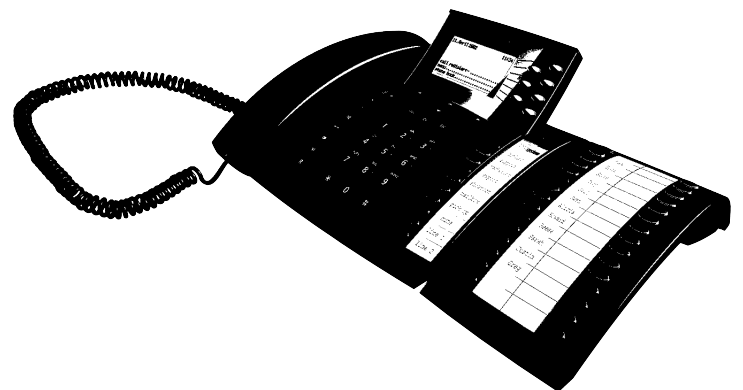
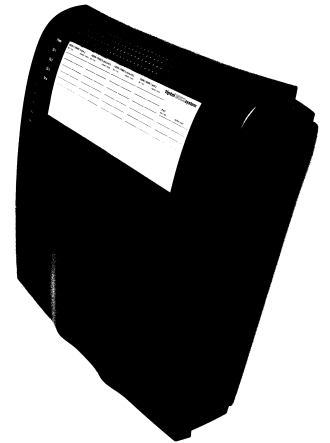




TIPTTEL AG

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



Letter to the Shareholders

Dear shareholders and business friends,

After the first nine months of 2005 TIPTEL could improve all earnings key figures compared to previous year's period.

While the earnings before interest, taxes, depreciation and amortisation (EBITDA) rose from 0.93 MEUR to 1.13 MEUR, we could increase the earnings before interest and taxes (EBIT) from 0.31 MEUR to 0.57 MEUR. In the third quarter the business development of TIPTEL proceeded more conservatively than in the first half of the year 2005. The Group turnover amounted to 6.66 MEUR after 7.47 MEUR in the previous year's quarter. In order to compensate this in our opinion short-term market weakness in the third quarter we sold 49 per cent of the shares of our Dutch subsidiary in support of the further positive development of the company. The quarterly results improved due to this effect by 0.5 MEUR. In the same period the EBIT decreased from 0.15 MEUR to -0.03 MEUR. Overall, by September 30, 2005 thereof resulted an EBIT margin of 2.5 per cent which lies above our forecast of 1.9 per cent for the total business year. However, due to the unchanged difficult economic situation we adhere to our original forecast.

In order to assert ourselves in this difficult environment also in future, we as a Europe-wide acting producer of innovative telecommunications solutions continue focussing our activities on growth sectors such as the Internet telephony (Voice-over-IP) but also on the enlargement of our already existing product portfolio. Thereby we always guarantee the high quality of our products which our target groups of small and medium-sized enterprises as well as small and home offices are accustomed to by us for years.

A view on the activities in the third quarter proves the versatility of TIPTEL: In the sector of the Internet telephony we organised "Voice-over-IP" workshops for specialist dealers which imparted basic knowledge regarding this subject and dealt with the different technical possibilities and target groups. In order to assure the high advisory competence of our trading partners also in future, we trained them in further workshops regarding the PBX system tiptel 6000 business which cannot only handle increasing numbers of extensions but also offers the possibility of VoIP-calls and the connection of external employees at other places or at home offices to the communication network.

On the basis of this product innovation we additionally presented for the target group of smaller hotels with up to 40 rooms the tiptel Hotellösung 40. This hotel solution allows billing according to the check-in/check-out principle as well as billing per call by user codes.

With the tiptel 540 office in this quarter we introduced a message center for professional users the range of features and quality of which is wide above the standard. The device informs comfortably by SMS about incoming messages and can activate pre-programmed announcements at special weekdays and times.

Finally, in this quarter we presented the tiptel voiceRECORDER 300 which automatically records all incoming or outgoing calls including the dialled or received phone number and stores them on the computer.

Some of these product innovations were presented by TIPTEL in Munich at this year's Systems which was frequented by more than 60,000 decision makers. The general feedback from the numerous talks with our target groups regarding our cost-effective and mature complete-solutions was very positive.

For the total business year of 2005 we forecast turnovers on previous year's level up to a slight increase as well a margin of the earnings before interest and taxes (EBIT) of 1.9 per cent.



