



TIPTEL AG

Interim Report of the TIPTEL-Group

for the period from January 1st to March 31th, 2003

**tiptel**

## Letter to the shareholders

### Dear shareholders and business friends,

The ITC-market relevant for TIPTEL developed in a limited way according to the difficult overall economic situation at the beginning of 2003. Neither nationally nor internationally a stimulation of the economy and the ITC-market could be observed during the first quarter of 2003. Nevertheless, we were in the position to achieve with 8.7 MEUR an increase in turnover of 2.4 percent compared to previous year's period. Due to our consistent cost reduction measures we achieved the turn-around regarding the operational result. With 0.1 MEUR our earnings before interest and tax (EBIT) were positive again for the first time since the 4th quarter 2000.

Although the number of visitors to this year's CeBIT was regressive in general, we could state more qualified discussions with professional visitors as in the previous year. This acknowledges our competence and our success as a leading specialist for innovative telecommunication solutions in the sector of TC terminal devices. But also in the growing sectors of computer and internet based voice and data communication we will enhance and enlarge our competence.

At the CeBIT especially the two new PBX systems "tiptel 3022 office" and "tiptel 3011 office" with integrated ADSL router, network switch and wireless LAN connection found special approval of the interested professional visitors. Also the new tiptel WLAN DSL Gateway, a combination of ADSL modem, ADSL router, network switch and wireless LAN access point promises significant positive impulses.

In the first quarter 2003 we intensively continued implementing our system-partner sales concept. Due to our support competence towards the specialised trade we ensure professional advice and support of our customers. Especially by the password protected sector on our homepage [www.tiptel.de](http://www.tiptel.de), used increasingly by our sales partners, we intensively support the specialist traders .

A handwritten signature in black ink, appearing to read 'Werner Materna', with a large, stylized flourish on the right side.

Werner Materna  
CEO of TIPTEL AG

### Business development

With a group turnover of 8.7 MEUR in the first quarter of 2003 we achieved an increase of 2.4 percent compared to previous year's period. Especially the development of the results of our Belgium subsidiary should be stressed positively. Here, the new management structures already show first significant success. The Belgium subsidiary achieved positive results for the first time.

### Turnover of the primary segment of the TIPTEL group in a survey (in TEUR)

	01.01. – 31.03.2003	01.01. – 31.03.2002
Germany	4,713	5,157
Benelux countries	2,235	1,693
Other European countries	1,706	1,594
<b>Total amount</b>	<b>8,654</b>	<b>8,444</b>

With regard to the business sectors the increased turnover of the ISDN sector could nearly compensate the again slightly decreasing analog sector. Also in the DECT business sector a significant plus in turnover could be observed.

### Sales by business divisions (TEUR)

	01.01. – 31.03.2003	01.01. – 31.03.2002
ISDN	2,121	1,712
DECT	1,438	1,003
Analog	3,422	3,977
Security technology	41	72
Made-to-order production	906	1,409
Others	726	271
<b>Total amount</b>	<b>8,654</b>	<b>8,444</b>

### **Earnings and cost development**

Whereas the purchase price level was by 8 percent lower than in the previous year's period and had a stronger positive influence on the earnings, the sales prices could be kept nearly at previous year's level in spite of the difficult overall market situation. In general, our costs still developed positively (about -9 percent) compared to the previous year's period especially due to the cost reduction measures implemented in 2002.

With 98 TEUR we achieved positive earnings before interest and tax (EBIT) for the first time since eight quarters (previous year: -231 TEUR). In the first quarter of 2003 the earnings before interest, taxes, depreciation and amortisation (EBITDA) could be improved by 282 TEUR to 479 TEUR (previous year 197 TEUR).

After the first three months of 2003 the earnings per share for the TIPTEL-Group were balanced (0.00 EUR). In the previous year's period the comparable figure amounted to -0.11 EUR. For TIPTEL AG the earnings per share amounted to 0.01 EUR (according to HGB, last year's deficit -0.15 EUR ).

