of which EUR 0.4 million was depreciation of the customer base and brand (Previous year EUR 0.7 million) and depreciation of rights of use from leasing contracts EUR 0.4 million (previous year EUR 0.3 million). The decrease in depreciation results from the impairment of goodwill, customer base and brand in the previous year of EUR 15.5 million. A detailed presentation of the depreciation can be found in the notes to the consolidated financial statements. Other operating income was

[5] IQVIA: IQVIA Marktbericht Classic – 3. Quartal 2023
[6] IQVIA: IQVIA Marktbericht Classic – 3. Quartal 2023

EUR 0.2 million (previous year: EUR 0.1 million). Other operating expenses rose to EUR 2.8 million (previous year: EUR 1.7 million), of which closing and auditing costs amounted to EUR 1.0 million (previous year: EUR 0.3 million), costs of goods delivery amounted to EUR 0 .6 million (previous year: EUR 0.5 million), losses on receivables of EUR 0.3 million (previous year: EUR 0), legal and consulting costs of EUR 0.2 million (previous year: EUR 0.2 million) , repairs and maintenance EUR 0.1 million (previous year: EUR 0.1 million), Supervisory Board EUR 0.1 million (previous year: EUR 0.1 million). The operating result (EBIT) was EUR -2.4 million (previous year: EUR -17.7).

The financial result of the TELES Group was EUR -0.6 million (previous year: EUR -0.3 million). The tax income was EUR 0.1 million (previous year: EUR 1.0 million). The result after taxes from continuing operations is EUR -2.9 million (previous year: EUR -16.9 million) and the result after taxes from discontinued operations is EUR 0 (previous year: EUR 0, 3 million). In the consolidated financial statements of the TELES Group, the annual loss amounts to EUR 2.9 million (previous year: EUR 16.6 million).

The TELES Group's balance sheet total decreased by EUR 2.5 million compared to the previous year. Non-current assets increased by EUR 0.2 million to EUR 3.4 million. Current assets decreased by EUR 2.7 million to EUR 8.4 million. This is due to the reduction in trade receivables by EUR 2.9 million.

The fully paid-up share capital consists of 6,233,418 no-par value shares with a calculated value of EUR 1.00 each. The consolidated loss carried forward was EUR 21.5 million (previous year: EUR 4.9 million). The group equity amounted to EUR -5.1 million (previous year: EUR -2.2 million).

Long-term liabilities amounted to EUR 2.6 million (previous year: 2.2 million). Of these, long-term loans for the picking system at EURO RX of EUR 0.9 million (previous year: EUR 0.9), long-term leasing liabilities of EUR 1.7 million (previous year: EUR 1.1 million). Current liabilities amounted to EUR 14.3 million (previous year: EUR 14.4 million). Of these, short-term loans for the working capital of EURO RX of EUR 8.5 million (previous year: EUR 8.8 million), other liabilities of EUR 3.4 million (previous year: EUR 3.4 million) and current leasing liabilities of EUR 0.4 million (previous year: EUR 0.3 million). Other liabilities include a purchase price liability for an existing call option to acquire the remaining shares in EURO RX Arzneimittel GmbH of EUR 3.0 million (previous year: EUR 3.0 million).

In the cash flow statement, the operating cash flow amounts to EUR 0.2 million (previous year: EUR 0.3 million), especially considering the decrease in trade payables and other liabilities of EUR 0.2 million (previous year: Increase of EUR - 0.6 million). The TELES Group was able to always meet its financial obligations in the past fiscal year. The financial resources amounted to EUR 0.3 million as of December 31, 2023 (previous year: EUR 1.5 million). Further details can be found in the detailed cash flow statement. As of December 31, 2023, there were no derivative financial instruments at TELES. As part of the realignment of the TE-LES Group, no dividends will be paid out soon. There is a credit line for working capital in the amount of EUR 8.5 million, which was drawn down at 100% as of December 31, 2023.

The telecommunications segment was sold in 2023. In the Pharmaceuticals segment, order intake and thus sales fell short of expectations. However, it was pleasing to see a significant and sustained increase in the gross profit margin. Overall, the past fiscal year was not satisfactory for the TELES Group.

Business development of TELES AG

The telecommunications segment with the areas of development, service, and order management for existing customers (partial operations) was sold on October 1, 2023, as part of an asset deal. At EUR 1.3 million, sales fell by 32% from EUR 1.9 million in the reporting year. In the Carrier Solutions business area, there was a 34% decline in sales due to fewer customer projects with important existing customers than in 2022 (EUR 1.2 million, previous year: EUR 1.8 million). The important maintenance business accounts for 74% of Carrier Solutions sales (EUR 0.9 million, previous year: EUR 1.2 million). The cost of materials ratio rose slightly to 16.5% (previous year: 16.2%). Revenues from subletting and agency agreements amount to EUR 139 thousand (previous year: EUR 157 thousand), a decrease of 11%.

Carrier Solutions	**2023** TEUR	**2022** TEUR
DACH	601	1,108
Europe	445	430
Middle East	111	205
Other	11	22
Total	1,168	1,765

Other operating income amounted to EUR 358 thousand (previous year: EUR 240 thousand), of which EUR 270 thousand (previous year: EUR 68 thousand) came from a group levy, non-operating income from onward billing amounting to EUR 58 thousand (previous year: EUR 39 thousand), other income in the amount of EUR 30 thousand (previous year: EUR 95 thousand), income from the reversal of provisions in the amount of EUR 1 thousand (previous year: EUR 6 thousand) and income from written-off receivables in the amount of EUR 0 thousand (previous year: EUR 23 thousand).

Personnel expenses fell by 39% to EUR 1.2 million (previous year: EUR 2.0 million) due to the sale of Carrier Solutions. No stock options were issued in the reporting year and share-based payments are therefore EUR 0 (previous year: EUR 0.5 million).

Other operating expenses rose to EUR 2.0 million (previous year: EUR 1.4 million), of which EUR 864 thousand (previous year: EUR 227 thousand) were in particular for accounting, financial statements and auditing costs, as well as expenses for rent, additional costs and operating requirements Amount of EUR 266 thousand (previous year: EUR 267 thousand), for a value adjustment on a loan to affiliated companies in the amount of EUR 139 thousand (previous year: EUR 205 thousand), expenses for past periods in the amount of EUR 106 thousand (previous year: EUR 121 thousand). Depreciation amounted to EUR 9 thousand (previous year: EUR 35 thousand).

The operating result (EBIT) amounted to EUR -1.8 million (previous year: EUR -1.5 million) and the financial result amounted to EUR -77 thousand (previous year: EUR -400 thousand). In 2023, depreciation on financial assets amounting to EUR 6 thousand (previous year: EUR 361 thousand) was made. This means that the annual deficit in the annual financial statements of TELES AG amounts to a total of EUR 1.9 million (previous year: EUR 1.7 million).

The balance sheet total of TELES increased by EUR 1.4 million compared to the previous year due to the deficit of EUR 1.5 million that was not covered by equity. The equity ratio will be -46% in 2023 (previous year: 20%). Current assets decreased from EUR 0.3 million to EUR 0.2 million in 2023.

The fully paid-up share capital consists of 6,233,418 no-par value shares with a calculated value of EUR 1.00 each. Due to the annual deficit of EUR 1.9 million (previous year: EUR 1.7 million), equity amounted to EUR -1.5 million (previous year: EUR 0.4 million).

The provisions increased from EUR 575 thousand to EUR 738 thousand. The liabilities are due to the use of loans from EURO RX in the amount of EUR 1.9 million (previous year EUR 0.4 million) and the increase in trade payables of EUR 0.1 million as well as a loan from a related party in the amount of EUR 125 thousand from EUR 785 million to EUR thousand 2,562 increased.

In the cash flow statement, the cash flow from operating activities amounts to EUR -1.3 million (previous year: EUR -0.5 million). The cash flow from investing activities amounts to EUR 7 thousand (previous year: EUR -3 thousand). The cash flow from financing activities amounts to EUR 1.4 million (previous year: EUR 0.2 million). This consists of loans granted by EURO RX Arzneimittel GmbH amounting to EUR 1.5 million, loans issued to GVL Rechenzentrum GmbH amounting to EUR 0.1 million and loans from related parties amounting to EUR 0.1 million. The company was able to always meet its financial obligations in the past fiscal year. The financial resources amounted to EUR 82 thousand as of December 31, 2023 (previous year: EUR 42 thousand). Further details can be found in the detailed cash flow statement. As of December 31, 2023, there were no derivative financial instruments at TELES. As part of the realignment of TELES AG, no dividends will be paid out soon.

The forecasts made last year in the 2022 annual financial statements, which indicated a significant increase in other operating expenses due to the discontinued activities in the telecommunications segment, the significant fall in sales, the significantly reduced personnel costs due to the transfer of employees, and the sharp increase in audit costs, have not come to pass. A slightly lower result (EBIT) was generated in 2023.

Human Resources

On an annual average, the TELES Group had fifty-two employees at the Berlin and Wedemark locations (previous year: 62). The average number of employees employed at TELES AG (excluding the board of directors and trainees) is 17 (previous year: 20). At the end of 2023, the TELES Group employed thirty-nine people (previous year: 61).

Risk report

Description of the essential features of the internal control and risk management system (Sections 289 Para. 4, 315 Para. 4 HGB, Section 91 Para. 2-3 AktG)

In accordance with Sections 289 Para. 4 HGB, 315 Para. 4 HGB, Section 91 Para. 2-3 AktG, TELES is obliged to describe the essential features of the internal control and risk management system about the accounting process in the management report. The scope and design of the accounting-related internal control and risk management system as well as its adaptation to the specific requirements of the TELES Group are at the discretion and responsibility of the Management Board. TELES has therefore established an internal control and risk management system that is integrated into its operational processes. The board of directors and the management of the group companies were responsible for monitoring and coordinating risk management.

Description of the internal control system

The accounting-related internal control system of the TELES Group includes all principles, procedures, and measures to ensure the effectiveness, efficiency, and correctness of accounting as well as to ensure compliance with the relevant legal regulations.

Internal controls defined based on risk aspects are embedded in the accounting process. The accounting-related internal control system includes both preventative and detective controls, which include IT-supported and manual coordination, plausibility checks, the separation of functions, the four-eyes principle, general IT controls, such as: B. Access authorizations in IT systems.

The internal control system supports the recording, processing, and assessment of company-related facts as well as their appropriate presentation in accounting within the framework of the organizational, control and monitoring structures defined in TELES.

The accounting processes are controlled by the accounting department. Laws, accounting standards and other pronouncements are continually analyzed regarding their relevance and impact on the consolidated financial statements. The accounting-related internal control system described is supplemented by controls at the company level, which are conducted by the highest decision-making bodies.

The preparation of the consolidated financial statements and the group accounting of the individual companies are conducted centrally, which ensures consistent and constant application of accounting in a uniform financial statement preparation process. When preparing the consolidated financial statements, regular reviews were conducted, including with the involvement of external consultants.

However, due to the nature of the matter, personal discretionary decisions, incorrect controls, criminal acts, or other circumstances cannot be ruled out and then lead to limited effectiveness and reliability of the internal control system and risk management system used. Therefore, the application of the systems used cannot guarantee absolute security about the correct, complete, and timely recording of facts in accounting.

Significant changes to the risk management system resulted from the first-time preparation of consolidated financial statements in accordance with IFRS in the 2022 fiscal year. EURO RX, as a key group company, was integrated into the group-wide risk management system of the TELES Group from September 2022. The other group companies are to be considered during the 2024 fiscal year.

Description of the risk management system

The active entrepreneurial use and development of economic opportunities and potential on the market inevitably entails taking risks. For business success, it is crucial to recognize these risks at an early stage and actively counteract them. If damage occurs despite all preventative measures, risk management must ensure that countermeasures are initiated in a timely manner to minimize damage.

The Management Board must take precautions by establishing appropriate measures in accordance with Section 91 Para. 2 AktG to identify, evaluate, control, and monitor developments that threaten the continued existence of the company in a timely manner. To determine the threat to the existence of a risk, a risk aggregation and the risk-bearing capacity for the company must be determined to define the maximum exposure limit.

The TELES Group uses an appropriate risk management system to identify and evaluate business risks and risks that potentially threaten the company's continued existence as well as to deal with them correctly. Group-wide responsibility for the early detection and countermeasures of risks lies with the Board of Directors. The managing directors of the subsidiaries support him in continuously identifying and counteracting risks within the group.

With the help of a monthly risk report, the Management Board and Supervisory Board monitor the identified risks in relation to the planned development throughout the year. The focus is on identifying the need for action and the status of the measures initiated to systematically control the identified risks.

As part of the risk management system, a distinction is made between other business risks and risks that potentially threaten the continued existence of the company.

Other business risks

The documentation of the identified and assessed other business risks takes place within a risk map, which is a principal component of the risk management system. The individual risks identified are assigned to corresponding risk categories, which are combined into the core risk areas of the TELES Group (“risk inventory”). In addition, the risk map contains the necessary assessments and comments regarding the management board's risk assessment. There are also risk maps for the individual group companies and their functional units, which are used to “inventory” and evaluate the performance and personnel risks (core risk areas) of the functional units. The assessment of the core risk areas required for the risk assessment is conducted monthly by those responsible for risk management and is reported to the Board of Directors. This reporting is part of the monthly information provided to the Supervisory Board.

Overview of the core risk areas of the TELES Group:			Priority
1.	Strategic risks	Business area structure	3
2.	Market risks	Economic sales volumes and sales prices fluctuations	2
		procurement market	2
3.	Legal and political risks	Product liability	1
		Regulatory risks	2
4.	Corporate governance risks	Organizational structure, processes, and competencies	2
		Working atmosphere and motivation	2
		Leadership style	2
5.	Performance risks	Sales	1
		Development	1
		Service	1
6.	Personnel risks	Recruitment	2
		Human resources development	2
		Key people	2
7.	Other risks	Information technology risks	1

The above-mentioned seven core risk areas as well as the risk categories and individual risks of the TELES Group contained therein are prioritized and viewed qualitatively by the Board of Directors and the risk managers. For this purpose, based on the assessment of the Management Board and the risk manager, a qualitative assessment of the probability of occurrence is made according to “low” (0% - 25%), “medium” (26% - 75%) and “high” (76% - 99%) the qualitative assessment of the extent of risk or risk potential. For this purpose, a clustering is conducted into the categories unproblematic (green, “low”), in need of improvement (amber, “medium”) and critical (red, “high”). The assessment is initially conducted at the level of the group companies and is then consolidated for the assessment at the group level.

Due to the sale of the Telecommunications segment on October 1, 2023, the risk areas identified for the Telecommunications segment are only relevant for the period from January 1, 2023, to September 30, 2023. As a result of this measure, the group will no longer be exposed to the assessed risks from October 1, 2023.

Strategic risks

The costs of treatments and medicines in the healthcare system have been rising rapidly in Germany and other industrialized nations for years. The reasons for this are different: people are getting older, medical progress is making more complex treatment methods possible and risk groups need numerous expensive and new medications[7]. According to Christian Bredl (head of the TK regional representative in Bavaria), “the expenses of the statutory health insurance (GKV) for new and therefore patent-protected drugs have almost doubled within the last five years. While the GKV gross expenditure on patent-protected medicines was 14.6 billion euros in 2018, last year it was around twenty-eight billion euros. This now corresponds to almost half of total drug expenditure, even though the new drugs only account for six percent of total consumption.”[8]

The company's business activities are heavily influenced by government regulation and control. Any fundamental changes to the existing regulatory and other framework conditions as well as other legal changes, particularly in pharmaceutical law, could have a negative impact on the business operations of the TE-LES Group. Likewise, changes in the practice of authorities in enforcing existing legal regulations could have a negative impact.

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[7] (idw) Nachrichten 31.05.2023: Kostenexplosion im Gesundheitssystem

[8] TK-Presse 12.12.2023: Ausgaben für patentgeschützte Arzneimittel innerhalb von fünf Jahren verdoppelt

The Management Board assesses the risk as medium, as regulatory changes that cannot be influenced by the Group could have a negative impact.

Market risks

Market risks for the TELES Group arise from economic conditions and fluctuations in demand (economic sales volume fluctuations), from price changes (economic sales price fluctuations) and from dependence on suppliers and contract manufacturers (procurement market). Our activities in the markets outside the core DACH and European markets limit the impact of loss of demand on earnings but cannot completely shield the risks. This makes it difficult to make reliable forecasts for the further development of the TELES Group. We cannot conclusively estimate the extent to which our customers or our potential new customers are affected by the current Russia-Ukraine crisis and the subsequent energy crisis and whether purchasing decisions may be postponed or changed.

The Management Board assesses the risk for the TELES Group overall as medium. This assessment is based on the pharmaceutical segment's dependence on the availability of products on the procurement market as well as influences on business activities from price and demand fluctuations. In the telecommunications segment, however, the risk can be classified as low, particularly in the procurement market. In 2023, measures were taken to fundamentally avoid the risk by selling the telecommunications segment. This assessment is based on the business model, which is only partially dependent on the procurement market compared to the pharmaceutical segment.

Legal and political risks

Legal regulatory measures throughout the European Union as well as intense pressure on margins in the Specialty Pharma segment can have a negative impact on our sales and earnings situation. The original manufacturers are still trying to set quotas for individual European markets or use single-channel distributors to make exports more difficult. Furthermore, the original manufacturers try to make exports more difficult by maintaining high list prices and concluding subsequent discount agreements. There is also a fundamental risk that sales prices in the various EU countries will gradually align or that export bans will be issued in individual countries or for individual preparations.

The board assesses the risk as medium because EURO RX is not a pharmaceutical manufacturer, but rather acts as a highly automated pharmaceutical logistics company.

Risks from corporate governance – organizational structure, processes, and competencies

The TELES Group relies on four pillars to minimize risks from corporate governance: a) structures and processes through which objectives are to be achieved, b) evaluation of managers to continuously improve corporate management, c) corporate communication to ensure transparency and to gain and consolidate trust and d) to determine the overarching objectives of the company to establish a maxim for action. The risk is that company goals will not be achieved due to a lack of knowledge or communication of the company's overarching objectives.

Based on the experience of the past few years and the organizational structures that have been established, the Management Board assesses the risks from the organizational structure, processes, and competencies as low in terms of their probability of occurrence and as low in their extent.

Performance risks – sales and marketing

New product launches in particular pose challenges for our marketing and sales organization, as assumptions e.g., about the market and its circumstances may not materialize as expected. Based on this, our product launch concepts, and the planning or implementation of the sales strategy could turn out to be inappropriately timed or inefficient. Competitors whose marketing activities - including price competition - or advertised product characteristics exceed our efforts, represent a risk to the sales of our products. We counter these risks with a forward-looking analysis of scenarios and the development of suitable strategies, including for planned new launches products.

The Management Board considers the risk to be low because a regular market analysis is conducted and, in the event of a deviation, the approach to product launch is adjusted.

