



Q1 2003/2004

[3 months report]

for the period 2003-10-01 to 2003-12-31

KEY FIGURES

In TEUR	3 months report 2003-10-01 - 2003-12-31	3 months report 2002-10-01 - 2002-12-31
Net sales	2,373	3,004
EBITDA	492	162
EBIT	-196	-561
EBT	-185	-410
Cash flow from operating activities	-493	-880
Cash flow from investing activities	-408	-340
Net result for the period	-159	-256
Earnings per share (in EUR)	-0.03	-0.05
Quota of equity	81%	86 %
Number of persons employed (at end of period)	120	163

ACCOUNTING PURSUANT TO IAS

This quarterly report includes the financial figures from the balance sheet and income statement, data on earnings per share, and the cash flow statement; each of these includes figures from the relevant year-before period for the purposes of comparison. The report is based on accounting according to IAS, International Financial Reporting Standards (IFRS) in future. The same accounting and valuation methods have been used as were applied in the last annual financial statements.

TOTAL OUTPUT STABLE - LOSSES SIGNIFICANTLY REDUCED

REVENUES

During the first three months of the current financial year, the LS telecom group could obtain total revenues of EUR 2,373 thousand (year-before period 3,004). Because of delays in projects, the revenues of some major projects could not be booked in the first quarter but on the other hand find expression in the increased change in work-in-progress of EUR 480 thousand (year-before period EUR – 98 thousand).

The following table presents sales trends by business segments:

SALES PER SEGMENT

in TEUR	Sales 3 months report 2003-10-01 - 2003-12-31	Sales 3 months report 2002-10-01 - 2002-12-31	Change	EBIT 3 months report 2003-10-01 - 2003-12-31	EBIT 3 months report 2002-10-01 - 2002-12-31
Software for Network Operators	1,126	1,160	-3%	484	26
Software for Regulatory Authorities	609	1,116	-45%	-546	-154
Software in total	1,735	2,276	-24%	-62	-128
Services	638	728	-12%	-134	-433
Total	2,373	3,004	-21%	-196	-561

During the current period, sales booked outside Germany continue amounting to 87%, with sales inside Europe contributing to 57%, and sales in other regions amounting to 30%.

Total output including further company revenues and the capitalisation of own development costs as stipulated by IAS has increased slightly by 3% to EUR 3,299 thousand (year-before period EUR 3,199 thousand).

Only the segment Software for Network Operators was stable and could contribute profitable to the total revenues. Reasons could be found above all in the high demand for radio planning systems in the broadcast sector.

Because of delays in projects, some major consulting and frequency management projects within the segments Software for regulatory authorities and Services could not be booked until the end of this quarter and will be finalized in the beginning of 2004. Therefore, the decrease in revenues stipulated reflects a slightly exaggerated negative impression.

HUMAN RESOURCES

On December 31st 2003, the worldwide payroll of the LS telcom group came to 120 employees (year-before period 163).

ORDER BOOK AND TARGETS

The present order volume secured by contract amounts to EUR 7,5 million. EUR 5,5 million hereof are allotted to the next 12 months (year-before period EUR 4,3 million).

NET RESULT

Despite decreased revenues, partly because of positive changes in work-in-progress of EUR 578 thousand in comparison to the year-before, partly because of reduced expenditures and depreciations of a total of EUR 206 thousand, the EBIT of EUR – 196 thousand is clearly higher than that of the year before (EUR - 561 thousand).

The new capitalized development costs during the first quarter are some EUR 41 thousand below the depreciations on the capitalisation of own development costs and therefore have negative effects on the result.

For the reported period a deficit of EUR – 159 thousand (year-before period EUR – 264 thousand) is recorded.

Loss per share thus comes to EUR –0,03 (year-before period EUR –0,05).

COST TRENDS

In comparison to the year-before period, all expenditures could be reduced. Because of the short-time working executed during the quarter of the previous year, the comparison with the year-before period however does not reflect the total and lasting cost savings regarding staff in this report.

INVESTMENTS

In the first nine months of the financial year 2003/2004, a total of EUR 432 thousand (year-before period EUR 192 thousand) was invested in capitalized development costs, as well as EUR 47 thousand in property, plant and equipment.

CASH BALANCES

As on December 31st 2003, LS telcom held cash and cash balances of EUR 6,664 thousand or EUR 1.25 per share. The decrease of cash by EUR 901 thousand is mainly due to the bridge-financing of a project with a huge hardware part amounting to EUR 391 thousand, that should be settled after the planned project completion in April 2004.