Werner Materna
Management Board

Business development

After the first three quarters of 2005 the Group turnover of TIPTEL amounted to 22.66 MEUR compared to 24.59 MEUR in the previous year. In the months from July to September the turnover decreased from 7.47 MEUR in 2004 to 6.66 MEUR.

The turnovers in the sectors **Analogue** and **ISDN** regressed with 9.92 MEUR respectively 5.95 MEUR compared to previous year (10.81 MEUR respectively 6.36 MEUR). Whereas in the Analogue business the quarterly turnover of 2.75 MEUR (previous year: 3.40 MEUR) was also below previous year's level, the turnover development in the ISDN sector remained constant with 1.94 MEUR (previous year: 1.94 MEUR).

The difficult market environment showed different effects on the single business sectors. In the sector of **Made-to-order-production** a value of 2.51 MEUR was achieved after the first nine months (previous year: 3.35 MEUR). In the third quarter the turnover decreased from 0.91 MEUR to 0.53 MEUR.

The **DECT** business developed relatively constant with 2.73 MEUR compared to previous year's period (2004: 2.80 MEUR). Comparing the quarters TIPTEL could increase the turnover from 0.80 MEUR in 2004 to 1.01 MEUR.

In the business sector **Other** TIPTEL could achieve an increase from 0.33 MEUR to 1.49 MEUR after the first nine months of 2005.

Turnover according to business sectors	01.01. to 30.09.2005	01.01. to 30.09.2004	01.07. to 30.09.2005	01.07. to 30.09.2004
	KEUR	KEUR	KEUR	KEUR
ISDN	5,948	6,358	1,935	1,941
DECT	2,726	2,799	1,010	801
Analogue	9,917	10,814	2,748	3,401
Security technology	71	108	22	42
Made-to-order-production	2,509	3,348	525	912
Other	1,486	1,161	423	368
Total amount	22,657	24,588	6,663	7,465

Under the geographical point of view it becomes obvious that TIPTEL could not refrain from the difficult economic situation. Thus, in all regions the turnovers were below previous year's level.

Turnover according to countries	01.01. to 30.09.2005	01.01. to 30.09.2004	01.07. to 30.09.2005	01.07. to 30.09.2004
	KEUR	KEUR	KEUR	KEUR
Germany	12,022	12,623	3,232	3,670
Benelux countries	6,369	6,923	2,022	2,276
Other european countries	4,266	5,042	1,409	1,519
Total amount	22,657	24,588	6,663	7,465

Earning situation and cost development

After the first nine months of 2005 TIPTEL could increase all earnings key figures. Thus the EBITDA improved from 0.93 MEUR to 1.13 MEUR and the EBIT from 0.31 MEUR to 0.57 MEUR. The company reduced the period's deficit from -0.31 MEUR to -0.18 MEUR. This result includes special earnings due to the already mentioned sales of shares of the Dutch subsidiary to the amount of 0.5 MEUR. The earnings per share amounted to -0.03 EUR after -0.06 MEUR by September 30, 2004.

In the third quarter of 2005 the turnover development showed corresponding effects on the earnings side of TIPTEL. Thus the EBITDA amounted to 0.13 MEUR (Q3/2004: 0.29 MEUR) whereas the operative earnings (EBIT) amounted to -0.03 MEUR (previous year: 0.15 MEUR).

With an EBITDA margin of 5.0 per cent achieved after the first nine months of 2005 (previous year: 3.8 per cent) and an EBIT margin of 2.5 per cent (previous year: 1.2 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
01.01. to 30.09.2005	568	+2.5

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
01.01. to 30.09.2005	1,129	+5.0

In the **cost sector** (personnel expenses, other operational expenses, depreciations on tangible assets) the expenses increased in the first nine months of 2005 from in total 12.73 MEUR in 2004 to 12.87 MEUR by September 30, 2005

Regarding personnel costs an increase of 0.14 MEUR has to be stated. In this connection it has to be considered that the comparable previous year's figure was already reduced among others by about 0.2 MEUR due to dissolvable vacation payment provisions.

Assets and financial situation

Compared to the end of the business year 2004 the balance sheet total of the TIPTEL Group decreased from 18.29 MEUR to 17.77 MEUR by September 30, 2005.

	30.09.2005	31.12.2004
	KEUR	KEUR
Fixed assets	5,778	5,393
Current assets*	11,995	12,896
Equity capital	1,134	897
Borrowed capital*	16,639	17,392
Balance sheet total	17,773	18,289

*including tax on income receivables / payables and deferred terms

The fixed assets increased by 7.1 per cent from 5.39 MEUR to 5.78 MEUR. Basically this increase is attributed to higher investments in the research and development sector.