Personnel risks

The TELES Group, like any other highly specialized and knowledge-intensive company, is subject to special personnel risks that arise from the departure of employees. The knowledge of the employees is an asset of the TELES Group in many functions. The risk is that with the loss of employees, corresponding knowledge and experience can also be lost, causing processes to come to a standstill. The TELES Group therefore pays particular attention to the long-term loyalty of employees to the company. This is also the goal of the 2021 stock option program and the 2022 stock option program. TELES AG also recruits committed young employees through cooperation with universities as part of dual study programs.

In summary, the Management Board assesses the personnel risks as low given the low employee fluctuation. The personnel that were transferred to the buyer as part of the sale of the telecommunications segment on October 1, 2023, represent a planned workforce reduction as part of the transformation of TELES AG from a telecommunications company to a pure financial holding company. As a result, the management board's assessment of personnel risks has not changed.

Other risks - IT risks

The development and quality assurance of products, but also all other processes in the TELES Group, are highly dependent on IT hardware, software and systems, their availability and reliability. Data is also subject to external risks through infiltration, malware, unauthorized access to telecommunications networks and servers and pirated copies. We address this by continually improving the security of our systems, using redundant hardware and access restrictions.

Based on the experiences of the past few years as well as the organizational and technical measures put in place (e.g., raising employee awareness, use of VPN, two-factor authentication), the Management Board assesses the IT risks as low.

Potentially existential risks

All significant risks that could potentially jeopardize the results and existence of the pharmaceuticals segment are listed in a risk matrix. All risk potentials are assessed according to the probability of occurrence and effects on earnings and liquidity. The probabilities of occurrence are classified as “low” (0% - 25%), “medium” (26% - 75%) and “high” (76% - 99%). The following risk relevance classes and impacts are used for the individual risks:

Relevance	Risk relevance classes	Possible impact
Relevance 1	insignificant risk ("low") that causes hardly any noticeable deviations from the operating result.	± 10 %
Relevance 2	medium risk ("medium"), which causes a noticeable positive or negative impact on the operating result.	± 15 %
Relevance 3	significant risk (“medium”) that has a strong positive or negative impact on the operating result.	± 20 %
Relevance 4	serious risk ("high"), which in a positive case can more than double the operating result, but in a negative case it can be significantly reduced and lead to an annual loss.	± 35 %
Relevance 5	Risk ("high") that has a significant probability of more than quadrupling the operating result, but in the negative case can endanger the continued existence of the company.	± 50 %

A distinction is made between earnings and liquidity risks. The income risks include the risk categories sales, material costs and personnel costs:

Risk category	Risk	Relevance	Factors	Impact
Sales volume	Export	Relevance 4	Elimination due to Brexit	± 35 %
	Wholesale	Relevance 4	General increase in sales	± 35 %
	Diabetes products	Relevance 5	New business	± 50 %
	Pharmacies	Relevance 3	Special items (e.g., short expiry)	± 20 %
	Other	Relevance 5	Corona specific articles	± 50 %
	Sales volume		Overall risk	± 40 %
Material costs	RX	Relevance 2	Reduced due to loss of sales	± 15 %
	OTC	Relevance 5	Goods for new business	± 50 %
	Free	Relevance 5	Goods for new business	± 50 %
	Material costs		Overall risk	± 40 %
Personnel expenses	Personnel costs	Relevance 1	New hires, fluctuation	± 10 %
Pharma	Earnings risk	Risks for sales, cost of material and personnel costs		± 30 %

Liquidity risk	Bank transfer	Relevance 1	Self-payer	± 10 %
	Payment in advance	Relevance 1	Goods issue after payment	± 10 %
	Bank debit	Relevance 1	Taxable direct debit	± 10 %
	Liquidity risk		Overall risk	± 10 %

The overall risk for sales is made up of the individual risks with their respective relevance and the associated impact (here 20-50%). The assessment of the impact on the overall risk of ± 40% is based on experience from previous years.

The overall risk of material costs is made up of the individual risks with their respective relevance and the associated impact (here 15-50%). The assessment of the impact for the overall risk of ± 40% is based on experience from previous years.

The earnings risk is made up of the overall risks of sales, material, and personnel costs with the respective impact (here 10-40%). The assessment of the impact for the overall risk of ± 30% is based on experience from previous years.

Payments are made either by bank transfer, advance payment, or direct debit. The overall liquidity risk of ± 10% is based on experience from previous years.

In the Pharma segment, the earnings risk was ± 30% and the liquidity risk was ± 10% for 2023.

Management board's assessment of the overall risk situation

The assessment of the overall risk situation is the result of the consolidated consideration of all significant risk categories or individual risks. The overall risk situation has worsened compared to the previous year due to the ongoing Russia-Ukraine crisis and the resulting consequences for the global economy. The pharmaceutical market in Germany and the European Union (EU) is determined by many legal regulations. Changes in legislation can have a direct impact on the TELES Group's business. Our main challenges are the regulatory framework.

Entrepreneurial activities are fundamentally exposed to risks. For example, geopolitical and strategic conflicts can significantly dampen demand even in regions that are not directly affected. The events on the financial markets and the imbalance in national budgets, especially in some European countries, are weakening the economy and affecting the economic development of companies. New providers can also endanger the competitive position of the TELES Group.

In summary, TELES is convinced that the identified significant risks neither individually nor as a whole pose a concrete threat to the existence of TELES; TELES is building on the stable business model of EURO RX. The group-wide monitoring system is intended to quickly identify risks and make it possible to react to them in a timely manner and initiate countermeasures.

The Management Board considers the internal control systems and the risk management system set up to be appropriate and effective.

Opportunities Report

The healthcare market and especially the pharmacy market is and remains a growth market [9]. Through our specialization in the therapeutic areas of cancer, autoimmune deficiencies, and combination therapies in personalized medicine, we will participate in this growth for Specialty Pharma. On the procurement side, we can rely on a wide range of delivery options. To minimize business risks, we diversify our sources of supply. Due to the elevated level of automation, the EURO RX has a high inventory turnover and therefore a manageable capital commitment without excessive additional capital requirements (working capital)

Financing the continuation of the company

The liquidity of the company and the group is strained: Through the sale of the telecommunications segment on October 1, 2023, TELES AG has been transformed into a pure financial holding company. Sales and earnings (EBIT) in the telecommunications segment did not meet expectations. Against this background, TELES AG, as a pure financial holding company, will not generate any independent income surpluses or liquidity in the future. Rather, TELES AG was dependent on extensive loans from the group subsidiary EURO RX. The loans of EUR 2 million were deferred in December 2023 until June 20, 2026. In addition, TELES AG has received loan commitments of EUR 0.6 million from related parties until December 20, 2025. The Board of Directors considers the financial resources available within the TE-LES Group to be sufficient to cover the expected financial resources needs of TELES by the end of 2025. In doing so, the Management Board also considers the possibility of strengthening the company's earnings and liquidity situation through group contributions, profit distributions and/or loans through the subsidiary EURO RX

[9] Statista 09.2023: [Marktprognose Apotheken - Europa 2024-2028]

Arzneimittel GmbH. The long-term expectations for TELES AG are positive, so that liabilities within the group can also be settled. To finance further growth, the board of directors plans to increase the company's share capital against cash contributions in 2024. These cash contributions, together with the existing Authorized Capital 2021/I and Authorized Capital 2022/I, create the opportunity for the TELES Group to strengthen the Group and reduce its dependence on outside capital through appropriate M&A measures.

The continued existence of the company and thus the group depends on the planned sales of the group subsidiary EURO RX for the coming months not being sustainably undercut and the promised additional financial resources of EUR 0.6 million being sufficient or being increased if necessary. The risks in this context are whether EURO RX will be able to grow with positive margins again in the future, generate positive earnings surpluses and free liquidity and be able to provide the support contributions necessary for TELES AG without its own development to endanger.

Business planning naturally involves risks and uncertainties. It is based on current assumptions, expectations, estimates and projections of TELES, which were made or considered to the best of our knowledge and belief and considering commercial principles. In this respect, deviations from plan cannot be ruled out.

Given the risks presented, there is significant uncertainty regarding the continuation of the company's and the Group's business activities.

Forecast report

The forward-looking statements and information described below are based on the expectations and assessments of the Management Board when preparing the combined management report. They therefore involve a number of risks and uncertainties. Many factors, many of which are beyond the control of the TELES Group, impact the business activities and earnings development of the TELES Group and TELES AG.

The actual business development may differ from the forecasts due to, among other things, the opportunities and risks described above. Development depends on a variety of economic, social, and regulatory factors and can be negatively influenced by increasing uncertainties, such as the effects of global war situations or a deterioration in the economic and regulatory framework.

According to DRS 20.127, the forecast period is one year from the balance sheet date of December 31, 2023.

Overall economic and industry-related situation

Global growth prospects are expected to deteriorate slightly in 2024 compared to 2023. The IMF expects global growth to moderate to 3.0% in 2023 and 2.9% in 2024 (from 3.5% in 2022).[10] In its economic forecast for December 2023, the Ifo Institute cut its forecast for German economic growth in 2024 from 1.4% to 0.9%.[11] The Management Board expects moderate growth for the core markets for the full year 2024.

According to the IQVIA Institute for Data Science, the global pharmaceutical market will expand[12] develop at growth rates until 2024 as before the pandemic. Global spending on pharmaceuticals is expected to be $497 billion (€456 billion) higher between 2020 and 2027 than before the pandemic[13].

Forecast

The transformation into a pure pharmaceutical company was completed in 2023. For 2024, we expect a slight increase in incoming orders and thus a slight increase in sales. Given the stable prices and therefore achievable margins, we expect a constant gross profit margin. After the sale of the telecommunications segment, we expect significantly reduced personnel expenses and significantly reduced other operating expenses. The financial result will fall slightly due to the current interest rate situation. Nevertheless, we expect EBIT to rise significantly for the 2024 fiscal year.

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[10] BMWK 28.11.2023: Der Welthandel wächst sehr langsam
[11] Ifo-Institut 14.12.2023: ifo Institut kürzt Prognose fürs Wachstum 2024 auf 0,9 Prozent
[12] IQVIA: The Global Use of Medicines 2023. Outlook to 2027
[13] IQVIA: The Global Use of Medicines 2023. Outlook to 2027

Overall statement about the forecast

Due to developments in connection with the Russia-Ukraine crisis, the plans and forecasts made are subject to uncertainty. Due to the still prominent level of uncertainty that has gripped society, politics, and the economy, it is impossible to estimate to what extent this crisis could lead to a global recession. Against this background, the Management Board cannot foresee to what extent the assumed premises and the forecast derived from them will materialize. Regardless, all findings up to the date of preparation of the management report have been considered in the forecast.

Key figures of the TELES Group (IFRS)

TELES Group in thousand Euro	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	Change
Sales revenues	**59,280**	**73,372**	**-19%**
Cost of materials	55,953	70,230	-20%
Personnel expenses	2,134	2,721	-22%
Other income	172	141	22%
Other expenses	2,771	1,681	65%
Operating result/EBIT	**-2,425**	**-17,660**	**86%**
EBITDA	-1,405	-1,118	-26%
Financial result	-591	-327	-81%
Result after tax from continued operations	-2,881	-16,942	83%
Result after tax from discontinued operations	0	305	-100%
Group result	**-2,880**	**-16,637**	**83%**

Key figures of TELES AG (HGB)

TELES Aktiengesellschaft, Berlin in thousand EUR	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022	Change
Sales revenues	**1,311**	**1,921**	**-32%**
Other operating income	358	240	49%
Personnel expenditures	1,222	1,987	-39%
Other operating expenses	2,039	1,363	50%
Operating result (EBIT)	**-1,816**	**-1,535**	**-18%**
EBITDA	-1,807	-1,499	-21%
Financial result	**-77**	**-400**	**81%**
Net loss	**-1,893**	**-1,695**	**-12%**

Information in accordance with Section 289a of the German Commercial Code (HGB), Section 315a

Composition of the subscribed capital

The fully paid-up share capital consists of 6,233,418 no-par value shares with a calculated value of EUR 1.00 each. Each share grants one vote. There are no other classes of shares.

Restrictions on voting rights or transfer of shares

The company's management board is not aware of any restrictions affecting voting rights or the transfer of shares.

Direct or indirect shareholdings in the capital that exceed 10% of the voting rights.

Mr. Frank Riemer, Wedemark, Germany, holds 29.90% of the voting rights in TELES AG as of the balance sheet date.

TRONTEC SOLUTIONS GmbH, Berlin, Germany, holds 16.04% of the voting rights of TELES AG as of the balance sheet date and is 100% held by Ms. Wietje Riemer, whereby her voting rights are attributed to her in accordance with Section 22 Paragraph 1 Sentence 1 No. 1 WpHG.

Dirado Vermögensverwaltungs GmbH, Berlin, Germany, holds 14.32% of the voting rights of TELES AG as of the balance sheet date and is 100% held by Mr. Wolfgang Schulz, which means that he is granted their voting rights in accordance with Section 22 Paragraph 1 Sentence 1 No. 1 WpHG. be calculated.

In addition, to the company's knowledge, there are no other direct or indirect investments in the capital that exceed 10% of the voting rights.

Shares with special rights; Control powers

There are no shares with special rights that confer control powers.

Voting rights control

There is no control of voting rights within the meaning of Section 315a Paragraph 1 No. 5 HGB.

Regulations on the appointment and dismissal of members of the board of directors and on changes to the statutes

According to Section 6 of the Articles of Association, the Board of Directors consists of one or more people. The determination of the number within the framework of the regulation as well as the appointment and revocation of the appointment are conducted by the Supervisory Board, as is the appointment of a member of the Executive Board as Chairman of the Executive Board. Otherwise, the appointment and dismissal of members of the Executive Board is governed by Sections 84 and 85 AktG.

Changes to the Articles of Association are based on Sections 179 and 133 AktG, whereby the Supervisory Board is authorized in accordance with Section 14 of the Articles of Association to decide on changes to the Articles of Association that only affect their wording.

Powers of the Board of Directors regarding the possibility of issuing or buying back shares

Authorized capital

By resolution of the Annual General Meeting on December 17, 2021, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital once or several times by up to a total of EUR 2,184,813.00 against cash and/or contributions in kind by December 31, 2025, of up to 2,184,813 new bearer shares (Authorized Capital 2021/I).

By resolution of the Annual General Meeting on May 30, 2022, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital once or several times by up to a total of EUR 931,896.00 against cash and/or contributions in kind by December 31, 2026, of up to 931,896 new bearer shares (Authorized Capital 2022/I).

Conditional capital

By resolution of the Annual General Meeting on December 17, 2021, the Board of Directors is authorized to issue up to 436,962 subscription rights ("stock options") by December 31, 2025, which in total can be used to subscribe to up to 436,962 no-par value bearer shares of TELES AG with one to issue a pro rata amount of the share capital in the amount of EUR 1.00 each (Conditional Capital 2021/I).

By resolution of the Annual General Meeting on May 30, 2022, the Board of Directors is authorized to issue up to 186,379 subscription rights ("stock options") by December 31, 2026, which in total can be used to subscribe to up to 186,379 no-par value bearer shares in TELES AG with one to issue a proportionate amount of the share capital in the amount of EUR 1.00 each (Conditional Capital 2022/I).

Significant agreements of the company that are subject to a change of control because of a takeover offer

Such agreements do not exist.

Declaration of compliance with corporate governance and declaration of corporate governance

The Executive Board and Supervisory Board report annually on the company's corporate governance in the Corporate Governance Report in accordance with Principle 22 of the German Corporate Governance Code in the version dated April 28, 2022. Like the declaration of compliance in accordance with Section 161 AktG, this is part of the declaration on corporate governance in accordance with Section 289 f HGB. The German Corporate Governance Code is intended to make the rules for company management and monitoring applicable in Germany transparent for national and international investors.

The term corporate governance stands for responsible management and control of companies aimed at long-term value creation. Efficient cooperation between the board of directors and the supervisory board, respect for shareholder interests, and openness and transparency of corporate communications are essential aspects of good corporate governance. TELES publishes all information on the articles of association, the rules of procedure for the supervisory board and the board of directors, the declaration of the German Corporate Governance Code as well as for the remuneration of the Supervisory Board and Board of Directors on the website under the Corporate Governance section (www.teles.com/investor-relations/corporate-governance).

The Management Board and Supervisory Board of TELES see themselves as having an obligation to ensure the continued existence of the company and sustainable value creation through responsible and long-term corporate management. The recommendations of the German Corporate Governance Code in its current version serve as a guiding principle. After due examination, the Executive Board and Supervisory Board most recently issued the following declaration of compliance in accordance with Section 161 AktG in March 2024:

Declaration by the Executive Board and the Supervisory Board of TELES AG on the German Corporate Governance Code in accordance with Section 161 AktG

TELES complies with all recommendations of the “Government Commission on the German Corporate Governance Code” published by the Federal Ministry of Justice in the official section of the Federal Gazette in the version dated April 28, 2022, and will continue to comply with them in the future, with the following exceptions:

- Recommendation A.4, to provide the opportunity to provide protected information about legal violations in the company in an appropriate manner, is not fully complied with. TELES has set up a system for employees and business partners but has not granted access to third parties.
- Recommendation B.2 that the Supervisory Board and Executive Board ensure long-term succession planning will not be complied with in the 2023 fiscal year. The supervisory board and management board fundamentally agree with the recommendation.
- The recommendations in B.5 and C.2 for setting an age limit for the Executive Board and Supervisory Board are not being complied with. TELES does not set an age limit for the Executive Board and the Supervisory Board, as the company should in principle also have the expertise of experienced Executive Board and Supervisory Board members at its disposal and exclusion based solely on age does not appear appropriate to the Executive Board and Supervisory Board.
- Recommendation C.1 to create a formalized qualification matrix is not complied with. The details that can also be found in the published information on the professional qualifications and experience of its members prove that the Supervisory Board has the skills profile required for its tasks. These include his qualifications and experience in corporate management, auditing, and accounting as well as skills in various legal areas. The business areas in which TELES AG and its subsidiaries operate do not affect any “significant sustainability issues” to which recommendation C.1 refers. Nevertheless, the Supervisory Board also has sufficient sensitivity and competence in matters of diversity and sustainability to ensure that these principles are observed in corporate management.
- Mr. Markus Gernot Schmieta (Deputy Chairman of the Supervisory Board) is a partner at SK Treuhand Dr. Schmieta + Partner mbB, which has a business relationship with TELES subsidiaries. Nevertheless, the Supervisory Board considers Mr. Schmieta to be particularly suitable and independent due to his professional experience (see recommendation C.8).
- The recommendations in D.2 to D.4 are not followed. Accordingly, the company's supervisory board should elect technically qualified committees. The TELES Supervisory Board currently consists of three members and therefore represents a micro-committee. Since the members as a whole - in addition to their other duties - also deal with the committee issues mentioned in the Code, the formation of committees is not considered suitable is considered to increase the efficiency of the supervisory board's

work and is therefore not planned. In this respect, the chairman of the supervisory board also has the chairmanship if the supervisory board is concerned with monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system as well as the audit of the financial statements, in particular the independence of the auditor and the additional services provided by the auditor.

