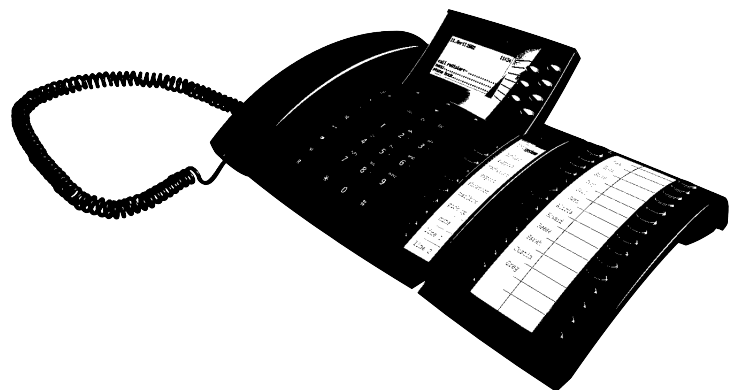
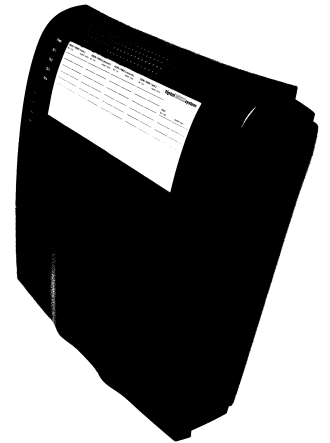




TIPTTEL AG

Interim report of the TIPTTEL Group
for the period from January 1 to June 30, 2005



Letter to the Shareholders

Dear shareholders and business friends,

TIPTEL could continue the positive development of the first quarter also in the second quarter. Thus we see confirmed our expectations for the total business year by the repeated increase of all earnings key figures. In total, the earnings before interest and taxes (EBIT) increased from 0.16 MEUR to 0.60 MEUR. The Group turnover in the second quarter of 2005 increased slightly by 0.04 MEUR to 7.79 MEUR compared to previous year's quarter. With an EBIT-margin of 3.7 per cent in the first two quarters of the business year 2005 we are above our target value of 1.9 per cent for the total business year 2005. In view of the unchanged difficult economic environment – leading economic research institutes expect a growth of about 1 per cent – we adhere to our forecast given at the beginning of the year.

As one of the Europe-wide active specialists for innovative telecommunications solutions we have focussed on medium-sized companies as well as on small and home offices. For this attractive target group we offer professional telecommunications system solutions in which flexibly extendible components are adapted to the telecommunications and network applications of this user group. A more and more important role plays the merger of voice and data networks into an integrated and convenient communications environment. At an early stage we have focussed our research and development activities on developing appropriate product solutions by which transport of voice via the Internet (VoIP) is possible for our target group. Besides the so-called profi IP telephones e. g. with the tiptel 105 VoIP we offer our customers a Voice-over-IP adapter by which the connection of a present PBX system via any SIP provider to the Voice-over-IP world can easily be realized.

The feedback of our customers to the presentation of our new developments at this year's CeBIT was throughout positively. Here also our product solutions for Internet telephony were especially in the focus. The tiptel 116 cyberphone can be connected to a computer via a USB interface and is appropriate for use with the different providers. Especially focussed to the Skype® network*, one of the preferred and largest IP telephony providers worldwide, are the tiptel cyberBOX 100 and the tiptel 115 USB.

*Skype is a registered trademark and Internet telephony service of Skype Technologies S. A., Luxembourg. Skype Technologies S. A. does not have any connection to TIPTEL AG neither commercially nor organisationally

Also in the second quarter the main focus of product programme development is on the Internet telephony. The modular PBX system tiptel 6000 business offers advantages especially to companies with external employees: The employees doing telework connect the new VoIP-systemtelephone tiptel 64 VoIP to the necessary broadband Internet connection and, via the PBX system of the company, they can thus use all familiar system functions.

The development of innovative products, tailor-made to the requirements of medium-sized companies as well as of small and home offices shall be the basis for the further positive development of your company. In the last year, we have shown that we are on a good way and we will do our utmost to continue this way also in future. For the total business year 2005 we plan a slightly increased turnover and, compared to previous year, an again increased margin of earnings before interest and taxes (EBIT) of 1.9 per cent (December 31, 2004: 1.1 per cent).



