



Interim Report

for the period Jan. 1 – Sept. 30, 2000

Strong growth in sales and earnings
International expansion proceeding according to schedule
PANDATEL benefits from UMTS technology

Hamburg, Nov. 15, 2000

In Q3 2000, PANDATEL has made further progress in implementing its strategy of internationalization. The focus was again on the United States, the Far East, and East Europe, with demand focusing in particular on optical platform products for carriers.

in EUR m	Jan. 1 – Sept. 30, 2000	Jan. 1 – Sept. 30, 1999	Change in %
Sales revenues	24.0	14.9	+ 61.1
EBIT	5.0	3.8	+ 31.6
Net income	2.7	1.8	+ 50.0
Net income per share (EUR)	0.37	0.30	+ 23.3
Payroll (average)	135	100	+ 35.0

according to US-GAAP

*Successful expansion of PANDATEL's international reach;
strong global growth potential*

The Corporation's success in the world markets is reflected in the percentage of sales accounted for by exports, up to 85.5 percent compared with 65.6 the prior year. PANDATEL currently exports to a total of 86 countries and has scored the greatest growth, namely over 3,000 percent, in the United States, followed by almost 500 percent in East Europe. The lion's share of foreign sales were booked in Europe, where they came to EUR 12.6 million, followed by Asia, with EUR 4.9 million, and the United States, which posted sales of EUR 2.0 million.

The growth in the market for telecom infrastructure – especially in the booming storage area networks (SAN) and metropolitan area networks (MAN) segments – continues unabated. PANDATEL has established a prime position for itself in both markets. In the SAN domain, in the first nine months the Company has developed new key accounts who are world-wide operators. Particularly gratifying here is the surge in demand among carriers in the United States and Asia; for the United States alone, the order backlog as at Sept. 30 came to EUR 2.1 million. The overall order backlog as at Sept. 30, 2000 came to EUR 29.2 million and was thus up 85.4 percent compared with the prior year.



Appreciable boost in earnings

PANDATEL's favorable performance is also reflected in its financial figures. EBIT rose 31.6 percent, and net income by as much as 50.0 percent. The figures of EUR 5.0 million (EBIT) and EUR 2.7 million (net income) are fully on target with budgets. In the course of PANDATEL's rapid international expansion, the EBIT margin has fallen from 25.4 to 21.0 percent owing primarily to production capacity being expanded to a greater extent than anticipated, which led temporarily to higher costs of sales. This trend will be countered by the streamlining steps already initiated. PANDATEL therefore expects the gross margin to increase again in the coming quarters. Furthermore, the sales offices in Paris and Miami as well as the companies in Singapore and London (progress is being made on schedule in establishing them) will make a greater, favorable contribution to corporate growth in the months ahead.

Cash flow grew gratifyingly by 51.9 percent to EUR 3.3 million. The cumulative outflow of funds for ongoing business activities amounted to EUR 167 thousand, for given the disproportionate growth in sales, the volume of receivables and, at the same time, the working capital increased. However, as at Sept. 30, 2000 liquid funds totaled EUR 26.4 million – a figure which amounts to 50 percent of the balance sheet total – as against a figure of EUR 2.6 million the prior year and are thus available to finance future expansion.

In the first three quarters of 2000, a total of EUR 1.1 million was committed to investments. The focus was on expanding production capacity (EUR 179 thousand), setting up offices in Paris, Miami, Singapore and London (EUR 210 thousand), and R&D (EUR 319 thousand).

New solutions to meet requirements for greater bandwidth

The exponential growth in demand for broadband technologies for mobile phones and fixed subscriber networks will generate additional new markets for PANDATEL. Here, the Company will profit in particular from the deployment of the new UMTS technology.

