



Q3 2002/2003

[9 months report]

for the period 2002-10-01 to 2003-06-30

KEY FIGURES

In TEUR	9 months report	9 months report
	2002-10-01 - 2003-06-30	2001-10-01 - 2002-06-30
Net sales	6,983	6,258
EBITDA	-590	-17
EBIT	-2,891	-2,717
EBT	-2,861	-2,401
Cash flow from operating activities	-366	968
Cash flow from investing activities	-1,752	-5,174
Net result for the period	-2,955	-1,517
Earnings per share (in EUR)	-0.55	0.28
Quota of equity	81 %	87 %
Number of persons employed (at end of period)	135	169

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. It has been prepared in line with Deutsche Börse AG's rules for structured quarterly reports. 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.

In comparison with the 6 months report, the following changes occurred in the consolidation of the LS telcom group:

With effect from May 1st 2003 all LS telcom shares of the Bulgarian company LSN Software and Communication Services Ltd were sold to the Bulgarian shareholders.

On May 27th 2003, the company Vision2Comm GmbH with the headquarter in Lichtenau was founded as a 100 percent subsidiary (share capital: EURO 25 thousand) of LS telcom AG. The registration in the commercial register was done on July 18th 2003. The new company was not operationally active in the reporting period.

In the 3rd quarter of this financial year, the share capital of LS telcom AG in the associated company NET PLAN – ENERGIA E TELECOMUNICACOES LDA., Lisbon/Portugal has been increased from EUR 12.65 thousand to EUR 24 thousand. The increase was realized by conversion of loans to associated companies with the amount of EUR 11.35 thousand. With this capital increase LS telcom's share in NETPLAN was reduced from 25,3% to 20%.

INCREASING REVENUE IN UNCERTAIN MARKET ENVIRONMENT

To the end of the third quarter of the current financial year, the LS telcom group could obtain total revenues of EUR 6,983 thousand. For the first time in financial year 2002/2003, revenue increased in comparison to the year-before (EUR 6,258 thousand). This increase in revenue by 12 percent is the consequence of the increase in the

backlog of orders, as mentioned in the 6 months report. It should be noted that the revenue of Q3 2003 (EUR 1,970 thousand) even increased by 211% compared to the year before quarter (EUR 935 thousand).

The increase of the revenues took effect by the segment Software for Regulatory Authorities and the segment Services.

Despite the encouraging increase of revenues and a slightly positive tendency in the telecommunications sector, it cannot be assumed, that this improvement means a stable improvement of the market situation. The uncertain global economic situation and the delays of investments still have a strong influence on this market.

The following table presents sales trends by business segments:

SALES PER SEGMENT

in TEUR	Sales 9 months report 2002-10-01 - 2003-06-30	Sales 9 months report 2001-10-01 - 2002-06-30	Change	EBIT 9 months report 2002-10-01 - 2003-06-30	EBIT 9 months report 2001-10-01 - 2002-06-30
Software for Network Operators	2,414	3,817	-37 %	-331	484
Software for Regulatory Authorities	2,656	1,536	73 %	-1,516	-1,704
Software in total	5,070	5,353	-5 %	-1,847	-1,220
Services	1,913	905	111 %	-1,044	-1,497
Total	6,983	6,258	12 %	-2,891	-2,717

Sales booked outside Germany increased slightly to now 87% of the total, with sales inside Europe contributing to 67 percent point, and sales in other regions amounting to 33 percent point (of that Asia: 27 percent point).

Total output including the capitalisation of own development costs as stipulated by IAS has increased by 2% to EUR 9,065 thousand (previous year: EUR 8,890 thousand).

The segment Services (111%) clearly shows the highest growth in revenues. This was mainly due to an increasing demand for seminars and trainings with technical background as well as for LS telcom software products. The training-centre in Lichtenau has been established furthermore. Additionally various consulting projects were carried out by Spectrocan Solutions Ltd. in Asia, especially in Malaysia and in Thailand, others have meanwhile been started in Africa. Our Canadian subsidiary fulfilled its very good reputation in providing consulting services for regulators in those regions.

The EBIT of the segment Services of EUR -1,044 thousand (previous year: EUR -1,497 thousand) resulted from high regular depreciations of "SiteMarket" and expenses for purchased services by the Canadian subsidiary.

The segment Software for regulatory authorities gains from an increased demand for frequency management systems. Main regional focuses for current projects are Europe, Near and Middle East and Asia.

The revenues of the segment Software for Network Operators are characterized strongly by the contribution of Broadcast. As mentioned in the previous reporting periods the sub-segment Broadcast contributed according to plan to the revenues and the profit, but was not able to compensate for the losses created by the sub-segment Mobile&Fixed Communications.