- Recommendation F.2 is not complied with. Accordingly, the company should publish the consolidated financial statements and group management report within 90 days of the end of the fiscal year. The release is scheduled for April 2024.
- The principle in recommendation G.6 that when remunerating the Executive Board, the variable remuneration resulting from the achievement of long-term goals should exceed the proportion from short-term goals is fundamentally agreed. The Supervisory Board is of the opinion that in the company's current development phase, a greater emphasis on short-term goals serves the sustainable and long-term development of the company.

The declaration of compliance with the German Corporate Governance Code is published on the company's website at https://www.teles.com/investor-relations/corporate-governance

Management and corporate structure

The corporate governance of TELES as a listed German stock corporation is determined by the requirements of the Stock Corporation Act and the German Corporate Governance Code in its current version as well as by the provisions of the Articles of Association. In accordance with its legal form, TELES, with its executive board and supervisory board, has a two-tier management structure, which is characterized by a strict separation of personnel between the management and supervisory bodies. The third body is the general meeting, in which the shareholders exercise their rights. All three bodies are committed to the well-being of the company.

In accordance with the statutes, the supervisory board elected by the general meeting consists of three members. The term of office of the supervisory board is usually five years. The Supervisory Board monitors and advises the Board of Directors in the management of business. The Supervisory Board discusses business development, planning, strategy, and its implementation at regular intervals. He discusses the quarterly and semi-annual reports with the Board of Directors before they are published and approves the annual planning and annual financial statements. In doing so, he considers the auditor's report. The supervisory board's area of responsibility also includes the appointment of board members as well as the determination of board remuneration and its regular review. No separate committees will be formed.

The Board of Directors is the company's management body and currently consists of one person. The Board of Directors manages the company on its own responsibility with the aim of sustainable value creation. The principle of overall responsibility applies, i.e., the members of the Board of Directors share responsibility for the entire management, regardless of departmental responsibility. The Executive Board is bound by the provisions of the rules of procedure approved by the Supervisory Board. This regulates the matters reserved for the entire Executive Board and contains a list of matters of fundamental importance that require the consent of the Supervisory Board. The Management Board develops the corporate strategy and ensures its implementation in coordination with the Supervisory Board. It is also responsible for preparing the quarterly and annual financial statements and for filling key personnel positions in the company.

The general meeting is the organ for forming the will of our shareholders. The annual financial statements are presented to our shareholders at the general meeting. The shareholders decide on the use of the retained earnings and vote on other issues determined by law and the articles of association. Each share has one vote. Those shareholders who register in suitable time and who are shareholders of the company at the beginning of the 21st day before the general meeting (record date) are entitled to participate in the general meeting. Our shareholders can also have their voting rights exercised at the Annual General Meeting by an authorized third party or a voting representative appointed by the company who is bound to instructions. You can also exercise your voting rights by postal vote.

Control systems

The internal control systems support management in monitoring and controlling the company and the business areas. The systems consist of planning, actual and forecast calculations and are based on the company's strategic planning, which is revised annually. Market developments, technological developments and trends, their influence on the company's own products and services as well as the financial possibilities of the company are considered.

The reporting includes monthly profit and loss calculations, the monthly order and liquidity situation as well as quarterly reports and presents the asset, financial and earnings situation of the company and the company divisions. The financial reporting is supplemented by further detailed information that is necessary for assessment and control of the operational business are necessary. Another component of the control systems are quarterly reports on the company's key risks. The reports mentioned are discussed in the meetings of the Executive Board and Supervisory Board and represent an essential basis for assessment and decision-making.

The company's operating business is controlled using the metrics incoming orders, sales, and profit for the period.

Women in leadership positions

In accordance with Section 111 (5) AktG, the Supervisory Board has set a target of "zero" by June 30, 2025, for increasing the proportion of women on the Executive Board and Supervisory Board.

In accordance with Section 76 (4) AktG, the Management Board has also set target figures for the two management levels below the Executive Board with a deadline of June 30, 2025. A target of "zero" was set for the first level below the Executive Board. This reflects the status quo.

Due to the small size of the company with currently stagnating to declining numbers of employees, which leads to increased staff union between different management functions across several hierarchical levels, and the current economic situation of TELES, an increase in the proportion of women in the current situation is possible unlikely as of June 30, 2023. Nevertheless, when filling vacant positions, TELES will always endeavor to consider women who have the same professional qualifications.

Declaration by the legal representatives in accordance with Section 289 Paragraph 1 Sentence 5 HGB and Section 315 Paragraph 1 Sentence 6 HGB

I certify to the best of my knowledge that, in accordance with the applicable accounting principles, the annual financial statements and the consolidated financial statements provide a true and fair view of the asset, financial and earnings situation of the company and the group and are included in the combined management report of the companies. business development including the business results and the situation of the company, and the group are presented in such a way that a picture that corresponds to the actual circumstances is conveyed and the main opportunities and risks of the expected development of the company and the group are described.

Berlin, April 8, 2024
TELES AG

Sascha Knoche
Chief Executive Officer

TELES AG compensation report for 2023

This remuneration report describes the individual remuneration granted and owed to the incumbent members of the Executive Board and Supervisory Board of TELES AG in the 2022 fiscal year. The report describes in detail and individualizes the structure and amount of the individual components of the Executive Board and Supervisory Board remuneration. The remuneration report was prepared jointly by the Executive Board and Supervisory Board and is based on the requirements of the German Stock Corporation Act (Section 162 AktG) and corresponds to the applicable recommendations of the German Corporate Governance Code (DCGK). Clear, understandable, and transparent reporting is particularly important to both the Executive Board and the Supervisory Board.

A detailed description of the remuneration systems for the members of the Executive Board and Supervisory Board of TELES AG can be found on our website https://www.teles.com/investor-relations/corporate-governance.

Berlin, April 8, 2024

Joachim Schwarzer	Sascha Knoche
Chairman of the Supervisory Board	Chief Executive Officer

Remuneration of the Management Board TELES

Considering the requirements of Section 87a, Paragraph 1 of the German Stock Corporation Act, the Supervisory Board decided on a new remuneration system for the Management Board members of TELES AG Informationstechnologien with effect from April 1, 2020, and the remuneration system for the Annual General Meeting on December 17, 2021, under an agenda item 7 submitted for approval. The Annual General Meeting approved the remuneration system for the members of the Management Board with a large majority of 99.24% of the valid votes cast. Pursuant to Section 120a (1) Sentence 1 AktG, the Annual General Meeting decides on the approval of the remuneration system for the members of the Management Board presented by the Supervisory Board for every significant change in the remuneration system, but at least every four years, based on the first listing in 2020, i.e., at the latest in the Annual General Meeting 2025.

Overview of Management Board compensation in the 2023 fiscal year

The following table provides a general overview of the components of the compensation system applicable to the 2023 fiscal year for the members of the Management Board (2023: Oliver Olbrich, 2022: Oliver Olbrich), the structure of the individual compensation components and the underlying objectives for the promotion of change in the long-term development of the company:

Part	Objective	Arrangement
Non-performance-based remuneration (41% to 69% of target total remuneration)		
Base salary	Should reflect the role and area of responsibility in the board of directors. Should secure a reasonable basic income and prevent entering unreasonable risks	- Annual base salary - Payment in twelve monthly installments - Chairman of the Board EUR 180,000
Fringe benefits		- Company car

Part	Objective	Arrangement
Performance-related remuneration (31% to 59% of target total remuneration)		
Annual variable compensation (STI)	Intended to support profitable growth, considering the overall responsibility of the board and the individual performance of board members	- EBIT-Growth - Target amount for 100% target achievement in - CEO EUR 90.000
Multi-year variable remuneration (LTI)	Should be a sustainable absolute and promote a positive development of the company's value - while at the same time linking the interests of the board members with those of the shareholders	- Allocation of 55,000 stock options with a term of at least four years in 2022 to CEO - Exercise price EUR 2.00 - Success target EUR 4.00 - Performance dependent on the 30-day average price of the TELES share at the end of the term

Maximum remuneration according to Section 87a (1) sentence 2 no. 1 AktG	Should avoid uncontrollably high withdrawals	Reduction of variable remuneration if the maximum limit for a fiscal year is exceeded: - Chairman of the Board: EUR 750,000 - Full board member: EUR 500,000

Malus and Clawback rule	Serves to protect the corporate interest	Possibility for the Supervisory Board to withhold STI and LTI or to reclaim compensation already paid

Benefits in the event of termination of employment		
Consensual Termination	Should avoid unreasonably high severance payments	- Severance pay limited to the remaining term of the employment contract or a maximum of two annual salaries (severance pay limit)
Post-contractual non-competition clause	Serves to protect the corporate interest	- Currently no post-contractual non-competition clause - The Supervisory Board can provide for a post-contractual non-competition clause for up to two years for newly concluded or extended Management Board service contracts with the payment of a waiting allowance of 50% of the last contractual salary
Change of control	Should ensure independence in takeover situations	- The current Management Board contracts do not provide for any special regulations - When concluding new contracts with members of the Management Board (first appointment) or extending them, the following special regulations can be agreed in the event of a change of control, but no additional compensation can be agreed. - In the event of a change of control, the member of the Management Board has the right to resign from office with three months' notice. At this point, the employment contract also ends.

Variable Management Board remuneration in the 2023 fiscal year

The variable remuneration of the members of the Executive Board is intended to pro-vide the right incentives for the Executive Board to act in the interest of corporate strategy and stakeholders and to achieve long-term goals in the long term. The performance-related variable remuneration components are the STI, each with a term of one (financial) year, and the LTI with a term of four years.

If the sum of the payments from a fiscal year exceeds the maximum remuneration, the last remuneration component to be paid out - usually a variable, performance-related remuneration component - is reduced accordingly.

Annual Variable Compensation (STI)

As part of the short-term incentive, a bonus payment to the members of the Executive Board is planned if certain ambitious goals set by the Supervisory Board are achieved.

a. Targets and Calculation

Each Management Board member can receive an amount of up to 100% of the agreed variable remuneration as an STI, depending on the achievement of the defined targets. The specific targets and the calculation of their share in the STI are structured as follows:

EBIT growth: 100% of the STI can be achieved through growth in EBIT (before special items) compared to the previous year by a percentage determined by the Supervisory Board.

The share of short-term variable compensation below the STI in the target total compen-sation is 10% to 21%.

b. Key figures and other regulations

For EBIT growth, the annual financial statements prepared and audited in accordance with HGB are binding for TELES. Payments under the STI are owed pro rata temporis if a board member's contract term begins or ends during the year. The respective payment amount under the STI is due for payment by the last day of the month following the approval of the annual financial statements for the past fiscal year.

c. Target achievement of one-year variable remuneration (STI)

At the end of the fiscal year, the Supervisory Board evaluates the achievement of individual goals (EBIT growth). Based on the goals achieved, this results in a total target achievement level of 0.0% for the members of the Management Board for the 2022 fiscal year. This results in the annual bonus for 2023 shown in the table below for the individual members of the Board of Management.

Amount of annual variable remuneration (STI)	
Chief Executive Officer	in EUR
Oliver Olbrich	0,00

Multi-year variable remuneration (stock option plan 2021)

The variable long-term compensation at TELES for Management Board members con-sists of a stock option plan (Long-Term Incentive Program, "LTIP" or "stock option plan"). The share of long-term variable compensation under the LTIP in the total target compensation is between 21% and 38%.

TELES pursues a remuneration policy geared to the interests of the shareholders in the sense of the "shareholder value principle". The aim is to increase the value of the shareholders' participation in the long term, expressed by increasing the value of the company's shares. Both managers and employees should be incentivized to achieve this goal. Because a sizable portion of the total target compensation consists of long-term variable compensation in the form of stock options, the corporate strategy is aligned with sustainable corporate growth, including the creation of added value for shareholders and all stakeholders.

a. Granting

As part of the stock option plan, members of the Management Board are entitled to options on shares in TELES. By means of a contractual agreement with each member of the Management Board ("Subscription Rights Agreement"), the Management Board member receives the right to purchase an individually agreed number of no-par value bearer shares in TELES ("No-par value shares") at an exercise price of EUR 2.00 (" exercise price") after expiry of the respective waiting period and if the performance target has been met in accordance with the provisions of the subscription rights agreement ("stock options"). The performance target provides for a significant increase in the share price of the TELES share above the price at the time the options were granted.

The stock options can be issued annually in one-off or multiple tranches by the Supervisory Board. For the purposes of the compensation system, these stock options are distributed annually in one-time or multiple tranches.

There were no changes to the conditions regarding shares and stock options in the past fiscal year.

b. Exercisability and goal of success

The four-year waiting period ("waiting period") begins on the day the stock options are issued. The respective Management Board member can only exercise the stock options after the waiting period has expired. Exercise of the stock options is only permitted regarding a contractually agreed minimum number.

The stock options can be exercised within an exercise period of seven years, which begins when the waiting period expires ("exercise period"). If the option rights are not exercised by the beneficiary by the end of the exercise period, the option rights expire without replacement.

The prerequisite for exercising the stock options is that the performance target has been reached within a period of thirty stock exchange trading days before the end of the waiting period. The performance target is achieved when the closing price of the company share in XETRA trading (or a comparable successor system of the Frankfurt Stock Exchange) reaches or exceeds EUR 4.00 on thirty consecutive stock exchange trading days (“success target”).

c. Miscellaneous

Further blocking periods or share holding periods (such as Share Ownership Guidelines) are not planned at TELES.

If the employment relationship is terminated by the company or the Management Board member or if the executive body or employment relationship is otherwise terminated for whatever reason ("termination"), that part of the stock options for which the respective waiting period is still valid expires has not expired. As part of the stock option plan, it is envisaged that the stock options allocated will be exercised by the end of December 31. one quarter of the total number of stock options granted vest after one year (so-called vesting).

d. Impact of the 2021 stock option plan in the 2023 fiscal year

No stock options from the 2022 stock option plan were issued or promised in 2023.

Multi-year variable remuneration (stock option plan 2022)

At TELES, the variable long-term remuneration for board members consists of a stock option plan (Long-Term Incentive Program, “LTIP” or “stock option plan”). The share of long-term variable compensation under the LTIP in the target total compensation is 0%.

TELES pursues a remuneration policy that is aligned with the interests of shareholders in the sense of the “shareholder value principle”. The aim is to increase the long-term value of the shareholders' investment, expressed by increasing the value of the company's shares. Both managers and employees should be incentivized towards this goal. Because a sizable portion of the target total compensation consists of long-term variable compensation in the form of stock options, the corporate strategy is strongly aligned with sustainable corporate growth including the creation of added value for shareholders and all stakeholders.

a. granting

As part of the stock option plan, members of the Executive Board are entitled to options on TELES shares. Through a contractual agreement with each member of the Executive Board ("subscription rights agreement"), the Executive Board member receives the right to purchase an individually agreed number of bearer shares of TELES ("No-par Shares") at an exercise price of EUR 5.50 (" exercise price") after the expiry of the respective waiting period and upon fulfillment of the performance target in accordance with the provisions of the subscription rights agreement ("stock options"). The success target envisages a significant increase in the share price of the TELES share above its price at the time the options were granted.

The stock options can be issued annually in one-off or multiple tranches by the Supervisory Board. For the purposes of the compensation system, these stock options are distributed annually in one-time or multiple tranches.

There were no changes to the conditions regarding shares and stock options in the past fiscal year.

b. Exercisability and goal of success

The four-year waiting period ("waiting period") begins on the day the stock options are issued. The respective board member can only exercise the stock options after the waiting period has expired. Exercising the stock options is only permitted for a contractually agreed minimum number.

The stock options can be exercised within an exercise period of seven years, which begins when the waiting period expires ("exercise period"). If the option rights are not exercised by the beneficiary by the end of the exercise period, the option rights expire without replacement.

The prerequisite for exercising the stock options is that the performance target has been achieved within a period of thirty trading days before the end of the waiting period. The success target is achieved when the closing price of the company's shares in XETRA trading (or a comparable successor system on the Frankfurt Stock Exchange) reaches or exceeds the amount of EUR 12.00 on thirty consecutive trading days ("success target").

c. Miscellaneous

Further blocking periods or share holding periods (such as share ownership guidelines) are not provided for at TELES.

If the employment relationship is terminated by the company or the board member or if the board or employment relationship is otherwise terminated for whatever reason ("termination"), that part of the stock options for which the respective waiting period remains until termination expires has not expired. As part of the stock option plan, it is stipulated that the stock options allocated will expire at the end of December 31st. After a year, a quarter of the total stock options granted vest (so-called vesting).

d. Impact of the 2022 stock option plan in the 2023 fiscal year

No stock options from the 2022 stock option plan were issued or promised in 2023.

Amount of Management Board remuneration in the 2023 fiscal year

Remuneration granted and owed as well as promised benefits in the 2023 fiscal year

The tables below show the remuneration (inflows) granted and owed to each individual member of the Management Board in the 2023 fiscal year, as well as the contractual remuneration Grants for the 2023 fiscal year presented individually. According to the provisions of Section 162 AktG, the amounts that were due in the reporting period and have already been received by the individual Management Board member or for which the payment due has not yet been made are to be stated as remuneration granted and owed (inflows). There were no deviations from the Management Board remuneration system in the past fiscal year.

Compensation granted and owed (allocation)				
	Oliver Olbrich, Chief Executive Officer			
	2023		2022	
	in thousand EUR	in %	in thousand EUR	in %
Base salary	190	95	190	95
Fringe benefits	10	5	10	5
Total	**200**	**100**	**200**	**100**
Annual variable compensation	0	0	0	0
Multi-year variable remuneration	0	0	0	0
Total	**0**	**0**	**0**	**0**
Severance payment	0	0	0	0
Total Compensation	**200**	**100**	**200**	**100**

Contractual Benefits

As a "contractual benefit", the variable remuneration in the sense of the model table previously contained in the German Corporate Governance Code is shown with the value at the time of the commitment (corresponds to a target achievement of 100%) for the respective fiscal year. The remuneration elements are supplemented by details of individually achievable minimum and maximum remuneration. In the past fiscal year, there was no remuneration for a member of the Board of Management that was promised by a third party regarding his work as a member of the Board of Management or that was granted in the fiscal year.

Contractual Benefits				
	Oliver Olbrich, Chief Executive Officer			
in thousand EUR	2023	2022	2023 (min.)	2023 (max.)
Base salary	190	190	190	190
Fringe benefits	10	10	10	10
Total	**200**	**200**	**200**	**200**
Annual variable compensation	0	0	0	90
Multi-year variable remuneration	0	0	0	0
Total	**0**	**0**	**0**	**290**
Severance payment	0	0	0	0
Total Compensation	**200**	**200**	**200**	**290**

Information on the relative development of Executive Board remuneration, the remuneration of the other employees and the development of earnings of the company.

Development of the remuneration of the Management Board in relation to the remuneration of the workforce and the development of earnings of the company	
in %	Change 2023 to 2022
Management Board	
Oliver Olbrich	0
Earnings metrics	
EBIT	86
Sales volume	-19
Workforce (all employees on a full-time basis (FTE))	-22

Compliance with remuneration caps

For the 2023 fiscal year, in addition to the maximum amounts for the one-year and multi-year variable remuneration in accordance with Section 87a (1) sentence 2 no. 1 AktG, there is also a maximum amount for the remuneration for the fiscal year (including fringe benefits). This maximum remuneration is EUR 750,000 for the CEO and EUR 500,000 for an ordinary member of the Management Board and relates to the actual expenditure or the actual payment of the remuneration promised for a fiscal year. If the remuneration for the 2023 fiscal year exceeds the stated maximum, the variable remuneration will be reduced accordingly.