Werner Materna
Management Board

Business development

After the first six months of the current business year the turnover of TIPTEL amounted to 15.99 MEUR. Thus, as expected, previous year's level of 17.12 MEUR was not achieved. Nevertheless we expect that this effect will diminish significantly in the course of the year. The turnover development in the second quarter shows this, too. In this period the turnover slightly increased from 7.75 MEUR to 7.79 MEUR.

In the sector **Analogue and ISDN** the turnovers were with 7.17 MEUR (previous year: 7.41 MEUR) respectively 4.01 MEUR (previous year: 4.42 MEUR) below previous year's level. In the comparable quarter, however, the ISDN business could increase with 2.21 MEUR compared to previous year's value of 2.06 MEUR. In the sector Analogue the turnover decreased from 3.60 MEUR to 3.10 MEUR.

The declining turnover development in the **DECT** business sector is among others based on the decision made at the beginning of the year to withdraw – except project business – from the DECT consumer business.

In the second quarter of 2005 we could increase the turnover in the sector of **Made-to-order-production** by 38.8 per cent to 1.07 MEUR. Cumulative this business sector shows a decrease to the amount of 0.45 MEUR in the first half of the year.

In the sector **Other** TIPTEL achieved a plus of 0.27 MEUR to 1.06 MEUR in the past six months.

Turnover according to business sectors	01.01. to 30.06.2005	01.01. to 30.06.2004	01.04. to 30.06.2005	01.04. to 30.06.2004
	KEUR	KEUR	KEUR	KEUR
ISDN	4,013	4,417	2,209	2,058
DECT	1,716	1,998	865	905
Analogue	7,169	7,413	3,104	3,604
Security technology	49	66	26	38
Made-to-order-production	1,984	2,436	1,073	773
Other	1,063	793	516	370
Total amount	15,994	17,123	7,793	7,748

Among others, the company benefited from its good market position in the core markets Germany and Benelux countries. This is especially shown in the second quarter: The turnover in the Benelux countries with 2.09 MEUR (Q2/2004: 2.16 MEUR) decreased only slightly and in Germany developed positively again with 4.28 MEUR (Q2/2004: 3.94 MEUR). In the other European countries the turnover decreased by 0.23 MEUR.

Turnover according to countries	01.01. to 30.06.2005	01.01. to 30.06.2004	01.04. to 30.06.2005	01.04. to 30.06.2004
	KEUR	KEUR	KEUR	KEUR
Germany	8,790	8,953	4,284	3,944
Benelux countries	4,347	4,647	2,094	2,160
Other european countries	2,857	3,523	1,415	1,644
Total amount	15,994	17,123	7,793	7,748

Earning situation and cost development

In the second quarter of 2005 TIPTEL increased its profitability and, thus, confirmed the trend of the first quarter. The earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to 0.41 MEUR after 0.23 MEUR in the previous year's period. After the first six months of 2005 this figure amounted to 1.00 MEUR (previous year: 0.64 MEUR). Herein included are capitalised self-constructed assets according to IAS 38 to the amount of 0.61 MEUR (previous year: 0 MEUR). Regarding operative earnings (EBIT) TIPTEL achieved 0.60 MEUR in the first half of year 2005 after 0.16 MEUR in the previous year's period. Comparing the quarters the EBIT improved from -0.02 MEUR in the second quarter of 2004 to 0.21 MEUR. TIPTEL could increase the half year's earnings from -0.15 MEUR in 2004 to 0.11 MEUR. Finally, the earnings per share amounted to 0.02 EUR after -0.03 EUR in the previous year's period.

With an EBITDA margin of 6.3 per cent (first half year of 2004: 3.8 per cent) and an EBIT margin of 3.7 per cent (first half year of 2004: 0.9 per cent) the margin development can be presented as follows in the longer-term survey:

Survey of the EBIT and EBIT margin development	EBIT	EBIT margin
	KEUR	in per cent
2002 p. a.	-2,385	-6.6
2003 p. a.	-785	-2.3
2004 p. a.	360	+1.1
First half year of 2005	599	+3.7

Survey of the EBITDA and EBITDA margin development	EBITDA	EBITDA margin
	KEUR	in per cent
2002 p. a.	-458	-1.3
2003 p. a.	515	+1.5
2004 p. a.	1,157	+3.5
First half year of 2005	1,002	+6.3

After the first six months of 2005, in the **costs sector** the company could even fall below the in total low level of the previous year. Under consideration of changes in inventories the material expenses quota decreased from 49.8 per cent in the previous year to 48.4 per cent. The expenses (personnel expenses, other operational expenses, depreciations on tangible assets) also decreased in the past half year by 1.4 per cent from 8.71 MEUR in 2004 to 8.59 MEUR.