### **Orders-on-hand**

The orders-on-hand for TIPTEL AG and DFG amounted to 5.9 MEUR by March 31, 2003.

### **Investments**

Despite the cost reduction measures we kept the investments in the research and development sector at a constant level. Thereby we create the basis for enlarging our position successfully in future. The development of the wireless LAN technology was continued during the first quarter of 2003 as planned.

### **Staff**

During the first quarter of 2003 the number of employees in the TIPTEL group decreased by 13 persons (-4.5 percent) compared to previous year's period ) to 278.



tiptel 4011 XT: modulare PBX with system

### Future business outlook

For 2003 we expect a positive basic tendency on the TIPTEL target markets with a TC market growth of about 4.4 percent and a stable turnover for TC terminal devices. Especially by the modular PBX "tiptel 4011 XT" together with the new wireless LAN model, which will be introduced to the market in the second half of 2003, we expect further positive impulses for the second term of 2003.

With regard to the expected market development we aim at a group turnover of over 36 MEUR for the current business year. Thus, we expect a double-digit turnover increase to about 22 MEUR for TIPTEL AG. Concerning the earnings situation it is our aim to achieve balanced earnings before interest and tax (EBIT) for the group in the business year 2003.

By focussing on our competence sectors and on market relevant technologies as well as by professional development of our sales strategy we intend to establish ourselves as important supplier for target group conform and extensive telecommunication solutions. Besides a positive business development we regard ourselves being very well equipped for ameliorating our earnings situation in future as well.



tiptel 3022 office: telecommunication, network technology, internet access in one device

Under consideration of the still difficult market situation the evaluation of major risks for the future development showed no significant changes compared to the explanations given in our annual report 2002.

#### **Additional explanations**

1. The balancing and valuation methods as well as the means of calculation used for the year up to December 31, 2002 remained unchanged for the period up to March 31, 2003.
2. The interim report of the TIPTEL group for the period of January 1 to March 31, 2003 is according to International Financial Reporting Standards (IFRS) in connection with IAS 34.
3. The self storehouse at Kiel, which has been leased by TIPTEL, economically belongs to the TIPTEL group. The construction costs have been capitalised within the other assets. Since January 1, 2001 this building has been written-off according to plan.

## Consolidated profit and loss account\* as of January 1st to March 31st, 2003

	Interim Report I/2003 01.01.2003 to 31.03.2003	Interim Report I/2002 01.01.2002 to 31.03.2002	3-Month-Report 01.01.2003 to 31.03.2003	3-Month-Report 01.01.2002 to 31.03.2002
	TEUR	TEUR	TEUR	TEUR
Revenues	8,654	8,444	8,654	8,444
Other operating income	132	119	132	119
Changes in inventories of finished goods and work in progress	1	453	1	453
Other capitalized service	-	-	-	-
Cost of purchased materials and services	-4,230	-4,499	-4,230	-4,499
Personnel expenses	-2,860	-2,967	-2,860	-2,967
Depreciation and amortization	-381	-428	-381	-428
Other operating expenses	-1,218	-1,353	-1,218	-1,353
Others	-	-	-	-
<b>Operating income / loss</b>	<b>98</b>	<b>-231</b>	<b>98</b>	<b>-231</b>
Interest income and expenditure	-111	-124	-111	-124
Income from investments and participations	-	-	-	-
Income / expense from associated companies	-	-	-	-
Foreign currency exchange gains / losses	24	-	24	-
Other income / expense	-	-34	-	-34
<b>Result before income taxes (and minority interest)</b>	<b>11</b>	<b>-389</b>	<b>11</b>	<b>-389</b>
Income tax	6	-192	6	-192
Extraordinary income / expenses	-	-	-	-
<b>Result before minority interest</b>	<b>17</b>	<b>-581</b>	<b>17</b>	<b>-581</b>
Minority interest	-	-	-	-
<b>Net income / loss</b>	<b>17</b>	<b>-581</b>	<b>17</b>	<b>-581</b>
<b>Net income per share (basic)</b>	<b>0.00</b>	<b>-0.11</b>	<b>0.00</b>	<b>-0.11</b>
<b>Weighted average shares outstanding (basic) in EUR</b>	<b>5,220.972</b>	<b>5,220.972</b>	<b>5,220.972</b>	<b>5,220.972</b>