Regarding the floating assets TIPTEL could reduce the inventories significantly. Due to a consequent management of inventories this value could be reduced by 9.0 per cent to 6.53 MEUR compared to the end of the business year 2004.

By September 30, 2005 the equity capital increased to 1.13 MEUR. The thereof resulting share capital ratio improved from 4.9 per cent by December 31, 2004 to 6.4 per cent at the cut-off date.

Although the quarterly results by September 30, 2005 were negative, the equity capital increased to 1.13 MEUR as, due to the sales of shares of Tiptel b.v., Netherlands, 0.42 MEUR have to be shown as minority status of foreign companies in the balance sheet equity capital.

Finally the borrowed capital decreased from 17.39 MEUR to 16.64 MEUR. Here, the company could especially reduce the trade accounts payable by 0.88 MEUR compared to December 31, 2004. This reduction is among others attributed to the mentioned sale of shares and the thereof resulting additional liquidity.

In the framework of the cash-flow statement the cash-flow from continuous business activity amounted to 0.13 MEUR (previous year: 0.10 MEUR) whereas the inflow from investments amounted to 0.07 MEUR (previous year: outflow of –0.66 MEUR). Due to reduced interest payments the cash-flow from finance activities finally decreased from –0.23 MEUR to –0.21 MEUR.

Overall, the liquidity inflow to the amount of 1.0 MEUR based on the sales of shares of Tiptel b.v., Netherlands, showed positive effects. Primarily these funds were used for the reduction of liabilities.

Orders-on-hand

By September 30, 2005 the orders-on-hand for TIPTEL AG and DFG amounted to 2.71 MEUR (previous year: 2.95 MEUR).

Investments / Research & Development

After the first nine months of 2005 TIPTEL invested in total 1.01 MEUR compared to 0.75 MEUR in the comparable period of 2004. In the first half of the year especially the product family of voice storage systems was in the focus of investments. While the tiptel 540 office has already been introduced to the market, the tiptel 545 pro should complete the product range in this segment in the course of this year.

In the third quarter TIPTEL could introduce several product innovations also in the sector of trade goods to the market. In order to further enlarge its market position by versatility in future, the company completed its large product range by the tiptel Hotellösung 40, the tiptel 540 office and the tiptel voiceRECORDER 300.

Already in the second quarter another tailor-made product solution was introduced to the market in the sector of the Internet telephony (VoIP). With the tiptel 64 VoIP the company could enlarge its product range in this growth market.

The expenses in the sector of research & development amounted to in total 1.56 MEUR by September 30, 2005 (previous year: 1.94 MEUR). Included herein are capitalised self-constructed assets according to IAS 38 to the amount of 0.85 MEUR (previous year: 0.58 EUR).

Staff

By September 30, 2005 the TIPTEL Group employed 252 persons after 274 persons in the previous year's period. The number of employees in Germany amounted to 216 (September 30, 2004: 232).

Investor Relations

On September 30, 2005 the TIPTEL share quoted a price of 1.41 EUR (Xetra) (December 30, 2004: 0.82 EUR, Xetra). By sales of TIPTEL shares (among others to institutional investors) from the property of Mr. Schäfer, Chairman of the Supervisory Board of TIPTEL AG, the free float in the reporting period increased to nearly 90 per cent.

Due to the continuous improvement of the operative EBIT margin since the business year of 2002 and to the development of the first half of the year 2005 the experts of "Performaxx-Anlegerbrief" as well as of "Small Cap Scout" classified the shares as "promising investment" respectively with "buying".

Detailed information regarding the TIPTEL AG is available on our homepage www.tiptel.de as usual.

Incidents after the end of the reporting period

After the end of the reporting period no extraordinary incidents occurred.

Future business outlook

As the product innovations of the third quarter show, TIPTEL will also in future focus on the development of tailor-made telecommunications solutions for market niches as well as on enlarging and optimising the existing product range. Only in that way the company will secure the further positive development, will profit from a possible boom in the sector of the Internet telephony and, thus, will enlarge its market position. For the total business year of 2005 the Management Board assumes turnovers on previous year's level up to a slight increase as well as an EBIT margin to the amount of 1.9 per cent.