Assets and financial situation

Compared to the end of the business year 2004, the balance sheet total of TIPTEL increased marginally from 18.29 MEUR to 18.33 MEUR by June 30, 2005.

	30.06.2005	31.12.2004
	KEUR	KEUR
Fixed assets	5,618	5,393
Current assets*	12,711	12,896
Equity capital	1,024	897
Borrowed capital*	17,305	17,392
Balance sheet total	18,329	18,289

*including tax on income receivables / payables and deferred terms

The fixed assets increased by 4.2 per cent from 5.39 MEUR to 5.62 MEUR. The largest part of this changing resulted from a higher investment volume in the first half year. Thus, the immaterial assets increased by 0.45 MEUR. At the same time, the tangible fixed assets decreased by 0.19 MEUR.

By June 30, 2005 the equity capital of TIPTEL increased to 1.02 MEUR. Thereof resulted a share capital ratio of 5.6 per cent compared to 4.9 per cent by December 31, 2004. The borrowed capital slightly decreased by 0.09 MEUR to 17.31 MEUR.

The changings in the borrowed capital included in the first quarter of 2005 in the sector of provisions accruals for vacation payments on the one hand and on the other hand partially accounted amounts which result among others from the fact that the management and the worker's council as well as the employees not represented by the worker's council agreed to a wages and salary waiver under certain conditions. The accruals within the provisions' sector of pro-rata vacation payment were spent by payment and, in view of the above mentioned employees' agreement, were neutralized with effect on profits in the second quarter.

In the framework of the cash-flow statement TIPTEL achieved a cash-flow from continuous business activity to the amount of 0.45 MEUR (first half year of 2004: -0.33 MEUR). The improvement of cash-flow from continuous business activity is faced by an outflow from investments of -0.63 MEUR (previous year: inflow +0.03 MEUR). The cash-flow from finance activities decreased from 0.18 MEUR to 0.07 MEUR due to lower interest payments.

Orders-on-hand

At the cut-off date the orders-on-hand for TIPTEL AG and DFG amounted to 4.76 MEUR after 6.23 MEUR in the corresponding previous year's period. The further unstable market situation and the order cycles always becoming shorter are reflected herein.

Investments / Research & Development

In the first six months TIPTEL invested in total 0.66 MEUR compared to 0.11 MEUR in the first half year of 2004. Here, it has to be considered that the capitalization of self-constructed assets has only been started in the third quarter of 2004. In the focus of investments were the product family of voice storage systems, which will be completed by finishing of the tiptel 540 office and the tiptel 545 pro in the course of the year, as well as the VoIP sector.

In the sector of research & development the expenses amounted to 1.07 MEUR after 1.22 MEUR in the previous year's period. Included herein are capitalised self-constructed assets to the amount of 0.61 MEUR according to IAS 38 (previous year: 0 EUR).

Staff

By June 30, 2005 TIPTEL employed in total 260 persons after 269 persons in the comparable period of 2004. The number of employees in Germany amounted to 222 (June 30, 2004: 228).

Investor Relations

Also in the second quarter of 2005 the positive development of the TIPTEL shares continued. At the cut-off date of June 30, 2005 the XETRA closing price amounted to 1.49 EUR. Thus, the share price plus amounted to more than 75 per cent this year. The preliminary annual height was reached on May 19, 2005 with 1.75 EUR.

After the annual press conference on April 29, 2005 TIPTEL continued their central investor relations meetings by this year's shareholders' meeting at Duisburg on June 8, 2005. Supervisory Board and Management Board gave a detailed review of the past business year and afterwards informed about the present business development and gave a forecast for 2005. The shareholders agreed to all topics of the agenda with large majority. Thus, the course steered by Management Board and Supervisory Board was confirmed impressively.