CHANGES IN MANAGEMENT AND SUPERVISORY BOARD MEMBERSHIP

In the period under review there were no changes in the membership of the Management and Supervisory Boards.

The number of shares and options in LS telcom AG held by members of the Management and Supervisory Board is presented in the following tables:

NUMBER OF SHARES

Number of shares	2003-12-31	2003-09-30
BOARD OF MANAGEMENT		
Dr. Leberherz	1,617,862	1,617,862
Dr. Schöne	1,643,862	1,643,862
Dipl.-Ing. Götze	4,148	4,148
SUPERVISORY BOARD		
Dr. Holtermüller	10,398	10,398
Prof. Dr. Wiesbeck	4,148	4,148
Dipl.-Betr. Reiser	4,148	4,148

Number of subscription rights (stock options) in LS telcom AG held by members of the Management and Supervisory Board:

NUMBER OF STOCK OPTIONS

Number of stock options	2003-12-31	2003-09-30
BOARD OF MANAGEMENT		
Dr. Lebherz	21,100	21,100
Dr. Schöne	21,100	21,100
Dipl.-Ing. Götz	21,100	21,100
SUPERVISORY BOARD		
Dr. Holtermüller	0	0
Prof. Dr. Wiesbeck	0	0
Dipl.-Betr. Reiser	0	0

OUTLOOK FOR THE NEXT MONTHS

We do not expect a considerable change of the market situation within the next quarters. Because of the still existing uncertainty in the market field relevant for us, in January 2004 LS telcom has implemented further restructuring measures. Main component is a reduction of approximately 20% of the number of employees with future cost savings of approximately EUR 1,2 million per annum. In connection with these measures, a further strengthening of the sales department will be executed.

We again expect an augmenting business in the field of mobile network operators because of the now further advancing implementation of UMTS networks as well as also in the field of radio broadcasting, above all during the second half of the financial year in the course of digitalization measures arisen in that respect.

The Management assumes that during the present financial year an increase in revenues in comparison to the previous year will be possible in view of the present order book and because of the still high number of inquiries and tenders. The net result of this year will be affected by the restructuring measures. However, before one-time restructuring expenses, a more or less balanced result is expected. The Management is convinced that the implemented cost saving measures are a decisive step towards a more positive future for LS telcom by significantly contributing to secure the company's liquidity and to achieve a lasting stability for the company's business.

Lichtenau, February 2004

LS telcom AG

The Board of Management

BALANCE, PURSUANT TO IAS

Assets

In TEUR	3 months report 2003-10-01 - 2003-12-31	Annual report per 2003-09-30
CURRENT ASSETS:		
Cash and cash equivalents	3,288	5,680
Short-term investments/marketable securities	3,376	1,885
Trade accounts receivable	1,589	1,592
Account receivable due from related parties	0	0
Inventories	943	470
Deferred tax asset	0	0
Prepaid expenses and other current assets	343	355
OTHERS	0	0
Total current assets	9,539	9,982
NON CURRENT ASSETS:		
Property, plant and equipment	1,108	1,159
Intangible assets	4,763	4,926
Goodwill	653	689
Financial assets	0	0
Shares in associated companies	0	0
Loans to associated companies	62	121
Deferred taxes	684	691
Other assets	0	0
OTHERS	0	0
Total non current assets	7,270	7,586
Total assets	16,809	17,568

Shareholders' equity and liabilities

In TEUR	3 months report 2003-10-01 - 2003-12-31	Annual report per 2003-09-30
CURRENT LIABILITIES:		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long-term debt	14	0
Trade accounts payable	406	487
Advance payments received		0
Accrued expenses	458	860
Deferred revenues	410	446
Income tax payable	0	0
Deferred taxes	0	0
Other current liabilities	305	251
OTHERS	0	0
Total current liabilities	1,593	2,044
NON CURRENT LIABILITIES:		
Long-term debt, less current portion	49	23
Capital lease obligations, less current portion	0	0
Deferred revenues	225	347
Deferred taxes	1,401	1,426
Pension accrual	0	0
OTHERS	0	0
Total non current liabilities	1,675	1,796
Minority interest	0	0
SHAREHOLDERS' EQUITY:		
Share capital	5,335	5,335
Additional paid-in capital	18,373	18,373
Profit reserve	32	32
Treasury stock	0	0
Retained earnings/accumulated deficit	-10,199	-10,012
Accumulated other comprehensive income/loss	0	0
OTHERS	0	0
Total shareholders' equity	13,541	13,728
Total shareholders' equity and liabilities	16,609	17,568

