

## Quarterly Report II/2000

PANDATEL continues its success story

Sales and earnings above-target again  
Record order receipts  
Successful market entry in the United States

*Hamburg, August 9, 2000*

**In Q2 2000, PANDATEL continued to score one success after another on the international markets. The products for the booming optical networks market presented at CeBit 2000 performed well, with high order receipts booked in particular in the United States.**

in DM m.	Jan. 1 – June 30, 2000	Jan. 1 – June 30, 1999	Change in percent
<b>Sales revenues</b>	29.5	18.8	+ 56.6
<b>EBT</b>	6.9	4.9	+ 40.1
<b>Net income for the year</b>	3.1	2.3	+ 37.6
<b>Net income for the year per share (DM)</b>	0.43	0.38	+ 13.2

according to US-GAAP

### Global expansion moves forward

Especially gratifying sales growth was seen in first-half 2000 in East Europe (plus DM 4.8 million), the United States (up DM 3 million), and Asia (plus DM 1.7 million).

The Company succeeded in establishing a foothold in the United States, the world's most important telecoms market, by concluding a cooperation agreement with Computer Network Technology Corporation (CNT) in May 2000. CNT is the leading integrator in the domain of SANs (Storage Area Networks). The contract envisages sales of over DM 10 million within 12 months, and a full DM 1.6 million of the figure had already been invoiced by June 30.

The team in Singapore was expanded in order to better lock into the appreciable demand in Asia and to prepare the way for transforming our sales office there into a full-fledged country company. This step has already led to a clear increase in sales.

The ratio of exports to domestic business rose strongly during the first half, from 59 percent to 86 percent on a year-on-year basis, reflecting PANDATEL's international growth strategy.



The y-o-y 124.3-percent increase in order receipts to DM 40.6 million proves just how well received PANDATEL products are on the international markets. This rise was again fostered in particular by both the United States and East Europe. Products for the Storage Area Networks (SAN) and Metropolitan Area Networks (MAN) growth segments played a pre-eminent part here.

#### Earnings again exceed budgeted targets

The quarterly financial statements as at June 30, 2000 are strongly influenced by the Company's international expansion. The costs' side reflects entry costs in particular for the North American optical networks market as well as the general increase in payroll. In order to secure PANDATEL's prime growth in the future, too, we have above all upped staffing levels in our foreign sales offices. In the start-up phase, the associated costs were not offset by corresponding sales. Overall, PANDATEL employed on average 133 staffers in first-half 2000 – compared with 94 persons in the same period the prior year. These investments in the Company's future, as well as the general admin. costs – which have risen faster than others owing to the disclosure duties we now face as a publicly listed corporation – lowered our EBIT margin from 26.3 to 19.5 percent. Nevertheless, net income for the year again exceeded targets, reaching DM 3.1 million, and thus 37.6 percent up on a y-o-y basis. Earnings per share accordingly rose to DM 0.43 as compared with DM 0.38 in 1999. This gratifying performance has also fueled a 39.8-percent increase in cash flow of DM 3.8 million.

A glance at the balance sheet also swiftly reveals PANDATEL's favorable financial situation. Liquid funds total DM 54.7 million or 55 percent of the balance sheet total, which rose notably as a consequence of the November-1999 IPO. The Company thus has strong financial resources with which to pursue its expansion strategy. The strong increase in receivables and inventories is a product of the Company's outstanding growth. The depth of receivables can be attributed primarily to high June sales for which payments have not yet been received. To avoid future production bottlenecks we have boosted inventories – and this is a direct result of the truly high level of order receipts.

#### Successful Storage Area Networks developments

Following the highly successful market launch of the FOMUX 1000 multiplexer for transmitting the data from four ESCON channels onto a single optic-fiber link, we have pressed ahead with developing an eight-channel multiplexer. System tests have already been run – and we plan to market the product in Q4, 2000. This new type of multiplexer will enable eight ESCON channels with 200 Mbps each to be focused on a single optic-fiber link.



### Share price follows the growth trend

With the onset of the new millennium, the PANDATEL share embarked on a quite unprecedented upward climb. Starting from the XETRA close-of-trading price on Dec. 30, 1999 of EUR 68.60, by the end of January the equity had already broken through the EUR 100 mark. In subsequent weeks, on the back of the bullish market, the share hit an all-time high of EUR 190. In the course of the following general consolidation on markets, it slipped to as low as EUR 97 at the end of May, swiftly rallying again to close on June 30, 2000 at EUR 138 (XETRA close-of-trading price). In other words, the equity scored 101-percent growth in first-half 2000 – while the comparative NEMAX 50 index – which also includes PANDATEL – only managed an increase of 17 percent.

The share price's upside performance reflects the exceptionally good course of PANDATEL business. This is also the opinion of various independent banks. For example, Crédit Agricole Indosuez Cheuvreux Deutschland classified the share as an out-performer with upside potential of EUR 190 in the framework of an extensive study published in May 2000.

### Outlook

The prime growth sectors in the telecoms markets are without a doubt SANs and MANs. In a study, International Data Corporation (IDC) predicts 60-percent annual growth in the world SAN market over the next two years, and of over 80 percent in the German market. The disproportionately high level of order receipts from these segments attest to the accuracy of the PANDATEL strategy of emphasizing its Optical Networks product group and offering a globally marketable, integrated optical platform for MAN and SAN systems. By the end of the year, this optical platform will be advanced to feature new, innovative products.