Since the expense amount for the multi-year variable remuneration component is only available in the third year after the end of the reporting year due to the four-year performance period, compliance with the maximum remuneration for the 2022 fiscal year can only be finally reported in the remuneration report for the 2025 fiscal year.

The promised and granted remuneration components correspond to the agreed remuneration system.

Malus and Clawback Policy

The Supervisory Board has the option of reducing annual and multi-year variable remuneration in cases of intentional or grossly negligent violation of legal obligations or violation of internal company guidelines (compliance penalty and Clawback) or in cases in which variable remuneration components that are linked to the achievement of certain goals, have been wrongly paid out based on incorrect data (performance Clawback), withheld or reclaimed.

The assertion of the claim for repayment or retention is at the due discretion of the Supervisory Board.

In the 2023 fiscal year, the Supervisory Board did not make use of the option to withhold or reclaim variable remuneration components.

Benefits in the event of termination of employment

a. severance pay cap

In the event of premature termination of the contract, which is not caused by an important reason or a change of control, the company will, in accordance with the recommendation of the German Corporate Governance Code, not pay more than the value of the claims for the remaining term of the contract, whereby the payments may not exceed two annual salaries (severance payment cap). The calculation of the maximum severance payment is based on the amount of the annual remuneration, which is made up of the basic remuneration and the target values for the one-year and multi-year variable remuneration; Benefits in kind and fringe benefits are not considered. This currently results in a maximum severance payment of EUR 1,000,000 per year for a full member of the Management Board and EUR 1,500,000 for the Chairman of the Management Board.

No additional benefits have been promised to the Management Board in the event of regular termination of their duties on the Management Board.

b. post-contractual non-competition clause

No post-contractual non-competition clauses have been agreed in the current Management Board service contracts.

The Supervisory Board can provide for a post-contractual non-competition clause for up to two years for newly concluded or renewed Management Board service contracts. For the duration of the non-competition clause, a waiting allowance of 50% of the last contractual salary is to be paid to the respective member of the Management Board. Other income from work received during the period of the non-competition clause will be offset against the compensation, as far as the compensation, including other income, would exceed the last contractual remuneration received. In addition, other contractual severance payments to a member of the Management Board are offset against the waiting allowance.

The Supervisory Board has the option of agreeing such a clause – also in individual cases – in the future. If a post-contractual non-competition clause is agreed as part of the termination, it is contractually agreed that a severance payment will be offset against a waiting allowance.

c. Change of control

When concluding new contracts with members of the Management Board (first appointment) or extending them, the following special regulations can be agreed in the event of a change of control, but no additional severance payment can be agreed.

In the event of a change of control, the Management Board member has the right to resign from office with three months' notice. The employment contract also ends now.

A change of control occurs when:

- the company's shares are removed from stock exchange trading on a regulated market (delisting).
- the appointment of the Management Board member ends because of a change of legal form of the company or a merger of the company with another company unless the Management Board member is offered an appointment as a member of the Management Board in the new company on the same economic terms as before.

- a corporate agreement is concluded with TELES as a dependent company in accordance with Sections 291 et seq. AktG or the company is incorporated in accordance with Sections 319 et seq. AktG.

The current Management Board contracts do not provide for any of the special regulations presented.

Remuneration of the Supervisory Board of TELES

In accordance with Article 13 of the Company's Articles of Association, the Annual General Meeting determines the level of remuneration for the members of the Supervisory Board. Before 2021, the Annual General Meeting on August 28, 2007, had last decided on the remuneration of the Supervisory Board. In 2021, the Supervisory Board decided on an adjusted remuneration system for the members of the Supervisory Board with effect from January 1, 2021. The remuneration of the members of the Supervisory Board, including the system on which this remuneration is based, was approved in accordance with Section 113 (3) AktG by resolution of the ordinary general meeting on December 17, 2021, with a large majority of 99.24% of the valid given votes confirmed. All fixed and variable remuneration components correspond to the relevant remuneration system. Due to the current development phase of the company, the variable remuneration components are currently set to a short-term target (positive net income without extraordinary business events). The variable additional remuneration is limited to the amount of the basic remuneration. The Supervisory Board has no entitlement to shares or stock options.

Compensation system of the Supervisory Board

For fiscal years beginning January 1, 2021, the remuneration of the Supervisory Board is determined as follows:

(1) Each member of the Supervisory Board receives a fixed basic annual fee of EUR 20,000 (in words: twenty thousand euros), payable after the end of the fiscal year. The Chairman of the Supervisory Board receives two and a half times, his deputy one and a half times the remuneration pursuant to sentence one.

(2) In addition to the basic remuneration, each ordinary member receives a performance-related additional remuneration of 0.15% of a positive annual surplus without extraordinary business events. It is capped at the amount of the basic salary. The Chairman of the Supervisory Board receives two and a half times, his deputy one and a half times the remuneration pursuant to sentence one.

(3) Members of the Supervisory Board who belong to the Supervisory Board or a committee of the Supervisory Board or hold the office of Chairman of the Supervisory Board or a committee for only part of a fiscal year receive a corresponding pro rata remuneration.

(4) The company reimburses each member of the supervisory board for the expenses incurred and the sales tax due on their remuneration, as far as they are entitled to invoice the company for the sales tax separately and exercise this right.

(5) The insurance premium for a pecuniary damage liability insurance (so-called D&O insurance) to be taken out by the company for the members of the Supervisory Board is borne by the company.

Compensation of the Supervisory Board in the 2023 fiscal year

For the individual members of the Supervisory Board, the following remuneration was presented in accordance with Section 162 Paragraph 1 Sentence 1 AktG for the 2023 and 2022 fiscal years. There was no positive annual net profit in 2022, resulting in a total target achievement level of 0.0%. The Supervisory Board remuneration for the 2023 fiscal year is therefore viewed as remuneration owed, the remuneration for the 2022 fiscal year as remuneration granted.

Remuneration granted and owed to the members of the Supervisory Board of TELES AG

(Amounts in EUR or in % of the total remuneration)

			Basic remuneration	Variable remuneration	Total remuneration
Joachim Schwarzer	2023	in EUR	50,000	0	50,000
		in %	100	0	100
	2022	in EUR	50,000	0	50,000
		in %	100	0	100
Markus Gernot Schmieta	2023	in EUR	30,000	0	30,000
		in %	100	0	100
	2022	in EUR	30,000	0	30,000
		in %	100	0	100
Hartmut Brandt	2023	in EUR	20,000	0	20,000
		in %	100	0	100
	2022	in EUR	20,000	0	20,000
		in %	100	0	100

In the 2023 fiscal year, the company did not make use of the option to withhold or re-claim variable remuneration components.

Information on the relative development of the remuneration of the Supervisory Board, the remuneration of the other employees and the development of earnings of the company.

Development of the remuneration of the Supervisory Board in relation to the remuneration of the workforce and the development of earnings of the company

in %	Change 2023 to 2022
Supervisory Board	
Joachim Schwarzer	0,0
Markus Gernot Schmieta	0,0
Hartmut Brandt	0,0
Earnings metrics	
EBIT	86
Sales volume	-19
Workforce (all employees on a full-time basis (FTE))	-22

Comparative presentation of earnings development and annual changes in remuneration

In accordance with Section 162 Paragraph 1 Sentence 2 No. 2 AktG, the following tables show the earnings development of TELES AG, the annual change in the remuneration of the members of the Executive Board and the Supervisory Board as well as the annual change on a full-time equivalent basis over the last five fiscal years.

The development of earnings is shown based on the annual result.

in thousand EUR	**2019**	**Change in %**	**2020**	**Change in %**	**2021**	**Change in %**	**2022**	**Change in %**	**2023**	**Change in %**
Annual result according to HGB individual financial statements	4	-99,7%	825	21,205,2%	-268	-132,4%	-1.695	-533.6%	-1,816	-11.7%

For the members of the Management Board and the Supervisory Board, the remuneration granted and owed in the respective fiscal year is presented within the meaning of Section 162 Paragraph 1 Sentence 1 AktG. If the Supervisory Board remuneration was paid out in whole or in part in another period, the remuneration owed was reported in the periods to make the remuneration easier to compare.

Remuneration of the Management Board

in thousand EUR	**2019**	**Change in %**	**2020**	**Change in %**	**2021**	**Change in %**	**2022**	**Change in %**	**2023**	**Change in %**
Oliver Olbrich	222	-5.5%	231	4.1%	200	-13.4%	200	0.0%	200	0.0%
Prof. Dr. Ing. Sigram Schindler until 30.07.2019	26	-29.7%								
Thomas Haydn until 30.06.2019	68	-60.5%								

Remuneration of the Supervisory Board

in thousand EUR	2019	Change in %	2020	Change in %	2021	Change in %	2022	Change in %	2023	Change in %
Joachim Schwarzer until July 31, 2019, since August 14, 2019, Chairman of the Supervisory Board	28	25.4%	38	32.9%	50	33.3%	50	0.0%	50	0.0%
Markus Gernot Schmieta AR since August 12, 2019, Deputy Chairman of the Supervisory Board since August 14, 2019	9		23	159.0%	30	33.3%	30	0.0%	30	0.0%
Hartmut Brandt since August 12, 2019	6		15	159.0%	20	33.3%	20	0.0%	20	0.0%
Prof. Dr. Walter Rust until July 31, 2019 Chairman of the Supervisory Board	22	-41.7%								
Prof. Dr. Radu Popescu Zeletin until July 31, 2019	9	-41.7%								

The average remuneration of these employees (excluding fringe benefits and the employer's contribution to social security) converted to a full-time equivalent basis has developed as shown.

in thousand EUR	2019	Change in %	2020	Change in %	2021	Change in %	2022	Change in %	2023	Change in %
Ø Salary calculated on a full-time equivalent basis	44	-27.7%	63	44.1%	65	2.7%	86	32.5%	58	-32.7%

Consolidated financial statements of TELES Group for the 2023 fiscal year

Consolidated balance sheet

TELES-Group, Berlin

Consolidated balance sheet as of December 31, 2023 (IFRS)

in thousand Euro		Notes	**31.12.2023**	**31.12.2022**
Assets				
A.	**Fixed assets**			
I.	Intangible assets	4	180	583
II.	Tangible assets	5	1,221	1,225
III.	Rights of use from leases	6	1,953	1,348
IV.	Financial assets	7	61	67
Total fixed assets			**3,416**	**3,224**
B.	**Current assets**			
I.	Stocks	8	5,926	5,183
II.	Trade receivables and other receivables	9, 28	551	3,482
III.	Other assets	10	1,623	975
IV.	Cash and cash equivalents	11, 28	299	1,492
Total current assets			**8,399**	**11,132**
Total assets			**11,815**	**14,356**

TELES-Group, Berlin

Consolidated balance sheet as of December 31, 2023 (IFRS)

in thousand Euro		Notes	**31.12.2023**	**31.12.2022**
Equity and liabilities				
A.	**Equity**	12		
I.	Ordinary shares		6,233	6,233
II.	Capital reserve		13,085	13,085
III.	Revenue reserves			
IV.	Loss carried forward		-21,543	-4,906
V.	Profit or loss for the period		-2,880	-16,637
Total equity			**-5,104**	**-2,224**
B.	**Non-current liabilities**			
I.	Long-term loans	13, 28	883	889
II.	Long-term lease liabilities	14, 28	1,659	1,100
III.	Deferred tax assets		36	164
Total non-current liabilities			**2,579**	**2,153**
C.	**Current liabilities**			
I.	Short term loans	15, 28	8,500	8,750
II.	Short term lease liabilities	14, 28	356	275
III.	Trade payables	16, 28	1,203	862
IV.	Other provisions	17, 28	592	490
V.	Tax liabilities	18, 28	293	664
VI.	Other liabilities	19, 28	3,396	3,386
Total creditors			**14,341**	**14,428**
Total equity and liabilities			**11,815**	**14,356**

Consolidated statement of comprehensive income

TELES-Group, Berlin

Consolidated profit and loss account for January 01 - December 31, 2023, (IFRS)

TELES Group in thousand Euro	Notes	**2023**	**2022***
Sales revenues	20	**59,280**	**73,372**
Cost of materials	21	55,953	70,230
Gross profit		**3,327**	**3,143**
Personnel expenses	22	2,134	2,721
Depreciation	23	1,020	16,542
of this depreciation for rights of use for Leasing		396	296
Other income	24	172	141
Other expenses	25	2,771	1,681
Operating result/EBIT		**-2,425**	**-17,660**
Other interest receivable and similar income		4	1
Interest payable and similar charges		595	328
Financial income	**26, 28**	**-591**	**-327**
Earnings before tax (EBT)		-3,016	-17,987
Taxes on income	27	-136	-1,045
Earnings after taxes from continued business units		-2,881	-16,942
Earnings after taxes from discontinued operations	3	0	305
Total consolidated earnings		**-2,880**	**-16,637**
Number of shares		6,233,418	6,233,418
Result per share (in EURO) - undiluted		-0.46	-2.67
Result per share (in EURO) - diluted		-0.46	-2.67

* The comparative information has been restated due to a discontinued operation (see Note 3)

Development of group equity

TELES-Group, Berlin

Development of consolidated equity January 01 - December 31, 2023 (IFRS)

	Nominal value of the shares k EUR	Capital reserve k EUR	Revenue reserves k EUR	Total Equity k EUR
December 31, 2021	**6,233**	**242**	**-4,906**	**1,569**
Stock options AOP 2021		465	0	465
Capital increase 2021		-15	0	-15
Pharma acquisition		12,394	0	12,394
Consolidated period result			-16,942	-16,942
Other result			305	305
Total consolidated result			-16,637	-16,637
December 31, 2022	**6,233**	**13,085**	**-21,543**	**-2,224**
January 01, 2023	**6,233**	**13,085**	**-21,543**	**-2,224**
Earnings after taxes from continuing operations			-2,880	-2,880
Earnings after taxes from discontinued operations			0	0
Other result			-2,880	-2,880
December 31, 2023	**6,233**	**13,085**	**-24,423**	**-5,104**

Consolidated cashflow statement

TELES-Group, Berlin

Consolidated cash flow statement January 01 - December 31, 2023 (IFRS)

TELES Group in EUR		**01.01.2023 - 31.12.2023**	**01.01.2022 - 31.12.2022**
Cash flow from operating activities			
	Net profit/loss for the fiscal year	-2,880	-16,637
+	Depreciation	1,020	16,542
+/-	Changes to provisions	152	16
-/+	Other non-cash expenses and income	6	465
-	Equity-settled share-based payments (Stock options)	0	0
-/+	Changes to Stocks and Trade Receivables	1,543	1,387
+/-	Changes to Trade Payables and Other liabilities	167	-638
-/+	Profit and loss from the disposal of fixed assets	0	0
+	Interest expenses	595	328
-	Interest income	0	-1
+/-	Income-tax expense/income	-136	-1,045
-	Income tax payments	-272	-158
		193	**260**
Cash flow from investing activities			
-	Investments in intangible assets	-92	-58
-	Investments in fixed assets	-127	-952
-	Investments in financial assets	6	-91
		-214	**-1,101**
Cash flow from financing activities			
-	Transaction costs from capital increases	0	-15
+	Cash received from loans	-256	1,639
-	Repayment of leasing liabilities	-361	-284
+	Interest expenses	-556	-269
		-1,173	**1,071**
Net change in cash and cash equivalents		**-1,193**	**230**
-	Changes in the financial resources due to the scope of consolidation	0	871
+	Cash and cash equivalents at beginning of period	1,492	391
Cash and cash equivalents at end of period		**299**	**1,492**

Notes to the consolidated financial statements for the 2023 fiscal year

(1) General information

TELES Aktiengesellschaft (hereinafter “TELES AG”) and its subsidiaries (hereinafter “TELES” or the “TELES Group”) have only been active in the pharmaceutical segment since October 1, 2023. The telecommunications segment with the areas of development, service, and order management for existing customers (partial operations) was sold as part of an asset deal on October 1, 2023. The employees of the part of the business have also been transferred to the purchaser. TELES AG is therefore a pure financial holding company with responsibility for group accounting and group IT. The company is registered in the commercial register under HRB 60781 B and has its registered office at Ordensmeisterstr. 15-16, 12099 Berlin, Germany.

TELES Pharma combines drug supply and the management of large data volumes in the pharmaceutical industry. What they have in common is digitalization and process optimization along the pharmaceutical value chains.

In the discontinued telecommunications segment, TELES Carrier Solutions delivered digitalization solutions for the development and maintenance of telecommunications networks to national or international carriers (fixed or mobile network operators). TELES migrated traditional TDM/SDH networks to all-IP networks and offered cloud-based Unified Communication as a Service.

TELES AG has its registered office in Berlin, Germany. As of December 31, 2023, 5,006,053 TELES AG shares are admitted to the Prime Standard stock exchange segment and are traded on all German stock exchanges.

The group employed an average of 52 people in the fiscal year (previous year: 62). The employees are in the areas of sales and marketing (10, last year: 12), research and development (5, last year: 6), procurement and logistics (18, last year: 23) and administration (19, last year: 21) employed.

(2) Summary of significant accounting principles

Accounting and valuation are conducted under the assumption that the company's operations will continue. The liquidity of the company and the group is strained: Through the sale of the telecommunications segment on October 1, 2023, TELES AG has been transformed into a pure financial holding company. Sales and earnings (EBIT) in the telecommunications segment did not meet expectations. Against this background, TELES AG, as a pure financial holding company, will not generate any independent income surpluses or liquidity in the medium term. Rather, TELES AG was dependent on extensive loans from the group subsidiary EURO RX. The loans of EUR 2 million were deferred in December 2023 until June 20, 2026. In addition, TELES AG has received loan commitments of EUR 0.6 million from related parties until December 20, 2025. The Board of Directors considers the financial resources available within the TELES Group to be sufficient to cover TELES's expected financial resources requirements by the end of 2025. In doing so, the Management Board also considers the possibility of strengthening the company's earnings and liquidity situation through group contributions, profit distributions and/or loans through the subsidiary EURO RX Arzneimittel GmbH. The long-term expectations for TELES AG are positive, so that liabilities within the group can also be settled. To finance further growth, the board of directors plans to increase the company's share capital against cash contributions in 2024. These cash contributions, together with the existing Authorized Capital 2021/I and Authorized Capital 2022/I, create the opportunity for the TELES Group to strengthen the Group and reduce its dependence on outside capital through appropriate M&A measures.

The continued existence of the company and thus the group depends on the planned sales of the group subsidiary EURO RX for the coming months not being sustainably undercut and the promised additional financial resources of EUR 0.6 million being sufficient or being increased if necessary. The risks in this context are whether EURO RX will be able to grow with positive margins again in the future, generate positive earnings surpluses and free liquidity and be able to provide the support contributions necessary for TELES AG without its own development to endanger. Given the risks presented, there is significant uncertainty regarding the continuation of the company's and the Group's business activities.