Current information regarding TIPTEL is always available on our homepage www.tiptel.de

Incidents after the end of the reporting period

After the end of the reporting period on August 16, 2005 TIPTEL AG sold 49 per cent of their shares of the Dutch company Tiptel b.v. The sales revenue to the amount of 1 MEUR directly accrued to the company. The shares of Tiptel b.v. were bought by Robinco Treuhand GmbH & Co. Beteiligungs KG, Ratingen, whose General Manager is the Chairman of the Supervisory Board of TIPTEL AG Erhard Schäfer. The Robinco Treuhand further disposes of the option to buy up to 100 per cent of Tiptel b.v. in future.

This transaction was accompanied by the sales of TIPTEL shares owned by Mr. Schäfer to institutional investors. At present the freefloat amounts to over 75 per cent.

Future business outlook

The target orientated product development respectively completion (trade goods) in the sectors VoIP, PBX systems and ergonomic telephones led to a further enlargement of the strong market position of TIPTEL. In these growth segments the company regards itself to be well positioned concerning the addressed target groups of small and medium-sized companies as well as small and home offices. Besides the further development of existing products TIPTEL puts emphasis of the research and development activities on the dynamically growing sector of the Internet telephony.

The second quarter of 2005 developed as expected in an enjoyable way. For the first time since 2002 a second quarter closed with a quarterly surplus. Also under these positive preconditions the Management Board forecasts unchanged an EBIT margin of 1.9 per cent and slightly increasing turnovers for the total business year of 2005. In spite of the more positive turnover development in the second quarter 2005 we expect – as in the previous year – again a weaker third quarter 2005 (turnover of the third quarter 2004 7.47 MEUR) due to the currently conservative receipt of orders.

Additional explanations

1. The balancing and valuation methods as well as the means of calculation used for the year up to December 31, 2004 remained unchanged for the period up to June 30, 2005.
2. The interim report of TIPTEL for the period of January 1 to June 30, 2005 is in accordance with the International Financial Reporting Standards (IFRS) in connection with IAS 34.
3. Compared to the consolidated annual financial statement by December 31, 2004 the basis of consolidation remained unchanged.
4. As to the evaluation of the essential risks for the future development under consideration of the further unstable market situation no significant changes result concerning the statements of the Annual Report 2004.

Consolidated profit and loss account* of TIPTEL AG as of Januar 1 to June 30, 2005

	Interim Report II/2005 01.04.2005 to 30.06.2005	Interim Report II/2004 01.04.2004 to 30.06.2004	6-Month-Report 01.01.2005 to 30.06.2005	6-Month-Report 01.01.2004 to 30.06.2004
	KEUR	KEUR	KEUR	KEUR
Revenues	7,793	7,748	15,994	17,123
Other operating income	181	89	316	221
Changes in inventories finished goods and work in progress	-35	216	101	339
Other capitalized service	298	-	607	-
Costs of purchased materials and services	-3,910	-3,922	-7,842	-8,867
Personnel expenses	-2,718	-2,730	-5,714	-5,725
Depreciation and amortization	-205	-246	-403	-487
Other operating expenses	-1,191	-1,203	-2,469	-2,494
Operating income	213	-48	590	110
Interest income and expenditure	-134	-116	-257	-217
Foreign currency exchanges gains/loss	-15	19	-9	20
Other income/expenses	9	13	18	27
Result before income taxes (and minority interest)	73	-132	342	-60
Income taxes	-68	-36	-231	-87
Result before minority interest	5	-168	111	-147
Minority interest	-	-	-	-
Net profit / loss	5	-168	111	-147
Earnings per share (basic) in EUR	0.00	-0.03	0.02	-0.03
Weighted average shares outstanding (basic)	5,220,972	5,220,972	5,220,972	5,220,972

*without audit opinion

Consolidated Balance Sheet* of TIPTEL AG as of June 30, 2005

	As of 30.06.2005	As of 31.12.2004
ASSETS	KEUR	KEUR
Current Assets		
Cash and cash equivalents	294	533
Trade accounts receivable	3,009	2,932
Inventories	7,036	7,177
Advanced payments on inventories	32	29
Prepaid expenses and other current assets	456	340
Total Current Assets	10,827	11,011
Property, plant and equipment	2,163	2,354
Intangible assets	1,827	1,382
Investments	1,622	1,622
According to equity accounting investments	6	6
Other loans	-	29
Deferred taxes	1,884	1,885
Total Non Current Assets	7,502	7,278
Total Assets	18,329	18,289