\* without audit opinion

Consolidated Balance sheet\*  
as of March 31, 2003

<b>Assets</b>		
	<b>As of 31.03.2003</b>	<b>As of 31.12.2002</b>
	<b>TEUR</b>	<b>TEUR</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	704	954
Short-term Investments / Marketable securities	-	-
Trade accounts receivable	4,962	4,719
Accounts receivable due from related parties	-	-
Inventories	9,283	8,989
Deferred taxes	1,115	1,072
Prepaid expenses and other current assets	1,242	1,146
Others	93	93
<b>Current Assets, total</b>	<b>17,399</b>	<b>16,973</b>
Property, plant and equipment	4,469	4,772
Intangible assets	481	539
Investments	1,574	1,574
Equity investments	-	-
Notes receivable / loans	230	259
Goodwill	3	3
Deferred taxes	888	888
Other assets	-	-
Others	-	-
<b>Total Assets</b>	<b>25,044</b>	<b>25,008</b>
* without audit opinion		



## Consolidated Balance sheet\*

### as of March 31, 2003

<b>Liabilities and shareholders' equity</b>		
	<b>As of 31.03.2003</b>	<b>As of 31.12.2002</b>
	<b>TEUR</b>	<b>TEUR</b>
<b>Current liabilities</b>		
Current portion of capital lease obligation	53	70
Short term debt and current portion of long-term debt	1,702	1,443
Trade accounts payable	3,571	3,421
Advance payments received	-	-
Accrued expenses	3,829	3,752
Deferred revenues	169	182
Income tax payable	85	55
Deferred taxes	177	207
Other current liabilities	1,935	1,393
Others	23	23
<b>Total current liabilities</b>	<b>11,544</b>	<b>10,546</b>
Long-term debt, less current portion	3,163	3,172
Capital lease obligations, less current portion	1,135	1,135
Deferred revenues	1,936	1,936
Deferred taxes	120	120
Pension accrual	3,168	3,168
Others	1,128	1,421
<b>Minority interest</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity</b>		
Share Capital	13,347	13,347
Additional paid-in capital	540	540
Treasury Stock	-	-
Accumulated deficit / retained earnings	-2,522	-2,584
Accumulated other comprehensive income / loss	-8,515	-7,793
Others	-	-
<b>Total shareholders' equity</b>	<b>2,850</b>	<b>3,510</b>
<b>Total Liabilities and Shareholders' equity</b>	<b>25,044</b>	<b>25,008</b>
* without audit opinion		