1) Basic information about the presentation

The consolidated financial statements of TELES as of December 31, 2023, were prepared in accordance with Section 315e of the German Commercial Code (HGB) in accordance with the guidelines of the International Accounting Standards Board (IASB), London, in force on the balance sheet date. All IAS or IFRS as well as interpretations of the International Financial Reporting Interpretation Committee (IFRS IC) that are binding in the European Union (EU) as of December 31, 2023, are complied with.

The consolidated financial statements were prepared assuming the company's continued operations.

The consolidated financial statements were prepared in euros. For computational reasons, rounding differences may occur in tables and references compared to the exact mathematical values.

The consolidated statement of comprehensive income is prepared using the total cost method.

The consolidated financial statements were prepared by the Executive Board by April 8, 2024. The Supervisory Board is expected to approve the consolidated financial statements at its meeting on April 22, 2024.

2) Consolidation principles

According to IFRS, all business combinations must be accounted for using the purchase method. The purchase price of an acquired subsidiary is distributed across the acquired assets, liabilities, and contingent liabilities. The relevant value is the value at the time control over the subsidiary was acquired. Control requires that the group has power over the subsidiary in that the group has substantial rights to control the subsidiary's significant business activities. The meaningful assets and the liabilities and contingent liabilities assumed are valued in full at their fair values, regardless of the size of the investment. Any remaining active difference is recognized as goodwill. Any remaining liability difference is recognized in profit or loss. Income and expenses of a subsidiary are included in the consolidated financial statements from the time of acquisition. Income and expenses of a subsidiary remain included in the consolidated financial statements until the control by the parent company ends. As part of the initial consolidation, the residual book values of the goodwill are considered when calculating the profit on disposal. Expenses and income as well as receivables and liabilities or provisions between the consolidated companies are offset against each other. Interim results are eliminated unless they are of minor importance. Depreciation or write-ups of shares in included companies made in individual financial statements are reversed. The shares in associated companies are accounted for using the equity method. Thereafter, the shares in an associated company are recorded in the balance sheet at acquisition cost plus the changes in the group's share of the company's net assets that occurred after the acquisition. The goodwill associated with the associated company is included in the book value of the share and is not depreciated as planned. The consolidated statement of comprehensive income contains the group's share in the success of the associated company. The financial statements of the associated companies are prepared as of the same balance sheet date as the parent company's financial statements. If necessary, adjustments are made to uniform group accounting and valuation methods. The entire net investment (at-equity value including financial assets against these companies for which there is no appropriate security) is subject to an impairment test in accordance with IAS 28 in the presence of indicators that point to an impairment Subjected to IAS 36.

a) Scope of consolidation

In 2021, TELES identified the pharmaceutical industry as a growth area and acquired two companies from the pharmaceutical industry in the fourth quarter of 2021. The acquired voting rights in the two companies have been exercisable since January 1, 2022. In addition to TELES AG as the parent company, two (previous year: none) subsidiaries were included in the consolidated financial statements prepared for the 2022 fiscal year (EURO RX Arzneimittel GmbH, Wedemark and GVL Rechenzentrum GmbH, Berlin). Reference is made to the statements in the “Business combinations” section.

Company *	Headquarters	Share of capital
EURO RX Arzneimittel GmbH	Wedemark	58.0%
GVL Rechenzentrum GmbH	Berlin	100.0%

* Eisig Health GmbH, Berlin is not consolidated for reasons of materiality

TELES AG prepares the consolidated financial statements for the smallest and largest consolidation group, including the above-mentioned subsidiaries.

b) Consolidation methods

All companies for which TELES AG has the direct or indirect ability to determine the financial and business policies in such a way that the group companies benefit from the activities of these companies are included in the consolidated financial statements. The financial statements were prepared according to uniform accounting and valuation principles. The companies are included in the consolidated financial statements for the first time with effect from the day on which TELES AG takes control of the subsidiary. Amounts relating to minority shareholders are shown separately.

Capital consolidation is based on the acquisition method. The acquisition values of the investments are offset against the group's share of the fair value of the equity of the respective company. The acquired assets and liabilities, including those not recognized in the balance sheet of the acquired companies, are stated at the fair value at the time of acquisition. The positive difference between the acquisition costs and the share of the net fair value is reported as goodwill and is evaluated for impairment at least once a year.

Intercompany transactions are eliminated. Receivables and liabilities between the consolidated companies are offset against each other. Interim results are eliminated, and intragroup income is offset against the corresponding expenses.

When a subsidiary is sold, the assets and liabilities included up to that point as well as any goodwill attributable to the subsidiary are offset against the proceeds of sale.

3) Summary of significant accounting policies

a) Intangible assets

Acquired intangible assets are capitalized if it is probable that their use will result in future economic benefits. They are accounted for at acquisition cost, less scheduled and, if necessary, unscheduled depreciation. Scheduled depreciation takes place on a straight-line basis over the following periods:

Concessions, industrial property rights and similar rights:	3-5 years
Brands and customer base:	4-9 years
Other:	3-5 years

The goodwill resulting from a business combination is valued at acquisition cost less all accumulated impairment losses and has an indefinite useful life. The value is checked at least once a year. The goodwill was subjected to an impairment test as of December 31 of this fiscal year. No reversals of impairment may be recorded for goodwill.

Goodwill is evaluated at the level of a cash generating unit or a group of cash generating units to which the goodwill has been allocated. A cash generating unit is the smallest group of assets that generates cash inflows that are independent of the cash inflows of other assets or another group of assets. Goodwill acquired as part of a business combination is allocated to the cash generating unit or a group of cash generating units that is expected to benefit from the synergies of the combination. The cash generating units defined in the group correspond to the business areas and relate to TELES Pharma and TELES Carrier Solutions.

As part of determining the recoverable amounts of the business areas, the respective value in use was first determined based on the approved corporate planning with a planning period of three years. The cash flows for calculating the perpetual annuity were derived from the last planning year. The planning was determined considering both influenceable and non-controllable factors. Planning is influenced by sales and EBIT margin expectations.

Other key parameters for determining the recoverable amount are the weighted average total cost of capital (WACC) before taxes and the sustainable growth rate of the perpetual annuity. The weighted average total cost of capital (WACC) considers market-based equity and debt capital costs weighted by the capital structure. The determination was based on the Capital Asset Pricing Model (CAPM) used in theory and practice. A risk-free interest rate, a market-based risk premium (market risk premium and beta factor) and a risk premium for industrial bonds are considered. The market risk premium used in the reporting year was 7.50 percent. The determination is conducted considering comparative data from a so-called peer group. The sustainable growth rate of 0.5% reflects the expected future market development.

b) Tangible assets

Tangible assets are recognized at acquisition cost, less scheduled and, if necessary, unscheduled depreciation. No reassessments will be made. Scheduled depreciation takes place on a straight-line basis over the following periods:

Computer hardware:	3 years
Office and business equipment:	5 years
Installations in rented rooms:	15 years or shorter remaining rental period
Other:	10 years

Maintenance and repair costs are recognized in profit or loss at the time they are incurred.

c) Rights of use from leasing agreements

Rights of use from leasing agreements are the rights granted to a leasing item to use it during the agreed contract term (right-of-use). The right of use is transferred to the lessee by the lessor at the beginning of the lease. The rights of use are valued at acquisition cost and include the present value of future lease payments plus initial direct costs and any dismantling obligations. The right of use is amortized on a straight-line basis over the underlying contract term. TELES has usage rights to long-term leased administrative properties and to the long-term leased vehicle fleet. Real estate is usually rented for between 5-

10 years and the vehicle fleet is rented for 3 years. For short-term leases (less than twelve months), the application exemption is used, and the expense is recorded directly.

d) Financial instruments, assets

Financial instruments are categorized in accordance with IFRS 9. Categories of financial instruments (assets) are:

- Financial assets valued at amortized cost.
- Financial assets (debt instruments) that are measured directly in other comprehensive income.
- Financial assets (equity instruments) that are measured at fair value through profit or loss.
- Financial assets that are measured at fair value through profit or loss.

The financial assets of TELES AG are exclusively valued at amortized cost.

The financial assets of TELES AG measured at amortized cost are subject to the impairment provisions of IFRS 9 – "Expected Credit Loss" model. TELES AG applies the simplified impairment approach for trade receivables, according to which risk provisions in the amount of the expected losses over the remaining term must be recognized for all instruments, regardless of credit quality. Depending on the age structure of the receivables, value adjustments are made to the receivables across the group. The value adjustments are based on historical values adjusted for prospective expectations.

The acquisition and sale of financial assets are accounted for on the settlement date.

e) Inventories

Inventories are reported at the lower of average acquisition or production cost or net realizable value. If there are inventory assets that are difficult to sell or are outdated, deductions will be made.

f) Cash and cash equivalents

The company considers all highly liquid investments with a term of 90 days or shorter at the time of purchase to be cash equivalents.

g) Equity

The regulations of the Commercial Code (especially Section 272) and the German Stock Corporation Act (especially Sections 71 ff., §§ 192 ff.) for the individual financial statements of TELES AG as well as the regulations in accordance with IFRS for the are decisive for the management of equity of the TELES Group. The laws and regulations are the only external restrictions to which TELES equity is subject. The company met all external minimum capital requirements in the past fiscal year.

The equity shown in the consolidated financial statements corresponds to the equity controlled by management.

h) Financial instruments, liabilities

Financial instruments are categorized in accordance with IFRS 9. Categories of financial instruments (liabilities) are:

- Financial liabilities measured at fair value through profit or loss.
- Financial liabilities that are valued at amortized cost are subsequently valued at amortized cost using the effective interest method. Interest expenses and foreign currency translation differences are recognized in profit or loss.

The group reports all financial liabilities at amortized cost.

i) Lease liabilities

Leasing liabilities represent the payment obligations that have not yet been made to the lessor for the granted rights of use (right-of-use) to a leased item. The leasing liabilities are valued at the time of availability at the present value of the expected leasing payments. The leasing payments are constant payments over the entire term. Expected residual value payments, the exercise price of a purchase option and contractual penalties for termination of the lease must also be considered. There are no variable leasing payments linked to an index or interest rate. The leasing payments are discounted using the incremental borrowing rate. The leasing liabilities are valued at amortized cost, considering the effective interest method. The interest portion of the leasing liability is recognized in the financial result over the term of the contract. Extension or termination options are included in the measurement of leasing liabilities if it is sufficiently certain that the options will be exercised. The extension options only exist for rented properties. The portfolio approach is used for the fleet. The leasing liabilities are divided into short-term and long-term depending on their due date.

j) Provisions

Provisions are created if the company has a current legal or de facto obligation because of a past event, an outflow of resources to fulfill this obligation is probable and the amount of the obligation can be reliably estimated.

k) Share-based compensation plans

Share-based compensation plans settled with equity instruments are measured at fair value at the time of grant. When determining the fair value of compensation agreements at the grant date, service and market-independent performance conditions are not considered. However, the likelihood that the conditions will be met will be assessed using the best estimate of the number of equity instruments that will vest at the end of the vesting period. Terms of service are considered in the fair value at the grant date. All other vesting conditions associated with a compensation agreement, without a related service condition, are considered non-vesting conditions. Non-exercise conditions are considered in the fair value of a remuneration agreement and result in immediate recognition as an expense.

l) Deferred taxes

Deferred taxes are recorded based on the so-called "Assets and Liabilities Method": Deferred income taxes are recognized for all significant temporary differences between the tax and accounting-relevant assessment basis of assets and liabilities as well as for tax loss carryforwards based on the legally applicable tax rates educated. Deferred tax assets are reduced by a valuation allowance if, due to known circumstances, it is probable that part or all the deferred tax assets cannot be used. Deferred taxes are reported as long-term assets or liabilities.

m) Impairment of assets

Assets are examined on each balance sheet date to determine whether events or changed circumstances indicate that the carrying amount cannot be realized and therefore there is a need for impairment.

n) Research and development costs

Research costs are expensed as they arise. Costs that arise in connection with the company's own development of software for telecommunications devices intended for sale are examined to determine whether they can be capitalized as self-created intangible assets. In addition to the general requirements for activation and initial measurement, the approach must demonstrate technical and commercial feasibility and the attributable expenses must be reliably measurable. Furthermore, it must be probable that the intangible asset will lead to future economic benefit, be clearly identifiable and can be assigned to a specific product. If the research phase cannot be clearly distinguished from the development phase, the costs are treated as research costs.

o) Conversion of foreign currencies

The currency of the primary economic environment in which the individual group company operates is considered the “functional” currency. For the subsidiaries of TELES AG, this corresponds to the respective national currency of the company. Accordingly, all assets and liabilities were valued at the current exchange rate on the balance sheet date. Income and expenses are converted using the average monthly exchange rates for the year. Gains and losses from the translation of the financial statements of the group companies are not recorded in the income statement, but rather within other changes in equity. Profits and losses from foreign currency transactions are included when determining the annual result.

p) Principles of revenue recognition

Sales revenue consists of sales from contracts with customers. Sales revenue from contracts with customers is recognized in accordance with the regulations of IFRS 15. The determination and recognition of revenue is conducted using the five-stage model explained in IFRS 15. Sales revenue is recognized when the contractual performance obligation is fulfilled through the transfer of the good or service and the customer has gained control over it. Control of the benefit may transfer over a period or at a specific point in time. The point in time at which the service obligation is fulfilled is generally when the service is provided or used by the customer. Sales revenue is valued at the transaction price. The transaction price is set in relation to the individual selling price and represents the customer's consideration for the performance obligation fulfilled by the Group. There are no financing components or variable consideration; all consideration is payable at short notice. The contractual performance obligations consist of amounts already paid and the release takes place in fixed amounts. Take-back, refund or similar obligations or bill-and-hold agreements do not exist to a significant extent.

The revenue recognition is described below based on the business models of the individual operating segments:

Telecommunications segment (until September 30, 2023)

The range of services offered by TELES Carrier Solutions included the following two types of products and services.

<u>Maintenance contracts</u>

Customers concluded maintenance contracts for the TELES software. The term of the contracts was 12 months with an extension option. The main services within the maintenance contracts were the service hotline and the receipt of software updates.

The service hotline was available to customers if necessary. The performance obligation was fulfilled over a period.

The contract granted customers a right to updates for the TELES software and thus always the latest version of the software. TELES determined the time interval between updates, the scope and design of the current software updates. In this respect, these do not represent a separate performance obligation.

TELES also determined whether and when a completely new software version was to be transferred to the customer. The new software version was transmitted when it was completed. The commitment to software versions that were not further specified was a so-called "stand ready obligation", which, according to IFRS 15, is realized over the period of the maintenance contract.

Software licenses

The sale of software licenses involved telecommunications products that represent standard software. The license granted the customers a right to use the (static) intellectual property of TELES (licensor) at the time of granting, i.e. the customers were able to use the licensed software in the form and with the existing functions at the time the license was granted. Revenue recognition therefore occurs at the point in time when the license is transferred to the customer, i.e. when the software is delivered.

Pharma segment

The range of services in the Pharma segment includes product sales and the provision of services.

All income related to product sales and services provided are recorded as revenue. The basis for sales revenue is formed by customer contracts and the performance promises contained therein, which are each individually identified and, if necessary, shown separately for the purposes of sales recognition. Sales revenue is recognized in profit or loss if or as soon as the company transfers control over goods or services to a customer, either over a period or at a point in time. The power of disposal lies with the customer if he or she can independently determine the use and benefit from a product or service. In the case of product deliveries, revenue is recorded based on a point in time, which is based on an overall assessment of the existence of a payment claim, the assignment of ownership rights, the acquisition of possession, the transfer of risks and opportunities and customer acceptance. Depending on the transfer of control, revenue from services is recorded either at a point in time or over the period in which the service is provided and in accordance with the progress of the service achieved.

q) Production costs

In addition to the directly attributable material and service costs, the production costs of the products sold include indirect overhead costs and write-downs on inventories.

r) Earnings per ordinary share

Basic net income per common share is calculated based on the weighted average number of common shares outstanding during the reporting period. Treasury shares reduce the number of common shares outstanding. Diluted net income per common share is calculated based on the weighted average number of common shares and diluted common shares outstanding during the reporting period.

s) Government grants

Government grants are recorded if there is sufficient certainty that the grants will be granted, and the company will meet the associated conditions. Expense-related grants are recorded as scheduled as other operating income over the period over which the corresponding expenses that they are intended to compensate are recorded. Grants for an asset are recognized in income over the estimated useful life of the corresponding asset.

t) Significant discretionary decisions, estimates and assumptions

When preparing the consolidated financial statements, management makes discretionary decisions, estimates and assumptions that affect the amount of reported income, expenses, assets, liabilities, and associated information. Due to the uncertainty associated with these assumptions and estimates, actual results in future periods could result in significant adjustments to the carrying value of the affected assets or liabilities.

When applying the Group's accounting methods, management made the following discretionary decisions, which have the most significant impact on the amounts in the consolidated financial statements:

- Determination of the term of leases with extension and termination options (see (6))

The most important forward-looking assumptions as well as other main sources of estimation uncertainty existing as of the reporting date, due to which there is a significant risk that a material adjustment to the carrying amounts of assets and liabilities will be necessary within the next fiscal year, are explained below. The Group's assumptions and estimates are based on parameters that existed at the time the consolidated financial statements were prepared. However, these conditions and the assumptions about future developments may change due to market movements and market conditions that are beyond the Group's control. Such changes are only reflected in the assumptions when they occur.

- Revaluation of assets (brand and customer base) as part of the business combination (see (3))
- Impairment of non-financial assets (see (4))
- Share-based compensation (see (31))
- Leases – Estimation of the incremental borrowing rate (see (6))

u) Determination of fair value

According to the regulations of IFRS 13, the fair value represents a price that would be achieved on the main market or, if this is not available, on the most advantageous market by selling an asset or for the transfer of an asset Debt would have to be paid. The fair value should be determined by using valuation parameters that are as close to market as possible as input factors.

The measurement hierarchy (fair value hierarchy) prioritizes the input factors included in the valuation process in three descending levels depending on the proximity to the market:

Level 1: The market prices used in an active market (unadjusted) of identical assets and liabilities that the company can access on the valuation date.

Level 2: Valuation parameters other than the quoted market prices included in Level 1 that are observable for the assets and liabilities either directly (i.e., as a price) or indirectly (i.e., derived from the price).

Level 3: Includes valuation parameters of assets and liabilities that are not based on observable market data.

Teles' consolidated financial statements include the following assets and liabilities, which were measured at fair value in the fiscal year:

- Revaluation of assets and liabilities as part of the business combination (fair value hierarchy level 3), see chapter (3).

4) Standards, interpretations, and changes that had to be applied for the first time in the past fiscal year

In its consolidated financial statements, TELES AG regularly considers and implements all accounting standards that are mandatory in the EU from the respective fiscal year.