	As of 30.06.2005	As of 31.12.2004
LIABILITIES	KEUR	KEUR
Current Liabilities		
Short term debt and current portion of long-term debt	1,855	1,776
Trade accounts payable	2,829	2,888
Accounts payable due to related parties	1	1
Advance payment	6	-
Provisions	2,338	2,424
Deferred revenues	136	252
Taxes on income liabilities	21	-
Other current liabilities	1,019	1,100
Total Short-term liabilities	8,205	8,441
Long-term debt, less current portion	2,471	2,471
Deferred revenues	1,609	1,609
Deferred taxes	601	465
Pension accrual	3,239	3,226
Others	1,180	1,180
Total non-current liabilities	9,100	8,951
Minority interest	-	-
Shareholders' equity		
Shared capital	13,347	13,347
Additional paid-in capital	540	540
Treasury stock	-	-
Accumulated deficit	-4,577	-4,688
Accumulated other comprehensive loss	-8,286	-8,302
Total shareholders' equity	1,024	897
Total Liabilities	18,329	18,289

*without audit opinion

Consolidated cash-flow statement of TIPTEL AG as of January 1 to June 30, 2005

	01.01. to 30.06.2005		01.01. to 30.06.2004*	
	KEUR		KEUR	
1. Group net profit (+) / loss (-) for the year prior to tax on profits and extraordinary items	+	342	./.	60
2. Depreciation (+) / write-ups (-) on fixed assets	+	403	+	487
3. Interest expenses (+)	+	259	+	221
4. Increase / decrease in provisions	./.	74	./.	219
5. Profit (-) / loss (+) from disposal of fixed assets	./.	1	./.	5
6. Outflow (-) for interest	./.	54	./.	42
7. Outflow (-) for tax on profits	./.	67	./.	113
8. Increase (-) / decrease (+) in inventories, receivables and other assets	./.	269	./.	527
9. Increase (+) / decrease (-) in accounts payable and other liabilities (without financing and investing activities)	./.	86	./.	68
10. Cash-flows from operating activities	+	453	./.	326
11. Inflow (+) from tangible asset disposals	+	1	+	5
12. Outflow (-) for investments in tangible assets	./.	43	./.	46
13. Outflow (-) for investments in intangible assets	./.	613	./.	18
14. Inflow (+) from financial asset disposals	+	30	+	86
15. Inflow (+) from interest received	+	0	+	1
16. Cash-flows from investing activities	./.	625	+	28
17. Inflow (+) from increase in borrowings	+	143	+	245
18. Outflow (-) for payments on borrowings	./.	75	./.	18
19. Outflow (-) for interest	./.	135	./.	405
20. Cash-flows from financing activities	./.	67	./.	178
21. Change in cash and cash equivalents affecting cash-flow	./.	239	./.	476
22. Cash and cash equivalents at beginning of period		533		1.164
23. Cash and cash equivalents at end of period		294		688
– thereof liquid assets		219		653
– thereof pledged assets		75		35

*for comparability previous year's figures were presented according to the quarterly report 2005

Schedule of consolidated equity capital of TIPTEL AG
as of June 30, 2004

	Issued capital	Capital reserve	Retained earnings	Net loss for the period	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
As of 01.01.04	13,347	540	-8,434	-3,708	1,745
Transfers			44	-44	0
Net loss for the period				-147	-147
Other neutral changes			-23		-23
As of 30.06.04	13,347	540	-8,413	-3,899	1,575

Schedule of consolidated equity capital of TIPTEL AG
as of June 30, 2005

	Issued capital	Capital reserve	Retained earnings	Net loss for the period	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
As of 01.01.05	13,347	540	-8,302	-4,688	897
Net profit for the period				111	111
Other neutral changes			16		16
As of 30.06.05	13,347	540	-8,286	-4,577	1,024