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 September 30, 2005.
2. The interim report of the TIPTEL Group for the period of January 1 to September 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 September 30, 2005

	Interim Report III/2005 01.07.2005 to 30.09.2005	Interim Report III/2004 01.07.2004 to 30.09.2004	9-Month-Report 01.01.2005 to 30.09.2005	9-Month-Report 01.01.2004 to 30.09.2004
	KEUR	KEUR	KEUR	KEUR
Revenues	6,663	7,465	22,657	24,588
Other operating income	683	60	999	281
Changes in inventories finished goods and work in progress	116	-280	217	59
Other capitalized service	247	583	854	583
Costs of purchased materials and services	-3,455	-3,663	-11,297	-12,530
Personnel expenses	-2,888	-2,738	-8,602	-8,463
Depreciation and amortization	-158	-140	-561	-627
Other operating expenses	-1,234	-1,145	-3,703	-3,639
Operating income	-26	142	564	252
Interest income and expenditure	-132	-110	-389	-327
Foreign currency exchanges gains/loss	-20	-7	-29	13
Other income/expenses	15	14	33	41
Result before income taxes	-163	39	179	-21
Income taxes	-127	-205	-358	-292
Annual result**	-290	-166	-179	-313
Earnings per share (basic) in EUR	-0.06	-0.03	-0.03	-0.06
Weighted average shares outstanding (basic)	5,220,972	5,220,972	5,220,972	5,220,972

* without audit opinion

** thereof 15 KEUR result minority interests

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

	As of 30.09.2005	As of 31.12.2004
ASSETS	KEUR	KEUR
Current Assets		
Cash and cash equivalents	526	533
Trade accounts receivable	2,679	2,932
Inventories	6,529	7,177
Advanced payments on inventories	51	29
Prepaid expenses and other current assets	394	340
Total Current Assets	10,179	11,011
Property, plant and equipment	2,159	2,354
Intangible assets	1,991	1,382
Investments	1,622	1,622
According to equity accounting investments	6	6
Other loans	-	29
Deferred taxes	1,816	1,885
Total Non Current Assets	7,594	7,278
Total Assets	17,773	18,289

	As of 30.09.2005	As of 31.12.2004
LIABILITIES	KEUR	KEUR
Current Liabilities		
Short term debt and current portion of long-term debt	1,800	1,776
Trade accounts payable	2,010	2,888
Accounts payable due to related parties	2	1
Advance payment	8	-
Provisions	2,525	2,424
Taxes on income liabilities	25	-
Other current liabilities	1,142	1,352
Total Short-term liabilities	7,512	8,441
Long-term debt, less current portion	2,471	2,471
Deferred revenues	630	465
Pension accrual	3,237	3,226
Others	2,789	2,789
Total non-current liabilities	9,127	8,951
Shareholders' equity		
Shared capital	13,347	13,347
Additional paid-in capital	540	540
Accumulated deficit	-4,999	-4,688
Treasury stock	-8,178	-8,302
Minority interests	424	-
Total shareholders' equity	1,134	897
Total Liabilities	17,773	18,289

*without audit opinion

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

	01.01. – 30.09.2005	01.01. – 30.09.2004
	KEUR	KEUR
1. Group net profit (+) / loss (–) for the year prior to tax on profits and extraordinary items	+ 179	./ 21
2. Depreciation (+) / write-ups (–) on fixed assets	+ 561	+ 627
3. Interest expenses (+)	+ 392	+ 334
4. Increase / decrease in provisions	+ 111	./ 321
5. Profit (–) / loss (+) from disposal of fixed assets	./ 605	./ 9
6. Outflow (–) for interest	./ 71	./ 175
7. Outflow (–) for tax on profits	./ 98	./ 202
8. Increase (–) / decrease (+) in inventories, receivables and other assets	+ 545	./ 350
9. Increase (+) / decrease (–) in accounts payable and other liabilities (without financing and investing activities)	./ 882	+ 218
10. Cash-flows from operating activities	+ 132	+ 101
11. Inflow (+) from tangible asset disposals	+ 42	+ 10
12. Outflow (–) for investments in tangible assets	./ 142	./ 147
13. Outflow (–) for investments in intangible assets	./ 863	./ 606
14. Inflow (+) from financial asset disposals	+ 1,030	+ 86
15. Inflow (+) from interest received	+ 1	+ 1
16. Cash-flows from investing activities	+ 68	./ 656
17. Inflow (+) from increase in borrowings	+ 341	+ 251
18. Outflow (–) for payments on borrowings	./ 309	./ 93
19. Outflow (–) for interest	./ 239	./ 385
20. Cash-flows from financing activities	./ 207	./ 227
21. Change in cash and cash equivalents affecting cash-flow	./ 7	./ 782
22. Cash and cash equivalents at beginning of period	533	1,164
23. Cash and cash equivalents at end of period	526	382
– thereof liquid assets	451	347
– thereof pledged assets	75	35