In the months ahead, our investments in further penetration of foreign markets by boosting staffing levels and extending distribution capacities will bear fruit. Given the expansion of business in particular in North America and that the second half of the year tends to be the stronger, the Board of Management anticipates that for financial 2000 as a whole PANDATEL will clearly exceed the budgeted targets of 30-percent growth in sales and earnings.

PANDATEL's position in the North American and French markets has already been strengthened with the announced opening of two sales offices as at July 1, 2000 in Miami and Paris respectively.

Hamburg, August 9, 2000

The Board of Management

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**PANDATEL AG – INCOME STATEMENT**  
**for the period January 1 to June 30, 2000 (US-GAAP)**

	Jan. – June, 2000 DM t	Jan. – June, 1999 DM t
<b>Sales revenues</b>	29,512.7	18,842.2
<b>Cost of sales</b>	- 13,599.9	- 8,052.2
<b>Gross profit</b>	<u>15,912.8</u>	<u>10,790.0</u>
Selling expenses	- 4,841.5	- 2,775.4
R&D	- 2,544.3	- 1,850.7
General administration	- 2,408.2	- 1,415.8
<b>Earnings from ordinary activities</b>	<u>6,118.8</u>	<u>4,748.1</u>
Other income/other expense (net)	- 375.8	216.7
<b>EBIT</b>	<u>5,743.0</u>	<u>4,964.8</u>
Interest income/interest expense (net)	1,141.6	- 50.1
<b>EBT</b>	<u>6,884.6</u>	<u>4,914.7</u>
Taxes on income	- 3,769.2	- 2,650.8
<b>Net income for the year</b>	<u><u>3,115.4</u></u>	<u><u>2,263.9</u></u>
<b>Net income for the year per share in DM *</b>	<u><u>0.43</u></u>	<u><u>0.31</u></u>

\* The basis for both years is a figure of 7,225,000 shares

Assuming an average number of shares in  
1999 of 5,892,000 units

0.38



**PANDATEL AG – CASH-FLOW STATEMENT**  
**for the period January 1 to June 30, 2000 (US-GAAP)**

	Jan. – June, 2000 DM t	Jan. – June, 1999 DM t
Net income for the year	3,115.3	2,263.8
Depreciation on intangible and tangible fixed assets	586.0	490.0
Personnel expense for stock options	158.9	0.0
Profit/loss from sales of tangible fixed assets	-23.4	-9.2
<b>Cash flow</b>	<b>3,836.8</b>	<b>2,744.6</b>
Increase/decrease in trade receivables	1,329.5	-747.2
Increase/decrease in inventories	-5,234.4	313.0
Increase/decrease in prepaid expenses and other assets	-1,445.9	-299.2
Increase/decrease in trade payables	2,521.5	459.7
Increase/decrease in deferred and prepaid taxes	-340.7	-136.7
Increase/decrease in other accruals and liabilities	757.0	-2,560.9
<b>Cash inflow/outflow from ordinary activities</b>	<b>1,423.8</b>	<b>-226.7</b>
Investments in tangible and intangible fixed assets	-794.0	-477.8
Income from sales of tangible assets (proceeds from the disposal of fixed assets)	40.0	45.6
Payments for securities	-9,901.1	0.0
Acquisition of subsidiaries less acquired cash	0.0	-1,250.0
<b>Cash outflow from investment activities</b>	<b>-10,655.1</b>	<b>-1,682.2</b>
Change in financial liabilities minus funds with only limited availability	0.0	-11.8
Inflow from the capital increase	0.0	5,952.7
<b>Cash inflow/outflow from financing activities</b>	<b>0.0</b>	<b>5,940.9</b>
<b>Increase in liquid funds</b>	<b>-9,231.3</b>	<b>4,032.0</b>
<b>Liquid funds at the start of the period</b>	<b>63,927.9</b>	<b>2,306.4</b>
<b>Liquid funds at the end of the period</b>	<b>54,696.6</b>	<b>6,338.4</b>
Interest paid	0.4	29.4
Taxes paid	2,398.4	655.1



**PANDATEL AG – BALANCE SHEET as at June 30, 2000 (US-GAAP)**

<b>ASSETS</b>	June 30, 2000 DM t	June 30, 1999 DM t
<b>Current assets</b>		
Liquid funds	54,696.6	6,338.4
Trade payables less allowance for doubtful accounts	12,093.0	7,235.7
Inventories	15,488.7	6,132.7
Other assets and prepaid expenses	2,206.0	875.3
<b>Total current assets</b>	<b>84,484.3</b>	<b>20,582.1</b>
<b>Tangible assets</b>	2,406.3	1,445.6
<b>Intangible fixed assets</b>	1,670.7	1,773.5
<b>Financial assets</b>	10,862.3	136.8
<b>Total assets</b>	<b>99,423.6</b>	<b>23,938.0</b>
 <b>EQUITY AND LIABILITIES</b>		
<b>Short-term liabilities</b>		
Trade accounts payable	4,616.8	1,418.5
Accruals for income taxes	2,531.8	3,527.3
Other short-term accruals and liabilities	3,017.0	4,300.0
<b>Total liabilities</b>	<b>10,165.6</b>	<b>9,245.8</b>
<b>Subscribed capital</b>	14,130.9	10,952.6
<b>Capital reserve</b>	63,695.3	0.0
<b>Revenue reserves</b>	2,533.0	373.0
<b>Retained earnings carried forward</b>	5,784.7	1,102.8
<b>Net income for the year</b>	3,115.3	2,263.8
<b>Other comprehensive income</b>	-1.2	0.0
<b>Total equity</b>	<b>89,258.0</b>	<b>14,692.2</b>
<b>Total equity and liabilities</b>	<b>99,423.6</b>	<b>23,938.0</b>