## Cash-flow statement\*

### as of January 1st to March 31st, 2003

	01.01 to 31.03.2003	01.01 to 31.03.2002
	TEUR	TEUR
1. Net profit (+) / loss (-) for the year prior to extraordinary items	+ 19	./ 581
2. Depreciation (+) / write-ups (-) on fixed assets	+ 381	+ 428
3. Interest expenditure	+ 111	+ 136
4. Increase / decrease of accrued expenses	+ 77	./ 52
5. Other expenses (+) / income (-) not affecting cash flows	./ 140	./ 197
6. Profit (-) / loss (+) from disposal of fixed assets	./ 6	./ 15
7. Outflow (-) for Interest expenditure	./ 29	./ 36
8. Outflow (-) for income taxes	./ 37	
9. Increase (-) / decrease (+) in inventories, receivables and other assets	./ 1,330	./ 454
10. Increase (+) / decrease (-) in accounts payable and other liabilities (without financing and investing activities)	+ 323	+ 156
<b>11. Cash flows from operating activities</b>	<b>./ 631</b>	<b>./ 615</b>
12. Inflow (+) from tangible asset disposals	+ 124	
13. Outflow (-) for investments in tangible assets	./ 24	./ 141
14. Outflow (-) for investments in intangible assets		./ 45
15. Inflow (+) from financial asset disposals	+ 29	+ 106
16. Outflow (-) for investments in financial assets		
17. Inflow (+) from disposal of subsidiaries and other shares		
18. Inflow from interests	+ 1	
19. Correction due to change of consolidation circle		
<b>20. Cash flows from investing activities</b>	<b>+ 130</b>	<b>./ 80</b>
21. Inflow (+) from capital increase		+ 81
22. Inflow (+) from increase in borrowings	+ 251	+ 149
23. Outflow (-) for repayments on borrowings		
<b>24. Cash flows from financing activities</b>	<b>+ 251</b>	<b>+ 230</b>
<b>25. Change in cash and cash equivalents</b>	<b>./ 250</b>	<b>./ 465</b>
26. Cash and cash equivalents at beginning of period	954	+ 1,223
<b>27. Cash and cash equivalents at end of period</b>	<b>704</b>	<b>+ 758</b>
- thereof liquid assets	652	695
- thereof pledged assets	52	63

## Schedule of TIPTEL group equity capital as of March 31, 2002

	Issued capital	Capital reserve	Retained earnings	Net profit for the period	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
<b>As of 31.12.01</b>	<b>13,347</b>	<b>540</b>	<b>-5,620</b>	<b>-2,691</b>	<b>5,576</b>
Transfers			179	-179	0
Net loss for the period				-581	-581
Other neutral changes			81		81
<b>As of 31.03.02</b>	<b>13,347</b>	<b>540</b>	<b>-5,360</b>	<b>-3,451</b>	<b>5,076</b>

## Schedule of TIPTEL group equity capital as of March 31, 2003

	Issued capital	Capital reserve	Retained earnings	Net profit for the period	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
<b>As of 31.12.02</b>	<b>13,347</b>	<b>540</b>	<b>-7,793</b>	<b>-2,584</b>	<b>3,510</b>
Transfers			-45	45	0
Net loss of the period				17	17
Other neutral changes			-677		-677
<b>As of 31.03.03</b>	<b>13,347</b>	<b>540</b>	<b>-8,515</b>	<b>-2,522</b>	<b>2,850</b>

## Segment reporting

Primary reporting format 2003 (geographical segment)  
as of January 1st to March 31st, 2003

	Germany	Benelux	Others in Europe	Inter- segment transfer	Elimi- nation	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Earnings</b>						
Sales revenue with third parties	4,713	2,235	1,706	0		8,654
Inter-segment transfer	2,307	7	16	+ 2,330		0
<b>Total revenue incl. transfer</b>	<b>7,020</b>	<b>2,242</b>	<b>1,722</b>	<b>-2,330</b>		<b>8,654</b>
<b>Segment result from ordinary activity</b>	<b>44</b>	<b>208</b>	<b>-117</b>		<b>-110</b>	<b>25</b>
Extraordinary income						0
Income taxes						+ 6
Other taxes						-14
<b>Net income / loss</b>						<b>17</b>
<b>Other information</b>						
Segment assets	27,901	3,090	3,601		-11,551	23,041
Segment debts	18,804	3,812	4,802		-5,521	21,897
Purchase costs for fixed assets	13	1	10			24
Purchase costs for intangible assets						
Depreciation/amortisation	331	22	35		-7	381

Primary reporting format 2002 (geographical segment)  
as of January 1st to March 31st, 2002