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

	Issued capital	Capital reserve	Retained earnings	Result for the period	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
As of 01.01.04	13,347	540	-8,434	-3,708	1,745
Transfers			441	-441	0
Result for the period				-313	-313
Other neutral changes			-4		-4
As of 30.09.04	13,347	540	-7,997	-4,462	1,428

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

	Issued capital	Capital reserve	Retained earnings	Result for the period	Minority interests	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As of 01.01.05	13,347	540	-8,302	-4,688		897
Result for the period				-179		-179
Sale with resulting in neither profit nor loss			116	-131	424	409
Other neutral changes			7			7
As of 30.09.05	13,347	540	-8,178	-4,999	424	1,134

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	12,022	6,369	4,266	0		22,657
Inter-segment transfer	4,142	405	48	+4,595		0
Total revenue incl. transfer	16,164	6,774	4,314	-4,595		22,657
Segment result from ordinary activity	580	392	-87		-321	564
Interest income and expenditure						-389
Foreign currency exchange gains/loss						-29
Other income/expense						+33
Income taxes						-358
Annual result						-179
Other information						
Segments assets	20,340	2,894	2,604		-9,882	15,956
Segment debts	13,421	3,692	3,713		-4,817	16,009
Purchase costs for tangible assets	70	65	4			139
Purchase costs for intangible assets	863					863
Depreciation/amortisation	492	25	44			561

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	5,948	2,726	9,917	1,486	71	2,509	22,657
Inter-segment revenue							
Total revenue incl. transfer	5,948	2,726	9,917	1,486	71	2,509	22,657
Segment result from ordinary activity	52	268	-225	286	-14	197	564
Interest income and expenditure							-389
Foreign currency exchange gains/loss							-29
Other income/expense							+33
Income taxes							-358
Annual result							-179
Other information							
Segment assets	4,189	1,920	6,984	1,046	50	1,767	15,956
Segment debts	4,203	1,926	7,007	1,050	50	1,773	16,009
Purchase costs for tangible assets	37	17	63	9		16	142
Purchase costs for intangible assets	700	1	160	1		1	863
Depreciation/amortisation	224	66	267			4	561

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	12,623	6,923	5,042	0		24,588
Inter-segment transfer	5,581	519	6	+6,106		0
Total revenue incl. transfer	18,204	7,442	5,048	-6,106		24,588
Segment result from ordinary activity	-143	462	-115		49	253
Interest income and expenditure						-327
Foreign currency exchange gains/loss						+13
Other income/expenses						+41
Income taxes						-293
Annual result						-313
Other information						
Segments assets	20,683	3,272	3,279		-9,800	17,434
Segment debts	14,892	3,921	5,172		-6,210	17,775
Purchase costs for tangible assets	137	8	2			147
Purchase costs for intangible assets	595		11			606
Depreciation/amortisation	538	35	54			627

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	6,358	2,799	10,814	1,161	108	3,348	24,588
Inter-segment revenue							
Total revenue incl. transfer	6,358	2,799	10,814	1,161	108	3,348	24,588
Segment result from ordinary activity							
	-135	296	-211	54	-9	258	253
Interest income and expenditure							-327
Foreign currency exchange gains/loss							+13
Other income/expense							+41
Income taxes							-293
Annual result							-313
Other information							
Segment assets	4,508	1,984	7,668	823	77	2,374	17,434
Segment debts	4,597	2,023	7,818	839	78	2,420	17,775
Purchase costs for tangible assets	38	17	65	7		20	147
Purchase costs for intangible assets	295	3	303	1		4	606
Depreciation/amortisation	250	15	321	33	1	7	627

Shareholder structure

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

Erhard Schäfer	12 per cent
Free float	88 per cent

Directors Holdings

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

Management Board

Werner Materna	300
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Supervisory Board

Erhard Schäfer	600,460
Rudolf Breiden	10
Ulrike Theiner	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 2006

March 31, 2006	Annual report 2005
May 31, 2006	Interim report 01/2006
June 7, 2006	Shareholders Meeting
August 31, 2006	Interim report 02/2006
November 30, 2006	Interim report 03/2006