Amendments on the accounting policies		Mandatory application
IFRS 17	Insurance contracts, including amendments to IFRS 17 and the amendments to IFRS 17 Insurance Contracts:	01.01.2023
IAS 1	First-time application of IFRS 17 and IFRS 9 comparative information	01.01.2023
IAS 8	Amendments to IAS 1 Presentation of Financial Statements and IFRS Guidance Document 2: Disclosure of Accounting Policies	01.01.2023
IAS 12	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	01.01.2023
IAS 12	Amendments to IAS 12 Income Taxes: Deferred taxes relating to assets and liabilities arising from a single transaction	01.01.2023
	Amendments to IAS 12 Income Taxes: temporary exemption from the obligation to account for deferred taxes resulting from implementation of the Pillar Two regulations	01.01.2023

The application of the changed standards had no impact on the consolidated financial statements.

5) Standards, interpretations, and changes that must be applied in future reporting periods (published standards that are not yet mandatory)

The IASB announcements listed below have already been published, although their application is not yet mandatory, and their applicability still requires adoption into EU law ("endorsement") in some cases. Voluntary early application is not planned.

Standard changes/new standards		Mandatory application	Expected effects
IFRS 16*	Changes to IFRS 16 Leases: Lease liability in a sale and leaseback transaction	01.01.2024	Impacts are still being assessed
IAS 1*	Amendments to IAS 1: Presentation of Financial Statements: 'Classification of liabilities as current or long-term', including postponement of the effective date, as well as 'Long-term debts with additional conditions'	01.01.2024	Impacts are still being assessed
IAS 1*	Amendments to IAS 1: Presentation of Financial Statements: Long-term liabilities with additional conditions'	01.01.2024	Impacts are still being assessed
IAS 7*	Amendments to IAS 7: Statements of Cash Flows: Supplier Financing Arrangements	01.01.2024	Impacts are still being assessed
IAS 21**	Amendments to IAS 21: Effects of changes in exchange rates: Lack of convertibility	01.01.2025	Impacts are still being assessed

* Endorsement is made; ** Endorsement pending

(3) Discontinued operations

As of October 1, 2023, the TELES Group sold the telecommunications segment (TELES Carrier Solutions) with the areas of development, service, and order management for existing customers (partial operations) as part of an asset deal. In the third quarter of 2023, the Executive Board made the strategic decision to complete the transformation into a pure pharmaceutical company in 2023.

The telecommunications segment was not classified as a discontinued operation or as held for sale in the previous year. The previous year's figures in the consolidated income statement were adjusted accordingly to present the discontinuing operations separately from the continuing operations.

Result from discontinued operations

EUR	2023	2022
Sales revenues	1,172,188	1,764,710
Cost of materials	215,839	310,872
Personnel expenses	727,095	977,732
Depreciation	586	17,330
Other income	1,413	6,716
Other expenses	206,283	143,523
Operating result/EBIT	**23,798**	**321,968**
Financial income	-23,461	-16,825
Earnings before tax (EBT)	**337**	**305,142**
Taxes on income	0	0
Earnings after taxes from discontinued operations	**337**	**305,142**
Result per share (in EURO) - undiluted	0.00	0.05
Result per share (in EURO) - diluted	0.00	0.05

The profit from the discontinued operation of EUR 0 thousand (previous year: EUR 305 thousand) is entirely attributable to the owners of the parent company.

Effects of the sale on the group's balance sheet items

EUR	2023
Tangible assets	-2,559
Stocks	-5,050
Trade receivables and other receivables	-11,510
Other assets	-26,527
Other provisions	48,600
Trade payables	19,401
Other liabilities	141,521
Net Assets and Liabilities	**163,876**
Remuneration received in cash	90,000
Net cash inflows	**90,000**

Cash flows from discontinued operations

EUR	2023
Net cash flow from operating activities	-17,968
Net cash flow from investing activities	90,000
Net cash flow for the year	**72,032**

(4) Intangible assets

Intangible assets developed as follows in the 2023 fiscal year:

2023 EUR	Goodwill	Concessions, industrial property rights and similar rights and assets	Internally generated intangible assets	Customer base and brands	Total
Cost of acquisition or generation as of 01.01.2023	13,284,118	209,916	168,173	3,347,598	17,009,805
Additions from acquisitions	0	0	0	0	0
Additions	0	79,646	12,806	0	92,452
Disposals	0	15,868	0	0	15,868
as of 31.12.2023	13,284,118	273,694	180,979	3,347,598	17,086,389
Depreciation as of 01.01.2023	13,284,118	146,141	163,718	2,832,593	16,426,569
Additions from acquisitions	0	0	0	0	0
Additions	0	36,381	12,534	446,705	495,620
Adjustments	0	0	0	0	0
Disposals					0
as of 31.12.2023	13,284,118	166,654	176,252	3,279,298	16,906,322
Carrying amounts as of 31.12.2023	0	107,040	4,727	68,300	180,067

The mandatory annual impairment test for the goodwill of the CGU TELES Pharma of the business areas was conducted on December 31, 2023. Considering a discount rate of

7.07%, the recoverable amount - determined as value in use - is EUR 15,526 thousand. The determination of the value in use is based on the internal corporate planning for the fiscal years 2024 to 2026, which envisages an average sales growth of 6.1% and an increase in earnings before taxes and income taxes from -0.01% to 1.58%.

Intangible assets developed as follows in the previous year:

2022 EUR	**Goodwill**	**Concessions, industrial property rights and similar rights and assets**	**Internally generated intangible assets**	**Customer base and brands**	**Total**
Cost of acquisition or generation					
as of 01.01.2022	0	62,496	0	0	62,496
Additions from acquisitions	13,284,118	96,413	161,491	3,347,598	16,889,620
Additions	0	51,006	6,683	0	57,689
Disposals	0	0	0	0	0
as of 31.12.2022	13,284,118	209,916	168,173	3,347,598	17,009,805
Depreciation					
as of 01.01.2022	0	62,496	0	0	62,496
Additions from acquisitions	0	65,238	148,030	0	213,268
Additions	0	18,406	15,689	657,229	691,324
Adjustments	13,284,118	0	0	2,175,363	15,459,481
Disposals					0
as of 31.12.2022	13,284,118	146,141	163,718	2,832,593	16,426,569
Carrying amounts					
as of 31.12.2022	0	63,775	4,455	515,005	583,235

(5) Property, plant, and equipment

Property, plants, and equipment developed as follows in the 2023 fiscal year:

EUR	Computer hardware	Office and business equipment	Installations in rented rooms	Miscellaneous	Total
Cost of acquisition or generation as of 01.01.2023	530,392	1,451,120	56,129	426,019	2,463,660
Additions from acquisitions	0	0	0	0	0
Additions	3,084	124,041	0	0	127,124
Disposals	141,360	14,502	8,154	20,285	184,301
as of 31.12.2023	392,115	1,560,659	47,976	405,734	2,406,483
Depreciation as of 01.01.2023	525,218	279,274	50,299	383,746	1,238,536
Additions from acquisitions	0	0	0	0	0
Additions	4,417	116,989	869	6,033	128,308
Adjustments	0	0	0	0	0
Disposals					0
as of 31.12.2023	390,833	381,761	43,015	369,494	1,185,103
Carrying amounts as of 31.12.2023	1,282	1,178,898	4,961	36,240	1,221,381

In the previous year, property, plant, and equipment developed as follows:

EUR	Computer hardware	Office and business equipment	Installations in rented rooms	Miscellaneous	Total
Cost of acquisition or generation					
as of 01.01.2022	530,392	45,254	50,056	370,901	996,603
Additions from acquisitions	0	541,562	0	54,849	596,410
Additions	0	946,720	6,074	269	953,063
Disposals	0	82,416	0	0	82,416
as of 31.12.2022	530,392	1,451,120	56,129	426,019	2,463,660
Depreciation					
as of 01.01.2022	505,129	24,624	39,446	363,723	932,922
Additions from acquisitions	0	197,416	0	13,083	210,499
Additions	20,089	57,398	10,854	6,940	95,280
Adjustments	0	0	0	0	0
Disposals					0
as of 31.12.2022	525,218	279,110	50,299	383,746	1,238,372
Carrying amounts					
as of 31.12.2022	5,174	1,171,846	5,830	42,273	1,225,123

(6) Rights of use from leases

The rights of use from leases developed as follows in the 2023 fiscal year:

EUR	Rights of use buildings	Rights of use vehicles	Rights of use other	Total
Cost of acquisition or generation				
as of 01.01.2023	**2,035,540**	**117,366**	**5,136**	**2,158,041**
Additions from acquisitions	0	0	0	0
Additions	928,497	72,209	0	1,000,707
as of 31.12.2023	**2,964,038**	**189,575**	**5,136**	**3,158,748**
Depreciation				
as of 01.01.2023	**733,175**	**71,554**	**4,844**	**809,573**
Additions from acquisitions	0	0	0	0
Additions	343,751	51,712	291	395,755
as of 31.12.2023	**1,076,926**	**123,266**	**5,136**	**1,205,328**
Carrying amounts				
as of 31.12.2023	**1,887,111**	**66,308**	**0**	**1,953,420**

In the previous year, the rights of use from leases developed as follows:

EUR	Rights of use buildings	Rights of use vehicles	Rights of use other	Total
Cost of acquisition or generation				
as of 01.01.2022	**602,027**	**80,840**	**3,679**	**686,546**
Additions from acquisitions	803,723	21,916	0	825,639
Additions	629,790	14,610	1,456	645,856
as of 31.12.2022	**2,035,540**	**117,366**	**5,136**	**2,158,041**
Depreciation				
as of 01.01.2022	**471,588**	**39,119**	**3,113**	**513,820**
Additions from acquisitions	0	0	0	0
Additions	261,587	32,435	1,731	295,753
as of 31.12.2022	**733,175**	**71,554**	**4,844**	**809,573**
Carrying amounts				
as of 31.12.2022	**1,302,365**	**45,812**	**291**	**1,348,468**

(7) Financial assets

The financial assets were made up as follows:

EUR	31.12.2023	31.12.2022
Loans to staff	59,781	66,055
Cooperative shares	1,000	1,050
Shareholding	0	0
Shares in affiliated companies	0	0
Total	**60,781**	**67,105**

The investment in IVF International of the German Clinic for Reproductive Medicine GmbH is recorded under investments at EUR 0.

(8) Inventories

The inventory assets are made up as follows:

EUR	31.12.2023	31.12.2022
Finished products	5,589,576	4,896,439
Advance payments	336,574	281,819
Total	**5,926,150**	**5,178,258**

The finished products and goods are prescription drugs from EURO RX Arzneimittel GmbH.

(9) Trade Receivables

EUR	31.12.2023	31.12.2022
Trade Receivables	916,720	3,550,393
Adjustments	-366,098	-68,888
Total	**550,622**	**3,481,505**

(10) Other assets

EUR	31.12.2023	31.12.2022
Other financial assets		
Other assets	43,571	131,258
Creditors with debit accounts	2,705	52,268
Other receivables	0	101
Other non-financial assets		
Receivables from other taxes	1,481,547	731,915
Accruals and deferrals	95,368	59,831
Total	**1,623,190**	**975,373**

(11) Cash and cash equivalents

EUR	31.12.2022	31.12.2021
Cash and cash equivalents	299,200	1,492,173
Total	**299,200**	**1,492,173**

There are no restrictions on the transferability of cash and other assets between TELES AG and the included subsidiaries.

(12) Equity

The development of the Group's equity is shown in the statement of changes in equity. The fully paid-up share capital consists of 6,233,418 no-par value shares with a calculated value of EUR 1.00 each.

The subscribed capital and capital reserves of the group correspond to the subscribed capital and capital reserves of the parent company. The capital reserve contains premiums from cash and non-cash capital increases as well as effects from the granting of stock options to selected employees. The capital reserve of EUR 13,085 thousand (previous year: EUR 242 thousand) includes a reserve of EUR 465 thousand (previous year: EUR 0 thousand) for employee benefits from the stock option programs to be paid in equity.

12.1 Authorized Capital

By resolution of the Annual General Meeting on December 17, 2021, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital once or several times by up to a total of EUR 2,184,813.00 against cash and/or contributions in kind by December 31, 2025, of up to 2,184,813 new bearer shares (Authorized Capital 2021/I). Furthermore, by resolution of the Annual General Meeting on May 30, 2022, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital once or several times by up to a total of EUR 931,896.00 against cash and/or contributions in kind by December 31, 2026, of up to 931,896 new bearer shares (Authorized Capital 2022/I).

12.2 Conditional Capital

By resolution of the Annual General Meeting on December 17, 2021, it was decided to conditionally increase the share capital by up to EUR 436,962.00 by issuing up to 436,962 bearer shares (Conditional Capital 2021/I). Furthermore, by resolution of the Annual General Meeting on May 30, 2022, it was decided to conditionally increase the share capital by up to EUR 186,379.00 by issuing up to 186,379 bearer shares (Conditional Capital 2022/I).

(13) Long term loans

EUR	**31.12.2023**	**31.12.2022**
Long term loans	883,436	889,050
Total	**883,436**	**889,050**

(14) Lease liabilities

EUR	31.12.2023	31.12.2022
Lease liabilities rent	1,947,699	1,328,146
Lease liabilities vehicles/other	67,560	47,297
Total	**2,015,259**	**1,375,443**

As of the reporting date, lease liabilities amounted to EUR 2.0 million (previous year: EUR 1.4 million).

EUR	31.12.2023	31.12.2022
Long term lease liabilities	1,659,304	1,100,047
Short term lease liabilities	355,954	275,396
Total	**2,015,259**	**1,375,443**

In 2023 there will be cash outflows for leases of EUR 466 thousand (previous year EUR 400 thousand).

(15) Short term loans

EUR	31.12.2023	31.12.2022
Short term loans	8,500,000	8,750,000
Total	**8,500,000**	**8,750,000**

The short-term loans of EUR 8.5 million (previous year: EUR 8.8 million) are working capital credit lines for EURO RX Arzneimittel GmbH.

(16) Trade payables

EUR	31.12.2023	31.12.2022
Trade payables	1,203,418	861,550
Total	**1,203,418**	**861,550**

Trade payables amounting to EUR 1.2 million (previous year: EUR 0.9 million) were due within one year.

(17) Other provisions

The development of other provisions is as follows:

EUR	Accounting and auditing costs	Other provisions	Provision for outstanding invoices	Provisions for personnel	Supervisory Board compensation	Total
as of 01.01.2023	**204,550**	**160,201**	**118,728**	**59,640**	**0**	**543,119**
Increase	367,726	5,000	15,000	75,600	68,333	531,659
Reversal	184,808	43,747	118,728	135,240	0	482,523
as of 31.12.2023	**387,468**	**121,454**	**15,000**	**0**	**68,333**	**592,256**
as of 01.01.2022	62,000	7,200	17,178	53,934	0	140,312
Change to the scope of consolidation	39,950	45,160	233,025	0	0	318,135
Increase	102,600	107,841	0	5,706	0	216,148
Reversal	0	0	114,298	0	0	114,298
as of 31.12.2022	**204,550**	**160,201**	**118,728**	**59,640**	**0**	**543,119**

The provisions are entirely short-term. The uncertainty of the provision amounts results from the fact that in some cases the invoice has not yet been received or the uncertain time at which the respective provision will be utilized.

(18) Actual and deferred tax liabilities

The actual and deferred taxes are made up as follows:

EUR	31.12.2023	31.12.2022
Tax accruals	292,879	664,483
Deferred tax assets	35,946	163,623
Total	**328,826**	**828,106**

The deferred tax liabilities come from the following balance sheet items:

	31.12.2023	
EUR	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	54,606
Rights of use from leasing agreements	0	589,444
Long-term lease liabilities	500,695	0
Short-term lease liabilities	107,409	0
Deferred taxes on temporary differences	608,104	644,051
Balance sheet statement	**0**	**35,946**

The deferred tax liabilities in 2022 came from the following balance sheet items:

	31.12.2022	
EUR	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	156,747
Rights of use from leasing agreements	0	421,915
Long-term lease liabilities	331,939	0
Short-term lease liabilities	83,101	0
Deferred taxes on temporary differences	415,040	578,662
Balance sheet statement	**0**	**163,623**

(19) Other liabilities

EUR	31.12.2023	31.12.2022
Financial Liabilities		
Call Option Pharma	3,009,300	3,015,500
Total financial liabilities	**3,009,300**	**3,015,500**
Non-financial liabilities	**0**	**0**
Other liabilities	236,610	152,294
Accrued invoice liabilities	6,584	11,282
Creditors with accounts receivable	66,687	35,595
Liabilities from other taxes	64,044	23,652
Liabilities to employees	12,895	1,715
Total non-financial liabilities	**386,820**	**224,539**
total	**3,396,120**	**3,240,039**

The Pharma call option consists of the EURO RX call option with EUR 3,009 thousand (previous year: EUR 3,009 thousand) and the GVL call option with EUR 0 thousand (previous year: EUR 6 thousand).

(20) Sales revenues

EUR	2023	2022
Pharma	59,279,872	73,372,647
Total	**59,279,872**	**73,372,647**

EUR	2023	2022
Pharma	**59,279,872**	**73,372,647**
Germany	19,492,413	39,743,948
Europe	39,729,008	33,603,113
Other	58,451	25,586
Total	**59,279,872**	**73,372,647**

(21) Cost of materials

The material costs are incurred exclusively for the purchase of medication.

EUR	2023	2022
Expenses for raw, auxiliary, and operating materials and for purchased goods	55,657,755	70,067,957
Expenses for purchased services	294,840	161,558
Total	**55,952,595**	**70,229,515**

(22) Personnel expenses

EUR	2023	2022
Wages and salaries	1,639,820	1,727,574
Social security contributions and expenses for pensions and for assistance	493,935	529,040
of which expenses for pensions	7,400	8,875
equity-settled share-based payments (Stock options)	0	464,682
Total	**2,133,755**	**2,721,297**

The stock options issued in 2022 can be exercised after 4 years at the earliest and after 7 years at the latest if a performance target is achieved. Against this background, the corresponding personnel expenses were recognized in full in the annual financial statements as of December 31, 2022. For further information, see Note (31) Share-based payments.

In 2023, an average of fifty-two people were employed in the TELES Group.