	Germany	Benelux	Others in Europe	Inter- segment transfer	Elimi- nation	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Earnings</b>						
Sales revenue with third parties	5,157	1,693	1,594	0		8,444
Inter-segment transfer	1,477	84	38	+ 1,599		0
<b>Total revenue incl. transfer</b>	<b>6,634</b>	<b>1,777</b>	<b>1,632</b>	<b>-1,599</b>		<b>8,444</b>
<b>Equity valuation of the result</b>	<b>-594</b>	<b>5</b>	<b>-103</b>		<b>337</b>	<b>-355</b>
Income taxes						-192
Other taxes						-34
<b>Net income / loss</b>						<b>-581</b>
<b>Other information</b>						
Segment assets	27,233	3,998	4,019		-7,522	27,728
Segment debts	21,039	4,699	4,950		-7,029	23,659
Purchase costs for fixed assets	99	42				141
Purchase costs for intangible assets	45					45
Depreciation/amortisation	256	31	46		95	428

Secondary reporting format 2003 (sales by business divisions)  
as of January 1st to March 31st, 2003

	ISDN	DECT	Analog	Others	Security technology	Made-to-order production	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Earnings</b>							
Sales revenue with third parties	2,121	1,438	3,422	726	41	906	8,654
Inter-segment revenue							
<b>Total revenue incl. transfer</b>	<b>2,121</b>	<b>1,438</b>	<b>3,422</b>	<b>726</b>	<b>41</b>	<b>906</b>	<b>8,654</b>
<b>Segment result from ordinary activity</b>	<b>41</b>	<b>147</b>	<b>-396</b>	<b>118</b>	<b>1</b>	<b>114</b>	<b>25</b>
Income taxes							+ 6
Other taxes							- 14
<b>Net income / loss</b>							<b>17</b>
<b>Other information</b>							
Segment assets	5,649	3,829	9,110	1,933	108	2,412	23,041
Segment debts	5,368	3,639	8,658	1,837	103	2,292	21,897
Purchase costs for fixed assets	6	4	9	2		3	24
Purchase costs for intangible assets							
Depreciation / amortisation	138	18	172	20	4	29	381

Secondary reporting format 2002 (sales by business divisions)  
as of January 1st to March 31st, 2002

	ISDN	DECT	Analog	Others	Security technology	Made-to-order production	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Earnings</b>							
Sales revenue with third parties	1,712	1,003	3,977	271	72	1,409	8,444
Inter-segment revenue							
<b>Total revenue incl. transfer</b>	<b>1,712</b>	<b>1,003</b>	<b>3,977</b>	<b>271</b>	<b>72</b>	<b>1,409</b>	<b>8,444</b>
<b>Segment result from ordinary activity</b>	<b>-401</b>	<b>-12</b>	<b>247</b>	<b>-275</b>	<b>3</b>	<b>83</b>	<b>-355</b>
Income taxes							-192
Other taxes							-34
<b>Net income / loss</b>							<b>-581</b>
<b>Other information</b>							
Segment assets	5,621	3,293	13,058	891	238	4,627	27,728
Segment debts	4,796	2,810	11,142	760	203	3,948	23,659
Purchase costs for fixed assets	29	17	66	5	1	23	141
Purchase costs for intangible assets	9	5	21	2		8	45
Depreciation / amortisation	138	17	195	20	1	57	428

### Consolidated shares held

The following shares were held by members of executive bodies as at the reference dates indicated below:

<b>Managing Board</b>	31.03.2003	31.12.2002
Werner Materna	300	300

### Supervisory Board

Erhard Schäfer	2.610.489	2.610.489
Rudolf Breiden	10	10
Ulrike Theiner	51	51

No TIPTEL shares were held by the other members of executive bodies as at the abovementioned reference dates. No subscription rights were conferred on members of executive bodies or other employees.

### Shareholders' structure by 31.03.2003

Erhard Schäfer:	51 %
Free float:	49 %

### Service

All company related information of TIPTEL AG in German and English can be obtained directly from the internet [www.tiptel.de](http://www.tiptel.de).