Segment reporting

PRIMARY REPORTING 2005 (GEOGRAPHICAL SEGMENT)						
	Germany	Benelux	Others in Europe	Inter-segment transfer	Elimination	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Earnings						
Sales revenue with third parties	8,790	4,347	2,857	0		15,994
Inter-segment transfer	3,008	305	6	+3,319		0
Total revenue incl. transfer	11,798	4,652	2,863	-3,319		15,994
Segment result from ordinary activity						
	417	278	-54		-51	590
Interest income and expenditure						-257
Foreign currency exchange gains/loss						-9
Other income/expense						18
Income taxes						-231
Net profit						111
Other information						
Segments assets	21,160	2,975	2,603		-10,295	16,443
Segment debts	14,141	3,877	3,764		-5,080	16,702
Purchase costs for tangible assets	36	4	3			43
Purchase costs for intangible assets	613					613
Depreciation/amortisation	354	23	26			403

SECONDARY REPORTING 2005 (SALES BY BUSINESS DIVISIONS)							
	ISDN	DECT	Analogue	Others	Security- technology	Made-to- order production	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Earnings							
Sales revenue with third parties	4,013	1,716	7,169	1,063	49	1,984	15,994
Inter-segment revenue							
Total revenue incl. transfer	4,013	1,716	7,169	1,063	49	1,984	15,994
Segment result from ordinary activity	251	172	-198	233		132	590
Interest income and expenditure							-257
Foreign currency exchange gains/loss							-9
Other income/expense							18
Income taxes							-231
Net profit							111
Other information							
Segment assets	4,125	1,764	7,370	1,093	51	2,040	16,443
Segment debts	4,190	1,792	7,487	1,110	51	2,072	16,702
Purchase costs for tangible assets	11	5	19	3		5	43
Purchase costs for intangible assets	485		127			1	613
Depreciation/amortisation	155	12	231			5	403

Segment reporting

PRIMARY REPORTING 2004 (GEOGRAPHICAL SEGMENT)						
	Germany	Benelux	Others in Europe	Inter-segment transfer	Elimination	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Earnings						
Sales revenue with third parties	8,953	4,647	3,523	0		17,123
Inter-segment transfer	3,881	400	4	+4,285		0
Total revenue incl. transfer	12,834	5,047	3,527	-4,285		17,123
Segment result from ordinary activity						
	-250	400	-67		27	110
Interest income and expenditure						-218
Foreign currency exchange gains/loss						+20
Other income/expenses						+27
Income taxes						-86
Net loss						-147
Other information						
Segments assets	21,180	2,958	3,429		-9,975	17,592
Segment debts	15,085	3,703	4,404		-5,216	17,976
Purchase costs for tangible assets	86	7	2			95
Purchase costs for intangible assets	7		11			18
Depreciation/amortisation	422	23	42			487

SECONDARY REPORTING 2004 (SALES BY BUSINESS DIVISIONS)							
	ISDN	DECT	Analogue	Others	Security- technology	Made-to- order production	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Earnings							
Sales revenue with third parties	4,417	1,998	7,413	793	66	2,436	17,123
Inter-segment revenue							
Total revenue incl. transfer	4,417	1,998	7,413	793	66	2,436	17,123
Segment result from ordinary activity							
	-264	189	-79	54	-18	228	110
Interest income and expenditure							-218
Foreign currency exchange gains/loss							+20
Other income/expense							+27
Income taxes							-86
Net loss							-147
Other information							
Segment assets	4,538	2,053	7,616	814	68	2,503	17,592
Segment debts	4,637	2,097	7,783	832	69	2,558	17,976
Purchase costs for tangible assets	25	11	41	4		14	95
Purchase costs for intangible assets	5	2	8	1		2	18
Depreciation/amortisation	213		240	24	1	9	487

Shareholder structure

TIPTEL AG shows the following shareholder structure by June 30, 2005:

Erhard Schäfer	51 per cent
Free-float	49 per cent

Directors Holdings

The following shares were held by members of the Management Board and the Supervisory Board by June 30, 2005:

Management Board

Werner Materna	300
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Supervisory Board

Erhard Schäfer (Chairman)	2,610,489
Rudolf Breiden	10
Ulrike Theiner (Employees 'representative)	101

No TIPTEL shares were held by the other members of the executive bodies at the above mentioned cut-off date. No suscription rights were conferred on members of the executive bodies or other employees.

Service

All company reports of TIPTEL can be obtained in German and English language directly from the Internet under www.tiptel.de. In addition, under www.haubrok.de you can register in the mailing list for press information. You will then receive the latest information directly via e-mail.

Dates in 2005

November 30, 2005	Interim report 3/2005
March 31, 2006	Annual report 2005