HUMAN RESOURCES

On June 30th 2003, the worldwide payroll of the LS telcom group came to 135 employees (previous year: 169). Despite the acquisition and founding of the Canadian subsidiary end of May 2002, the overall number of staff was considerably decreased.

The one-off expenses for restructuring in this context amount to EUR 207 thousand.

ORDER BOOK AND TARGETS

The order volume determined on twelve months amounts to EUR 5,2 million (previous year EUR 3,1 million).

NET RESULT

Despite increased revenues, the resulting EBIT of EUR –2,891 thousand was below that of the year before (EUR -2,717 thousand). Besides a lower amount of capitalized development costs (-34%), the main reason was the increase of other operating expenses (33%) by two one-time expenses: the partial loss of a financial investment (EUR 493 thousand), and restructuring expenses of EUR 124 thousand, caused by selling the shares of the Bulgarian company LSN Software and Communication Services Ltd.

Change in deferred taxes income tax (111%) and the lower financial result (90%), caused by the decrease of interest rates on the money market and caused by the depreciation on short term debts due to the affiliated company NET PLAN - ENERGIA E TELECOMUNICACOES LDA., Lisbon/Portugal by EUR 269 thousand finally added to a net loss of EUR -2.955 thousand (previous year: TEUR -1.517 thousand) for the reported period.

Loss per share thus comes to EUR -0.55 (previous year: EUR -0.28), whereof already EUR -0.38 are contributed by the above mentioned extraordinary one-time effects and the change of income tax.

COST TRENDS

As done in the previous quarters further cost-savings measures were implemented. Cost of services has increased due to external consultant services in projects of Spectrocan Solutions Ltd. LS telcom will try to replace such external expenses by increasingly making use of own staff in consulting projects and thus increase gross margin of these projects.

The lower amount of capitalized development costs within the intangible assets led to a significant reduction of depreciations.

The expenses for personnel, kept on the same level as the previous year, however containing the already mentioned one-off expenses for restructuring.

INVESTMENTS

In the first nine months of business year 2002/2003, a total of EUR 1,815 thousand (in the previous year: EUR 2,739 thousand) was invested in capitalized development costs and at Spectrocan for the most part a total of EUR 160 thousand has been invested in good will.

CASH BALANCES

As on June 30th 2003, LS telcom held cash and cash balances of EUR 8,587 thousand or EUR 1.61 per share.

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	2003-06-30	2002-09-30
BOARD OF MANAGEMENT		
Dr. Lebherz	1,617,862	1,617,862
Dr. Schöne	1,643,862	1,643,862
Dipl.-Ing. Götz	4,148	4,148
SUPERVISORY BOARD		
Dr. Holtermüller	10,398	4,898
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	2003-06-30	2002-09-30
BOARD OF MANAGEMENT		
Dr. Lebherz	21,100	10,100
Dr. Schöne	21,100	10,100
Dipl.-Ing. Götz	21,100	10,100
SUPERVISORY BOARD		
Dr. Holtermüller	0	0
Prof. Dr. Wiesbeck	0	0
Dipl.-Betr. Reiser	0	0

OUTLOOK FOR THE NEXT MONTHS

The market situation still has not changed significantly. The order book volume which has been kept considerably higher compared to the year before, gives us some hope for improved business in future, but must not be interpreted as stable change to the better in our relevant telecommunications market.

The order book end of Q3 2002/2003 is dominated by the segments Services and Software for regulatory administrations and reflects the sales efforts which were focussed on these business segments in the recent past. LS telcom will continue with specific sales efforts on these segments in order to activate and utilize additional market potentials. The software, developed for the needs of these authorities, together with our competence in this sector

and the opportunity to complete the package with consulting, seminars, case studies etc. are still strongly demanded. European and Asian institutions are interested in software for frequency planning and coordination due to the digitalisation in TV and FM radio. Accordingly we are expecting a profitable contribution from this sub-segment.

We are at present approached with a considerable amount of public tenders and requests for quotation from Europe, Asia and Africa. Assuming an unchanged success rate, we should be able to increase revenues further in future. The currently increased number of requests could indicate at least for the mid-term the end of the investment-stop in the telecommunications market segment relevant for us.

As mentioned in previous financial reports, we will continue to pay strong attention to the expenses. Opportunities to save costs will be systematically taken. Furthermore, measures, that help develop and increase revenues, market access, liquidity and profitability, will be implemented in a consequent manner.