(23) Depreciation and impairment losses

The development of depreciation in 2023 is as follows:

Depreciation EUR	as of 01.01.2023	Additions	Impairment	Disposals	as of 31.12.2023
Goodwill	13,284,118	0	0	0	13,284,118
Concessions, industrial property rights and similar rights and assets	146,141	36,381	0	15,868	166,654
Internally generated intangible as-sets	163,718	12,534	0	0	176,252
Customer base and brands	2,832,593	446,705	0	0	3,279,298
Computer hardware	525,218	4,417	0	138,801	390,833
Office and business equipment	279,110	116,989	0	14,502	381,597
Installations in rented rooms	50,299	869	0	8,154	43,015
Miscellaneous	383,746	6,033	0	20,285	369,494
Rights of use buildings	733,175	343,751	0	0	1,076,926
Rights of use vehicles	71,554	51,712	0	0	123,266
Rights of use other	4,844	291	0	0	5,136
Total	**18,474,515**	**1,019,683**	**0**	**197,610**	**19,296,588**

The development of depreciation in 2022 is as follows:

Depreciation EUR	as of 01.01.2022	Additions from acquisition	Additions	Impairment	Disposals	as of 31.12.2022
Goodwill	0	0	0	13,284,118	0	13,284,118
Concessions, industrial property rights and similar rights and assets	62,496	65,238	18,406	0	0	146,141
Internally generated intangible assets	0	148,030	15,689	0	0	163,718
Customer base and brands	0	0	657,229	2,175,363	0	2,832,593
Computer hardware	505,129	0	20,089	0	0	525,218
Office and business equipment	24,624	197,416	57,398	0	164	279,110
Installations in rented rooms	39,446	0	10,854	0	0	50,299
Miscellaneous	363,723	13,083	6,940	0	0	383,746
Rights of use buildings	471,588	0	261,587	0	0	733,175
Rights of use vehicles	39,119	0	32,435	0	0	71,554
Rights of use other	3,113	0	1,731	0	0	4,844
Total	**1,509,238**	**423,767**	**1,082,357**	**15,459,481**	**164**	**18,474,515**

(24) Other company income

EUR	31.12.2023	31.12.2022
Other	89,263	42,429
Income from other periods and income from the reversal of provisions	54,506	18,033
Reimbursements of the Expense Equalization Act	25,267	44,814
Income from the disposal of assets	42	29,777
Income from exchange rate differences	3,383	6,106
Total	**172,461**	**141,159**

(25) Other operating expenses

EUR	31.12.2023	31.12.2022
Accounting and auditing costs	958,779	318,178
Costs of delivery of goods	611,098	516,766
Losses on bad debts		
Legal and consulting costs	206,041	197,520
Repairs and maintenance	103,130	95,974
Supervisory Board	100,000	100,000
Insurances, contributions, and charges	96,820	89,450
Vehicle costs	69,834	61,714
Rental overheads	33,716	81,535
External services	46,323	34,638
Traveling expenses	14,160	34,345
Sales and marketing	14,756	35,383
IT, Telecommunications	9,976	10,718
Miscellaneous	181,863	104,372
Total	**2,771,328**	**1,680,594**

The increase in other operating expenses is due to the high closing and audit costs.

(26) Financial result

EUR	31.12.2023	31.12.2022
Interest income	**3,538**	**756**
Interest expenses	**594,769**	**328,153**
Interest and similar expenses	489,401	212,409
Interest expense on leases	105,369	115,744
Financial result	**-591,232**	**-327,397**

(27) Taxes on income and profit

The companies included in the consolidated financial statements are subject to corporation tax (including the solidarity surcharge) and trade tax. The amount of income taxes is based on the taxable income determined in this way or the commercial income determined in this way. Deferred taxes were calculated based on temporary differences between the tax recognition of assets and liabilities and the valuation in the IFRS balance sheet. If it is unlikely that future tax advantages from deferred tax assets will be realized, they will be written down.

The deferred taxes and actual income tax expenses for the fiscal years are as follows:

EUR	**31.12.2023**	**31.12.2022**
Actual tax expense	3,954	79,379
Release of a tax provision	-139,484	-884,477
Deferred tax income	0	-240,266
Total income taxes	**-135,530**	**-1,045,365**

The tax expense and income resulting from the application of the income tax rate of 31.225% (corporation tax 15%, solidarity surcharge 0.825% and trade tax rate 14.35%) can be transferred to the actual tax expense as follows:

EUR	31.12.2023	31.12.2022
Earnings before taxes	-3,016,259	-17,987,413
Tax rate to be applied	31.225%	31.225%
Expected tax expenses	941,827	5,616,570
Tax reconciliation		
Non-deductible items	-92,223	-3,898,041
Non-recognition of deferred tax assets	-742,945	-912,262
Taxes for other periods	-42	240,266
Other effects	28,913	-1,169
Actual tax income/tax loss	**135,530**	**1,045,365**

The non-deductible expenses from the previous year relate to the application of the tax rate to the write-down of goodwill in the Pharma segment.

As of December 31, 2023, TELES AG still has unused corporate tax losses of EUR 70,950 thousand (as of December 31, 2022) and a trade tax loss carryforward of EUR 76,963 thousand (as of December 31, 2022).

(28) Financial instruments

The company has financial instruments in the following categories:

EUR	31.12.2023	31.12.2022
Financial assets measured at amortized cost or loans and receivables		
Trade receivables	550,622	3,481,505
Cash and cash equivalents	299,200	1,492,173
Other financial assets	46,276	183,626
Total Financial assets	**896,097**	**5,157,303**
Financial liabilities measured at amortized acquisition costs		
Long-term loans	883,436	889,050
Long-term lease liabilities	1,659,304	1,100,047
Short term loans	8,500,000	8,750,000
Trade payables	1,203,418	861,550
Short-term lease liabilities	355,954	275,396
Call option pharma	3,009,300	3,015,500
Total Financial liabilities	**15,611,413**	**14,891,543**

The fair value of all financial instruments corresponds to their book value.

The financial assets include the investment in IVF International of the Deutsche Klinik für Präzisionsmedizin GmbH at EUR 0. The company does not have any financial instruments of other categories.

a) Financial assets valued at amortized cost, or loans and receivables

EUR	31.12.2023	31.12.2022
Trade receivables	550,622	3,481,505
Total	**550,622**	**3,481,505**

The trade receivables recognized as of December 31, 2023, are exclusively those from corporate customer business (contracts are concluded with medium-sized companies). These claims are assessed individually. There is no significant concentration of credit risk as the customer base is broad and there are only low correlations. In addition, the risk of bad debts is reduced through careful selection of contractual partners and through advance payments.

The creditworthiness of the contractual partners is constantly monitored. If there is a significant deterioration in the creditworthiness of the contractual partner, the company will endeavor to reduce existing positions as quickly as possible. New positions will then no longer be entered into with such contractual partners.

The following effects on earnings resulted from value adjustments for trade receivables:

EUR	31.12.2023	31.12.2022
Value adjustments for trade receivables		
Value adjustments	343,491	22,227
Reversals of value adjustments	26,260	66,640
Total	**-317,231**	**44,413**

The value adjustment account for trade receivables developed as follows:

EUR	31.12.2023	utilized	allocated	reclassified	31.12.2022
Value adjustments for trade receivables	366,098	20,022	26,260	343,491	68,888

Regarding the creditworthiness of trade receivables that are neither in default nor impaired, please refer to the comments on credit risk below.

TELES applies the simplified impairment approach to trade receivables, adjusted for prospective expectations. Depending on the age structure of the receivables, value adjustments were made to the receivables across the group in 2023. The value adjustments are based on the following matrix:

	Delay of payment in days			
Becoming due	> 30	>90	>180	>360
Impairment	10%	50%	70%	90%

The trade receivables recognized as of the balance sheet date include those for which there is a delay in payment, but which are not viewed as impaired:

in EUR		**Delay of payment**				
	No payment delay, no impairment	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year	Total
31.12.2023	396,329	0	0	0	0	396,329
31.12.2022	2,252,981	26,268	1,750	-5,668	-1,339	2,273,991

The fair value of trade receivables corresponds to their book value. Please refer to explanation (6) for further information.

b) Financial liabilities that are valued at amortized cost

EUR	31.12.2023	31.12.2022
Non-current liabilities		
Long-term loans	883,436	889,050
Long-term leasing liabilities	1,659,304	1,100,047
Total non-current liabilities	**2,542,740**	**1,989,098**
Current liabilities		
Short term loans	8,500,000	8,750,000
Trade payables	1,203,418	819,258
Call option pharma	3,009,300	3,015,500
Short-term leasing liabilities	355,954	275,396
Total non-current liabilities	**13,068,673**	**12,860,153**
Total financial liabilities	**15,611,413**	**14,849,251**

c) Liquidity risks

Liquidity risk is understood to be the risk that the TELES Group has due obligations from financial liabilities that cannot be settled using cash or other financial assets. The TELES Group's approach to liquidity management is to always ensure solvency for due financial obligations by maintaining sufficient liquidity. Sufficient liquidity is therefore maintained to be able to settle obligations due both in the normal course of business and in stress scenarios.

The following tables show the remaining contractual terms of the financial liabilities as of the respective balance sheet date.

The financial liabilities have the due dates shown below:

fy 2023 EUR	due at call	up to 3	3 to 12 months	1 to 5 years	over 5 years	**Total**
Long-term loans	0	6,767	131,486	669,412	79,696	887,361
Long-term leasing liabilities	0	0	0	1,659,304	0	1,659,304
Short term loans	8,925,000	0	0	0	0	8,925,000
Trade payables	147,681	826,424	47,725	0	0	1,021,830
Call option pharma	0	0	3,009,300	0	0	3,009,300
Short-term leasing liabilities	0	88,989	266,966	0	0	355,954
Total	**9,072,681**	**922,179**	**3,455,476**	**2,328,717**	**79,696**	**15,858,749**

fy 2022 EUR	due at call	up to 3	3 to 12 months	1 to 5 years	over 5 years	**Total**
Long-term loans	0	4,668	125,188	592,990	250,376	973,221
Long-term leasing liabilities	0	0	0	1,067,453	0	1,067,453
Short term loans	8,968,750	0	0	0	0	8,968,750
Trade payables	655,118	158,708	47,725	0	0	861,550
Call option pharma	0	0	3,015,500	0	0	3,015,500
Short-term leasing liabilities	0	68,413	206,029	0	0	274,443
Total	**9,623,868**	**231,788**	**3,394,442**	**1,660,443**	**250,376**	**15,160,917**

Liabilities from financing activities developed as follows:

EUR	31.12.2022	Cash effective	Noncash items	31.12.2023
Long term loans	889,050	-5,614	0	883,436
Short term loans	8,750,000	-250,000	0	8,500,000
Lease liabilities	1,375,443	-360,891	1,000,707	2,015,259
Total debt allocable to financing activities	**11,014,493**	**-616,505**	**1,000,707**	**11,398,695**

Based on the reporting date value as of December 31, 2023, an increase of 0.5 percentage points would result in a higher interest burden of EUR 40 thousand.

d) Market risks, interest rate risks and currency risks

Market risk refers to the risk that changes in purchasing and selling prices will have a negative effect on the results of the TELES Group or its assets. The market risk is managed decentral to monitor and manage the market parameters close to the product.

Interest rate risk positions usually arise from variable interest financial instruments. There is a variable interest rate for the working capital line, the effect of which on the result is closely monitored.

There are no significant currency risks.

e) Risks of default

The risk of default is the risk that the contractual partners - the customer - will not be able to meet their contractual payment obligations and this will lead to a loss for TELES. A credit check is conducted to control default risks. For further details on the default risks of delivery receivables, please see note (28).

(29) Information about relationships with related parties and companies

Related companies and persons within the meaning of IAS 24 are legal or natural persons and their relatives who can influence TELES AG and its subsidiaries or who are subject to control, joint management, or considerable influence by TELES AG or whose subsidiaries are subject. This includes unconsolidated subsidiaries measured at fair value and joint ventures and associated companies included at fair value or at equity, as well as pension plans. This also includes the board members of TELES AG, whose salaries can be found in the remuneration report or in explanation (30). Except for loans for a member of the management, the TELES Group's receivables and liabilities from related parties and companies have a remaining term of up to 3 months.

Agreement with the pharmacy in the Deutsche Klinik e. K

Between the pharmacy in the Deutsche Klinik e. K. and TELES AG have an agreement for the provision of security. Between the pharmacy in the Deutsche Klinik e. K. and companies in the TELES group have agreements on the purchase and sale of goods and the use of services. As of December 31, 2023, there are receivables of EUR 1,806 (previous year: EUR 0). As of December 31, 2023, there are liabilities of EUR 91,328 (previous year: EUR 65,339). The operator of the pharmacy is a shareholder in TELES AG with considerable influence.

Agreement with SK Treuhand Dr. Schmieta + Partner mbB

Between SK Treuhand Dr. Schmieta + Partner mbB and companies in the TELES group have tax consulting contracts for the implementation of monthly financial and payroll accounting as well as for tax consulting services. As of December 31, 2023, there are trade payables to SK Treuhand Dr. Schmieta + Partner mbB in the amount of EUR 12,669 (previous year: EUR 14,328). Supervisory board member Markus Schmieta is a partner in the company.

Agreement with a shareholder with considerable influence

When taking over EURO RX from third parties, TELES AG signed a contract with the call option for the remaining shares of EURO RX (see (19)). The call option can be exercised at any time until October 31, 2029, and is recognized under other liabilities at EUR 3.0 million. The contractual partner of TELES is a shareholder of TELES AG with considerable influence.

Agreement with a shareholder with considerable influence

There is a loan agreement for EUR 0.1 million with a term until December 20, 2025, between a shareholder with considerable influence and TELES AG.

Agreement with Fertimed Pharma GmbH

There are agreements between Fertimed Pharma GmbH and a company in the TELES Group for the purchase and sale of goods, the granting of loans, the use of services and rental properties. The shareholder of Ferti-med is a shareholder of TELES AG with considerable influence.

Agreement with Evermeds GmbH

There are agreements on the use of services between Evermeds GmbH and a company in the TELES Group. Evermeds is a 100% subsidiary of Fertimed Pharma GmbH.

Agreement with management in key positions

There are agreements for the provision of services and the granting of loans between a company in the TELES Group and a member of the management.

	Receivables from related parties and companies		Liabilities from related parties and companies	
EUR	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Apotheke in der Deutschen Klinik e. K.	1,806	0	91,328	65,398
SK Treuhand Dr. Schmieta + Partner mbB	0	0	12,669	14,328
Evermeds GmbH	0	50,494	4,528	0
FertiMed Pharma GmbH	0	2,181,926	25,000	6,005
Shareholders with considerable influence	0		100,000	
Supervisory board	0	0	0	30,000
Management board	0	0	0	0
Management in key positions	44,881	47,555	0	0
Total	**46,687**	**2,279,975**	**233,525**	**115,731**

	Sale of goods/services		Liabilities from related parties and companies	
EUR	2023	2022	2023	2022
Apotheke in der Deutschen Klinik e. K.	31,339	4,933,475	7,002,794	56,047
SK Treuhand Dr. Schmieta + Partner mbB	0	6,235	64,150	54,223
Evermeds GmbH	63,520	105,555	0	0
FertiMed Pharma GmbH	4,181,637	4,826,376	1,894,018	19,861,505
Shareholders with considerable influence	0	0	100,000	0
Supervisory board	0	0	0	0
Management board	0	0	0	0
Management in key positions	0	15,000	6,000	8,300
Total	**4,276,496**	**9,886,641**	**9,066,962**	**19,980,075**

There were no expenses for bad or doubtful receivables in the reporting period.

(30) Remuneration of key management (information in accordance with Section 314 Paragraph 1 No. 6 HGB and IAS 24)

Total remuneration of the board of directors EUR	**Oliver Olbrich**	
	2023	**2022**
Fixed remuneration	190,000	190,000
Fringe benefits	10,000	10,000
Annual var. Renumeration	0	0
Multi-year var. Renumeration	0	206,191
Total compensation	**200,000**	**406,191**

In addition to fixed compensation and fringe benefits, the Executive Board is entitled to securely earned variable compensation in the amount of EUR 0 (previous year: EUR 0) for the 2023 fiscal year. After deducting remuneration components that had already been paid out, corresponding liabilities were created. These payments are short-term benefits. The remuneration for the 2023 fiscal year therefore amounts to EUR 200,000 (previous year: EUR 200,000). To align the financial performance incentives for the Board of Directors and management more closely with the interests of long-term shareholders, a stock option program was introduced from December 2021. The members of the Executive Board take part in the existing stock option program. No stock options were granted to the members of the Board of Management in 2023.

Total remuneration of the supervisory board EUR	**2023**	**2022**
Joachim Schwarzer (Chairman)	50,000	50,000
Markus Schmieta (Deputy Chairman)	30,000	30,000
Hartmut Brandt	20,000	20,000
Total compensation	**100,000**	**100,000**

In addition to the board and supervisory board members, TELES counts the two managing directors of the subsidiaries as key management in accordance with IAS 24. The total remuneration for the entire key management is therefore a total of EUR 540,400 (previous year: EUR 774,191) and is short-term. For further information on the remuneration of the Executive Board and Supervisory Board, please refer to the information in the remuneration report.

(31) Share-based payments

No share-based payments were granted in 2023.

(32) Earnings per share

The undiluted earnings per share are calculated by dividing the consolidated result by the weighted average number of ordinary shares in circulation in the reporting year. The undiluted earnings per share for the 2023 fiscal year are EUR -0.46 (previous year: EUR -2.67):

EUR	**31.12.2023**	**31.12.2022**
Profit for the period attributable to TELES shareholders	-2,880,392	-16,636,906
Common shares as of January 1 of the fiscal year	6,233,418	6,233,418
New common shares from capital increase in the fiscal year	0	0
Common shares as of December 31 of the fiscal year	6,233,418	6,233,418
Average weighted number of common shares issued (in shares)	6,233,418	6,233,418
Basic earnings per share	**-0.46**	**-2.67**

Diluted earnings per share are calculated in the same way as undiluted earnings per share, with the difference that the average number of ordinary shares outstanding increases by the number of shares from potential option exercises.

EUR	**31.12.2023**	**31.12.2022**
Profit for the period attributable to TELES shareholders	-2,880,392	-16.636.906
Average weighted number of common shares issued (in shares)	6.233.418	6.233.418
Effects of potentially dilutive shares from stock options	0	0
Weighted average number of common shares used to calculate diluted earnings per share	6.233.417	6.233.418
Diluted profit per share	**-0,46**	**-2,67**

The potential shares from options are not included in the dilution calculation because they would lead to a higher diluted result.

(33) Segment reporting

In the TELES Group, segment reporting results from the management of business activities. The division of the company areas corresponds to the internal organizational structure and the reporting to the Executive Board and the Supervisory Board.

The segment successes of the TELES Group are measured primarily based on sales revenue and EBIT.

The TELES Group is divided into the “Pharma” and “Telecommunications” segments.

The Pharma segment combines the management of large data volumes in the pharmaceutical industry and pharmaceutical supply with a focus on digitalization and process optimization along the pharmaceutical value chains.

In the telecommunications segment, TELES Carrier Solutions supplies digitalization solutions for the development and maintenance of telecommunications networks to national or international carriers (fixed or mobile network operators).

The accounting principles for segment reporting correspond to the principles used for the consolidated financial statements and are to be understood analogously to the IFRS as they are to be applied in the EU. Therefore, there is no need to conduct a reconciliation due to differences between internal valuation and valuation according to IFRS.