Profit and Loss Account

In TEUR	Q1 2003/2004 2003-10-01 - 2003-12-31	Q1 2002/2003 2002-10-01 - 2002-12-31	3 months report 2003-10-01 - 2003-12-31	3 months report 2002-10-01 - 2002-12-31
Revenues	2,373	3,004	2,373	3,004
Other operating income	14	101	14	101
Changes in inventories of finished goods and work in progress	480	-98	480	-98
Production of own fixed assets capitalised	432	192	432	192
Cost of purchased materials and services	194	253	194	253
Personnel expenses	1,944	2,083	1,944	2,083
Amortisation/depreciation	662	712	662	712
Amortisation (and impairment) of goodwill	26	11	26	11
Other operating expenses	669	701	669	701
OTHERS	0	0	0	0
Operating income/loss	-196	-561	-196	-561
Interest income and expenditure	11	151	11	151
Income from investments and participations	0	0	0	0
Income/expense from associated companies	0	0	0	0
Foreign currency exchange gains/losses	0	0	0	0
Other income/expense	0	0	0	0
Result before income taxes (and minority interest)	-185	-410	-185	-410
Income tax	-26	-147	-26	-147
Extraordinary income/expense	0	0	0	0
Result before minority interest	-159	-264	-159	-264
Minority interest	0	7	0	7
Net income/loss	-159	-256	-159	-256
Net income/loss per share (basic) in EUR	-0.03	-0.05	-0.03	-0.05
Net income/loss per share (diluted) in EUR	-0.03	-0.05	-0.03	-0.05
Weighted average shares outstanding (basic) in thousands	5335	5335	5335	5335
Weighted average shares outstanding (diluted) in thousands	5335	5335	5335	5335

Cash-flow statement

In TEUR	3 months report 2003-10-01 - 2003-12-31	3 months report 2002-10-01 - 2002-12-31
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income/loss (before tax)	-185	-410
ADJUSTMENTS:		
Minority interests	0	0
Amortisation/depreciation	688	723
Tax expenditure	26	147
CHANGES IN ASSETS AND LIABILITIES:		
Decrease/increase in trade accounts receivable and other assets	22	-812
Changes in inventories	-473	98
Decrease/increase in trade payables and other liabilities	-571	-626
Net cash from operating activities	-493	-880
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	0	0
Proceeds from disposal of subsidiary, net of cash transferred	0	0
Investments in intangible assets	-392	-270
Investments in property	-47	-3
Investments in financial assets	59	0
Exchange rate differences (settled)	-28	-67
Net cash from investing activities	-408	-340
CASH FLOW FROM FINANCING ACTIVITIES:		
Decrease in bank loans	0	0
Increase in additional paid-in capital	0	0
Dividends paid to stockholders	0	0
Payment of capital lease liabilities	0	0
Net cash from financing activities	0	0
Net effect of currency translation in cash and cash equivalents		
Decrease/increase in cash and cash equivalents	-901	-1,220
Cash and cash equivalents at the beginning of the period	7,565	10,705
Cash and cash equivalents at the end of the period	6,664	9,485

Statement of changes in equity, pursuant to IAS

In TEUR	Capital subscribed	Capital reserves	Revenue reserves	Unappropriated profit	Total
Status as on 2000-10-01	1,083	2,551		2,657	6,291
Allocation to the revenue reserves			32	-32	0
Share capital increase on 2001-11-01	2,552	-2,552			0
IPO on 2001-03-05	1,700	19,550			21,250
Net IPO costs		-1,176			-1,176
Net income/loss for the year				395	395
Status as on 2001-09-30	5,335	18,373	32	3,020	26,760
Status as on 2001-10-01	5,335	18,373	32	3,020	26,760
Exchange rate differences				-96	-96
Net group result				-8,046	-8,046
Status as on 2002-09-30	5,335	18,373	32	-5,122	18,618
Status as on 2002-10-01	5,335	18,373	32	-5,122	18,618
Exchange rate differences				-25	-25
Net group result				-4,865	-4,865
Status as on 2003-09-30	5,335	18,373	32	-10,012	13,728
Status as on 2003-10-01	5,335	18,373	32	-10,012	13,728
Exchange rate differences				-28	-28
Net group result				-159	-159
Status as on 2003-12-31	5,335	18,373	32	-10,199	13,541

FINANCIAL CALENDAR

Annual General Meeting in Bühl	March 5 th , 2004
6 months report	May 2004
9 months report	August 2004
Analysts' conference	September 10 th , 2004
Preliminary Annual Statement	November 2004
Annual Report 2003/2004	December 2004

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