Lichtenau, August 2003

LS telcom AG

The Board of Management

BALANCE, PURSUANT TO IAS

Assets

In TEUR	9 months report 2002-10-01 - 2003-06-30	Annual report per 2002-09-30
CURRENT ASSETS:		
Cash and cash equivalents	5,267	2,377
Short-term investments/marketable securities	3,320	8,328
Trade accounts receivable	1,552	1,700
Account receivable due from related parties	0	0
Inventories	211	179
Deferred tax asset	0	0
Prepaid expenses and other current assets	592	763
OTHERS	0	0
Total current assets	10,942	13,347
NON CURRENT ASSETS:		
Property, plant and equipment	1,241	1,582
Intangible assets	5,005	5,092
Goodwill	790	618
Financial assets	0	0
Shares in associated companies	24	13
Loans to associated companies	253	494
Deferred taxes	1,061	1,061
Other assets	0	0
OTHERS	0	0
Total non current assets	8,299	8,860
Total assets	19,241	22,207

Shareholders' equity and liabilities

In TEUR	9 months report 2002-10-01 - 2003-06-30	Annual report per 2002-09-30
CURRENT LIABILITIES:		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long-term debt	0	0
Trade accounts payable	272	392
Advance payments received	118	0
Accrued expenses	656	772
Deferred revenues	245	200
Income tax payable	0	0
Deferred taxes	0	0
Other current liabilities	470	279
OTHERS	0	0
Total current liabilities	1,761	1,643
NON CURRENT LIABILITIES:		
Long-term debt, less current portion	0	0
Capital lease obligations, less current portion	0	0
Deferred revenues	347	470
Deferred taxes	1,482	1,458
Pension accrual	0	0
OTHERS	0	0
Total non current liabilities	1,892	1,928
Minority interest	0	17
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	-8,089	-5,121
Accumulated other comprehensive income/loss	0	0
OTHERS	0	0
Total shareholders' equity	15,651	18,619
Total shareholders' equity and liabilities	19,241	22,207

Profit and Loss Account

In TEUR	Q3 2002/2003 2003-04-01 - 2003-06-30	Q3 2001/2002 2002-04-01 - 2002-06-30	9 months report 2002-10-01 - 2003-06-30	9 months report 2001-10-01 - 2002-06-30
Revenues	1,970	935	6,983	6,258
Other operating income	107	108	235	195
Changes in inventories of finished goods and work in progress	137	184	32	-302
Production of own fixed assets capitalised	782	851	1,815	2,739
Cost of purchased materials and services	271	188	683	591
Personnel expenses	2,009	2,094	6,340	6,342
Amortisation/depreciation	773	886	2,266	2,700
Amortisation (and impairment) of goodwill	12	0	35	0
Other operating expenses	1,247	629	2,632	1,974
OTHERS	0	0	0	0
Operating income/loss	-1,316	-1,719	-2,891	-2,717
Interest income and expenditure	61	44	276	240
Income from investments and participations	38	0	38	76
Income/expense from associated companies	0	0	0	0
Foreign currency exchange gains/losses	0	0	0	0
Other income/expense	-284	0	-284	0
Result before income taxes (and minority interest)	-1,501	-1,675	-2,861	-2,401
Income tax	140	-616	94	-884
Extraordinary income/expense	0	0	0	0
Result before minority interest	-1,641	-1,059	-2,955	-1,517
Minority interest	-9	0	0	0
Net income/loss	-1,650	-1,059	-2,955	-1,517
Net income/loss per share (basic) in EUR	-0.31	-0.20	-0.55	-0.28
Net income/loss per share (diluted) in EUR	-0.31	-0.20	-0.55	-0.28
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	9 months report 2002-10-01 - 2003-06-30	9 months report 2001-10-01 - 2002-06-30
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income/loss (before tax)	-2,861	-2,401
ADJUSTMENTS:		
Minority interests	-17	0
Amortisation/depreciation	2,301	2,700
Tax expenditure	-94	0
CHANGES IN ASSETS AND LIABILITIES:		
Decrease/increase in trade accounts receivable and other assets	319	685
Changes in inventories	-32	302
Decrease/increase in trade payables and other liabilities	18	-318
Net cash from operating activities	-366	968
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	0	-1,296
Proceeds from disposal of subsidiary, net of cash transferred	0	0
Investments in intangible assets	-1,975	-3,235
Investments in property	5	-284
Investments in financial assets	230	-359
Exchange rate differences (settled)	12	0
Net cash from investing activities	-1,752	-5,174
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	-2,118	-4,206
Cash and cash equivalents at the beginning of the period	10,705	15,769
Cash and cash equivalents at the end of the period	8587	11563

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				-12	-12
Net group result				-2,955	-2,955
Status as on 2003-06-30	5,335	18,373	32	-8,089	15,651

FINANCIAL CALENDAR

12 months report	December 2003
3 months report	February 2004
Annual General Meeting in Bühl	March 5 th 2004

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