There are no differences between the total amounts of the reportable segments and the values in the entire group.

in EUR	Pharma		Telecommunication		discontinued operations		Group	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Sales revenue	59,279,872	73,372,647	1,172,188	1,764,710	1,172,188	1,764,710	59,279,872	73,372,647
Gross profit	3,327,277	3,142,554	956,349	1,453,838	956,349	1,453,838	3,327,277	3,142,554
Depreciation	848,892	889,690	170,791	192,667	0	0	1,019,683	1,082,357
Impairment	0	15,459,481	0	0	0	0	0	15,459,481
EBITDA	98,091	308,035	-1,479,637	-1,104,245	23,798	321,968	-1,405,344	-1,118,177
EBIT	-750,801	-16,041,136	-1,650,428	-1,296,912	23,798	321,968	-2,425,028	-17,660,016
Other interest and similar income	3,538	756	0	0	0	0	3,538	756
Interest and similar expenses	540,055	265,130	78,176	79,848	23,461	16,825	594,769	328,153
Taxes on income and earnings	-135,488	-805,166	-42	-240,198	0	0	-135,530	-1,045,365
Earnings after taxes from continued business units	-1,106,676	-15,499,342	-1,774,054	-1,442,706	0	0	-2,880,729	-16,942,048
Earnings after taxes from discontinued operations	0	0	0	0	337	305,142	337	305,142
Result of period	-1,106,676	-15,499,342	-1,774,054	-1,442,706	337	305,142	-2,880,392	-16,636,906
Investments	216,493	1,004,409	3,084	6,342	0	0	219,577	1,010,751

The following table contains information on revenue in accordance with IFRS 8.33 (a) by geographical area of activity of the Group for the fiscal years 2023 and 2022:

EUR	2023	2022
Germany	19,492,413	39,743,948
Denmark	18,131,013	16,214,337
Great Britain	13,676,573	11,723,034
Austria	3,044,521	2,019,555
Switzerland	2,866,660	1,645,716
Other foreign countries	2,068,692	2,026,057
Total	**59,279,872**	**73,372,647**

The allocation of sales revenue is based on the customer's location.

The headquarters of the individual group companies is Germany, so the group only has long-term assets in Germany for the 2023 and 2022 fiscal years.

The Group also generates sales from individual customers in the 2023 fiscal year, which account for more than 10% of total sales.

Sales revenue in the amount of: EUR 9,172 thousand and EUR 6,932 thousand. The relevant sales revenue is entirely attributable to the Pharma segment.

(34) Exemption according to Section 264 III HGB

The following subsidiaries are making use of the exemption under Section 264 (3) HGB for the 2023 fiscal year:

- EURO RX Arzneimittel GmbH, Wedemark
- GVL Rechenzentrum GmbH, Berlin
- EISIG Health GmbH

(35) Auditor’s fees

The auditor for the 2023 fiscal year, MSW GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, calculated fees totaling EUR 165,000 (previous year: Rödl & Partner EUR 667,000). These related to EUR 165,000 (previous year: Rödl & Partner EUR 667,000) for audit services for the audit of the annual and consolidated financial statements.

(36) Events after the balance sheet date

After the balance sheet date, no events of particular importance occurred that had significant financial implications.

(37) Corporate Governance

The Management Board and Supervisory Board comply with the recommendations of German Corporate Governance Code to the extent presented in the Corporate Governance Report. The declaration of compliance is also published on the company's website https://www.teles.com/investor-relations/corporate-governance.html.

(38) Capital management

The TELES Group manages its capital with the primary aim of supporting business activities and ensuring the long-term continuation of the company. Capital management includes both the entire balance sheet equity and the interest-bearing debt capital. Summary quantitative information on managed capital can be found in the balance sheet and the corresponding notes.

	31.12.2023		31.12.2022	
	EUR thousand	in % of the balance sheet total	EUR thousand	in % of the balance sheet total
Equity	-5,104	-43%	-2,224	-15%
Debt capital	16,919	143%	16,580	115%
Total capital	11,815	100%	14,356	100%

Berlin, April 8, 2024
TELES Aktiengesellschaft

Sascha Knoche
Chief Executive Officer

Independent auditor's report

To TELES Aktiengesellschaft, Berlin

NOTE ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit opinions

We have published the consolidated financial statements of TELES Aktiengesellschaft and its subsidiaries (the Group) - consisting of the consolidated balance sheet as of December 31, 2023, the consolidated profit and loss statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1, 2023 to December 31, 2023 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we examined the combined management report of TELES Aktiengesellschaft for the financial year from January 1, 2023, to December 31, 2023. In accordance with German legal requirements, we have not examined the content of the parts of the combined management report mentioned in the "Other information" section.

According to our assessment based on the findings gained during the audit

– the attached consolidated financial statements comply in all material respects with the IFRS as applied in the EU and the additional German legal regulations applicable in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB) and, taking these regulations into account, provide a true and fair view of the assets - and financial position of the group as of December 31, 2023 as well as its earnings situation for the financial year from January 1, 2023 to December 31, 2023 and
– the attached combined management report provides an accurate picture of the group's situation overall. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to those mentioned under "Other information". The components of the group management report that have been audited for content.

In accordance with Section 322, Paragraph 3, Sentence 1 of the German Commercial Code (HGB), we declare that our audit did not lead to any objections to the propriety of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Auditor Regulation (No. 537/2014; hereinafter referred to as "EU-APrVO"), considering the German principles established by the Institute of Public Accountants (IDW). proper final audit carried out. Our responsibility under these regulations and principles is further described in the "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" section of our auditor's report. We are independent of the group companies in accordance with European law as well as German commercial and professional law and have fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with Article 10 Paragraph 2 Letter f) of the EU Audit Regulation, we declare that we have not provided any prohibited nonaudit services in accordance with Article 5 Paragraph 1 of the EU Audit Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to serve as a basis for our opinions on the consolidated financial statements and the combined management report.

Significant uncertainty in connection with the continuation of the company's operations

We refer to the information in the appendix under section "2 Summary of key accounting principles" and to the information in the management report under the sections "Potentially jeopardizing risks", "Management board assessment of the overall risk situation" and "Financing the continuation of the company". The legal representatives describe that the company will continue to rely on additional funds from capital measures. The Management Board considers the financial resources available within the TELES Group to be sufficient to cover TELES's expected financial resources requirements by the end of 2025 the Management Board also considers the possibility of strengthening the company's earnings and liquidity situation through group contributions, profit distributions and/or loans through the subsidiary EURO RX Arzneimittel GmbH.

The management board of TELES AG points out that the continued existence of the company and thus the group depends on the planned sales of the group subsidiary EURO RX for the coming months not being sustainably undercut and the promised additional financial resources of EUR 0.6 million are sufficient or can be increased if necessary. The risks in this context are whether EURO RX will be able to grow with positive margins again in the future, generate positive earnings surpluses and free liquidity and be able to provide the support contributions necessary for TELES AG without its own development to endanger.

As explained in the section in the appendix under "1 General information" and in the information in the management report under the sections "Potentially threatening risks", "Management board assessment of the overall risk situation" and "Financing the continuation of the company", these events and circumstances indicate the existence a significant uncertainty that may raise significant doubts about the company's ability to continue as a going concern and represents a risk that threatens its continued existence within the meaning of Section 322 Paragraph 2 Sentence 3 of the German Commercial Code (HGB).

Reasons for determining material uncertainty as the most significant assessed risk of material misstatement

The consolidated financial statements of TELES Aktiengesellschaft were prepared under the assumption of going concern. As explained in the previous section, there are circumstances that could endanger the continued existence of TELES Aktiengesellschaft. Due to the importance for the consolidated financial statements and the combined management report as well as due to the existing uncertainty about the occurrence of the assumptions and conditions on which the medium-term corporate planning is based, the assessment of the appropriateness of the assumed premise of going concern was within the scope for us a particularly important audit matter in our audit.

Audit procedure and conclusions

As part of our audit, we examined whether the preparation of the consolidated financial statements assuming the company's continued operations and the presentation of the associated information in the notes to the consolidated financial statements and the combined management report were appropriate. In addition to interviewing the legal representatives, we particularly examined the legal representatives' liquidity forecasts and plans for future measures to determine whether the assumptions underlying the forecasts were plausible and achievable under the given circumstances. We critically assessed the prospects of success of implementing the planned measures in terms of their plausibility and viewed audit evidence. We also examined the appropriateness of the information in the annual financial statements and the management report.

Based on the audit procedures we have carried out; we consider the assumption that the company will continue as a going concern and the premises underlying this assumption to be appropriate.

Our opinions are not modified in relation to this matter.

Particularly important audit matters in the audit of the consolidated financial statements

Particularly important audit matters are those matters that, in our professional judgment, were most significant in our audit of the annual financial statements for the fiscal year from January 1, 2023, to December 31, 2023. In addition to the matter described in the section "Major uncertainty in connection with the continuation of the company's operations", in our opinion there were no other significant matters.

Other Information

The legal representatives are responsible for the other information. The other information includes the following components of the combined management report that have not been audited for content:

– the reference to the group declaration on corporate governance with the corporate governance report in accordance with Section 315d of the German Commercial Code (HGB) and the information to which the reference refers,
– the reference to the remuneration report in accordance with Section 162 AktG and the information to which the reference refers,
– Insurance of the legal representatives (Section 297 Paragraph 2 Sentence 4 HGB, Section 315 Paragraph 1 Sentence 5 HGB).

Our opinions on the consolidated financial statements and the combined management report do not cover the other information and accordingly we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit of the consolidated financial statements, we are responsible for reading the other information and assessing whether the other information

– have material discrepancies with the consolidated financial statements, the audited components of the combined management report or our knowledge obtained during the audit or
– appear otherwise materially misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply in all material respects with the IFRS as applied in the EU and the additional German legal regulations applicable in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB), and for ensuring that the The consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, taking these regulations into account. In addition, the legal representatives are responsible for the internal controls that they have determined are necessary to enable the preparation of consolidated financial statements that are free from material misstatement due to fraud (i.e. accounting manipulation and financial loss) or errors.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they have the responsibility to disclose matters relating to the continuation of the company's operations, if relevant. In addition, they are responsible for accounting based on the going concern basis of accounting, unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

In addition, the legal representatives are responsible for preparing the combined management report, which provides an accurate picture of the group's situation and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and reflects the opportunities and risks accurately represents future development. Furthermore, the legal representatives are responsible for the arrangements and measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal regulations and for providing sufficient appropriate evidence for to be able to provide the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free from material misstatements - intentional or unintentional - and whether the combined management report as a whole conveys an accurate picture of the Group's situation and in all material respects matters are consistent with the consolidated financial statements and with the findings obtained during the audit, comply with German legal requirements and accurately present the opportunities and risks of future development, as well as to issue an auditor's report that contains our audit opinions on the consolidated financial statements and the combined ones Management report includes.

Adequate certainty is a high degree of certainty but is not a guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) and the EU-APrVO, considering the German principles of proper auditing established by the Institute of Public Accountants (IDW), is material always uncovers false representations. Misrepresentations may result from violations or inaccuracies and are considered material if they could reasonably be expected, individually or collectively, to influence the economic decisions of recipients made based on these consolidated financial statements and combined management report.

During the audit, we exercise due discretion and maintain a critical attitude. Over and beyond

- we identify and assess the risks of material misstatements in the consolidated financial statements and in the group management report due to fraud or errors, plan and carry out audit procedures in response to these risks and obtain audit evidence that is sufficient and suitable to be considered to serve as the basis for our audit opinions. The risk that material misstatements resulting from fraudulent acts will not be detected is higher than the risk that material misstatements resulting from errors will not be discovered, since fraudulent acts include collusive cooperation, forgery, intentional incompleteness, misleading representations, etc. may involve overriding internal controls;
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the combined management report to plan audit procedures that are appropriate under the given circumstances, but not with the aim of forming an audit opinion effectiveness of these systems.
- we assess the appropriateness of the accounting methods used by the legal representatives as well as the reasonableness of the estimated values and related information presented by the legal representatives.
- we draw conclusions about the appropriateness of the going concern basis of accounting used by the legal representatives and, based on the audit evidence obtained, whether a material uncertainty exists in connection with events or circumstances that cast significant doubt on the ability of the company to do so to continue the company's operations. If we conclude that a material uncertainty exists, we are obliged to draw attention to the relevant information in the consolidated financial statements and the group management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit report. However, future events or circumstances may result in the Group no longer being able to continue as a going concern.

- we assess the overall presentation, structure and content of the consolidated financial statements, including the information, as well as whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements are prepared in compliance with IFRS as applied in the EU and the supplementary ones The German legal regulations applicable in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB) provide a true and fair view of the Group's asset, financial and earnings situation.
- we obtain sufficient appropriate audit evidence for the accounting information of the companies or business activities within the group to express opinions on the consolidated financial statements and the combined management report. We are responsible for instructing, monitoring, and carrying out the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we assess the consistency of the combined management report with the consolidated financial statements, its legal compliance, and the picture it conveys of the group's situation.
- we carry out audit procedures on the future-oriented information presented by the legal representatives in the group management report. Based on sufficient, appropriate audit evidence, we in particular carry out the significant assumptions on which the legal representatives base the future-oriented information and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the forward-looking information.

We discuss with those responsible for monitoring, among other things, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We will make a statement to those responsible for monitoring that we have complied with the relevant independence requirements and will discuss with them all relationships and other matters that may reasonably be expected to affect our independence and, if relevant, the actions taken, or protective measures taken to eliminate threats to independence.

From the matters that we discussed with those responsible for monitoring, we determine those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the particularly important audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude public disclosure of the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Note on the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for disclosure purposes in accordance with Section 317 Paragraph 3a HGB

Audit opinion

In accordance with Section 317 Para. 3a HGB, we have carried out an audit with sufficient certainty as to whether the reproductions of the consolidated financial statements and the combined management report contained in the file "KA Teles 2023.zip" (SHA1: fab12b9253d4df00ec9626063b9a7409e33b2b1a) and prepared for disclosure purposes (hereinafter also referred to as “ESEF documents”) comply with the requirements of Section 328 Paragraph 1 HGB for the electronic reporting format (“ESEF format”) in all material respects.

In accordance with German legal requirements, this audit only extends to the conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore neither to the information contained in these reproductions nor to other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 Paragraph 1 HGB for the electronic reporting format.

We do not express any opinion beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1, 2023, to December 31, 2023, contained in the above “Report on the Audit of the Consolidated Financial Statements and the Combined Management Report”. the information contained in these reproductions as well as the other information contained in the above file.

Basis for the audit opinion

We have audited the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file in accordance with Section 317 (3a) of the German Commercial Code (HGB), considering the IDW auditing standard: Auditing the electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with Section 317 Paragraph 3a HGB (IDW PS 410 (06.2022)).

Our responsibility thereafter is further described in the section “Responsibility of the group auditor for the audit of the ESEF documents”. Our auditing practice has applied the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practices (IDW QS 1).

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Section 328 Paragraph 1 Sentence 4 No. 1 HGB and for the labeling of the consolidated financial statements in accordance with Section 328 Paragraph 1 Sentence 4 No. 2 HGB. Furthermore, the legal representatives of the company are responsible for the internal controls that they consider necessary to enable the creation of ESEF documents that are free from material - intentional or unintentional - violations of the requirements of Section 328 Paragraph 1 HGB are the electronic reporting format. The Supervisory Board is responsible for overseeing the preparation of ESEF documents as part of the accounting process.

Responsibility of the group auditor for the audit of the ESEF documents

Our objective is to obtain sufficient certainty as to whether the ESEF documents are free of material – intentional or unintentional – violations of the requirements of Section 328 Paragraph 1 HGB. During the audit, we exercise due discretion and maintain a critical attitude. Over and beyond

- we identify and assess the risks of material – intentional or unintentional – violations of the requirements of Section 328 Paragraph 1 HGB, plan and carry out audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinion.
- we gain an understanding of the internal controls relevant to the audit of the ESEF documents to plan audit procedures that are appropriate in the circumstances, but not with the aim of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815 in the version applicable as of the reporting date for the technical specification for this file.
- we assess whether the ESEF documents enable an XHTML reproduction of the audited consolidated financial statements and the audited group management report with the same content.
- we assess whether marking the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information in accordance with Article 10 Eu-APrVO

We were appointed as auditors by the Charlottenburg District Court by order of February 27, 2024. We were commissioned by the Chairman of the Supervisory Board on March 11, 2024. We have been working as auditors of TELES Aktiengesellschaft continuously since the 2023 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (audit report).

OTHER MATTERS – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and group management report converted into the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF note, and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Dr. Mathias Thiere.

Berlin, April 23, 2024

MSW GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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Dr. Thiere
Wirtschaftsprüfer

Report of the Supervisory Board on the financial year from the 1st of January to the 31st of December 2023

In the 2023 financial year, the Supervisory Board continued to properly perform the tasks assigned to it by law and the Articles of Association and regularly monitored and advised the Executive Board of TELES AG in the management of the company. He received timely written and oral information about the company's situation and business development. He was involved in all decisions of fundamental importance.

Consulting priorities 2023

In nine supervisory board meetings and many informal discussions, the supervisory board discussed the company's economic situation and made decisions on the strategic further development of TELES AG. All members of the Supervisory Board took part in the Supervisory Board meetings. The chairman of the supervisory board maintained regular contact with the chairman of the board. There was an intensive exchange with the auditor for the 2022 financial year, Rödl & Partner, especially in the second half of 2023.

The Supervisory Board agrees with the Management Board that the 2023 financial year was not satisfactory. Against this background, the strategic realignment of the TELES Group was at the center of the discussions: The "Carrier Solutions" business area was sold on October 1, 2023, as part of an asset deal. TELES' focus on the pharmaceutical growth market creates good conditions for a sustainable turnaround.

The Supervisory Board shares the Executive Board's statements in the management report, according to which the continued existence of the company depends primarily on the fact that the planned sales of the subsidiary EURO RX Arzneimittel GmbH are not sustainably undercut and that the promised additional financial resources of EUR 0.6 million are sufficient. are adequate or can be increased if necessary. The planned increase in the share capital against cash contributions not only reduces the debt financing of the operating business, but it also creates opportunities for M&A measures.

Audit results

Due to the late completion of the 2022 audit by Rödl & Partner, MSW GmbH was appointed as auditor for the 2023 annual financial statements at the request of TELES AG in accordance with Section 318 Paragraph 4 of the German Commercial Code (HGB) by the Charlottenburg District Court. The Supervisory Board was convinced of the independence of the auditor.

The auditor concludes that the annual financial statements, the consolidated financial statements, and the combined management report as of December 31, 2023, comply with the legal requirements in all material respects and provide a true and fair view of the asset, financial and earnings situation conveyed. Based on the results of his audit, the auditor considers the assumption that the company will continue to operate as a going concern. As a result of his audit, the auditor of TELES AG issued an unqualified opinion on the annual financial statements and the consolidated financial statements for the 2023 financial year.

Resolution

By resolution of April 23, 2024, the Supervisory Board approved the 2023 annual financial statements prepared by the company and audited by the auditor MSW GmbH. The annual financial statements for the 2023 financial year have now been approved. By resolution of April 23, 2024, the Supervisory Board also approved the consolidated financial statements for the 2023 financial year prepared by the company and audited by the auditor MSW GmbH.

The Supervisory Board would like to thank all employees for their great personal commitment and the work carried out in 2023.

Berlin, April 23, 2024
The Supervisory Board

Joachim Schwarzer
Chairman of the Supervisory Board