In order to service the need for expanded capacities, as early as the beginning of the year PANDATEL brought the FOMUX 3000 optical platform to market. This DWDM multiplexer has proved a great success and is suited for applications in SANs and at city carriers. At present, the system is being furnished with new channel cards which will enable broadband data and Internet services at up to 2.5 gigabit/sec to be concentrated on a single fiber-optic line. Thanks to these gigabit channel cards, network operators can boost the capacity of existing fiber-optic lines by a factor of 32 or 64, and, if also using multiplexers down the line, by a figure of as much as 256 for 200 megabit/sec on each ESCON channel. This offers exceptional space and cost savings compared with the DWDM systems offered by other manufacturers.



A share with solid strengths and potential

The performance of the PANDATEL share in the first nine months of 2000 was influenced by the Spring bull, the subsequent general consolidation phase, and the late-summer revaluation of the high-tech stocks listed on Frankfurt's Neuer Markt segment and on the NASDAQ. Nevertheless, the share clearly out-performed the benchmark indices. Compared with the closing price on Dec. 30, 1999 of EUR 65.50, the share had soared 69.5, closing on Sept. 29, 2000 at EUR 111. Over the same period, the NEMAX 50 Index grew a modest 2.7 percent and the NEMAX Telecommunications fell 12.1 percent.

Studies by Crédit Agricole Indosuez Cheuvreux, WestLB Panmure, and Value Research confirm PANDATEL's fundamentally favorable trends and rated the share an outperformer. Moreover, the inclusion of the share in the new FTSE eTX All-Share Index for European technology stocks as of Oct. 2, 2000 will augment the interest in it shown by international investors.

Outlook

Thanks to the strong business performance, as early as August PANDATEL was able to revise its budgeted figures for 2000 as a whole to EUR 35.8 million for sales and to EUR 5.3 million for earnings, or by 52.3 percent and 51.4 percent respectively on a year-on-year basis. The Management Board assumes PANDATEL will achieve these targets above all given the ongoing high demand in particular for products for the booming MAN and SAN markets.

For business 2001 PANDATEL is planning to commit even greater investments to setting up new operating facilities in the Far East, Europe, and the United States, not to mention measures to streamline production in order to strengthen gross margins.

Hamburg, Nov. 14, 2000

The Management Board

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INCOME STATEMENT of PANDATEL AG
for the period January 1 to September 30, 2000
(US-GAAP)

	Jan. – Sept., 2000 EUR t	Jan. – Sept., 1999 EUR t
Sales revenues	24,029.9	14,942.3
Cost of sales	-11,665.1	-6,507.2
Gross profit	<u>12,364.8</u>	<u>8,435.1</u>
Selling expenses	-3,599.4	-2,230.9
R&D	-1,931.8	-1,462.7
General administration costs	-1,913.7	-1,084.3
Earnings from ordinary activities	<u>4,919.9</u>	<u>3,657.2</u>
Other operating income (net)	125.2	144.2
EBIT	<u>5,045.1</u>	<u>3,801.4</u>
Interest (net)	916.3	43.2
EBT	<u>5,961.4</u>	<u>3,844.6</u>
Income tax	-3,275.1	-2,071.0
Net income	<u><u>2,686.3</u></u>	<u><u>1,773.5</u></u>
Net income per share in EUR	<u><u>0.37</u></u>	<u><u>0.25</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

0.30



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

	Jan.–Sept., 2000 EUR t	Jan.–Sept., 2000 EUR t
Net income	2,686.3	1,773.5
Depreciation on intangible and tangible fixed assets	478.8	378.9
Personnel expense for stock options	121.9	0.0
Profit/loss from sales of tangible fixed assets	-26.9	-5.8
Cash flow	3,260.1	2,146.6
Increase/decrease in trade receivables	-1,002.5	-713.5
Increase/decrease in inventories	-4,181.3	-1,414.5
Increase/decrease in other receivables and prepaid expenses	-698.4	-512.5
Increase/decrease in trade payables	1,398.0	1,874.9
Increase/decrease in deferred and prepaid taxes	-53.9	0.0
Increase/decrease in other accruals and liabilities	1,110.8	-609.1
Cash flow from ordinary activities	-167.2	771.9
Investments in tangible and intangible fixed assets	-1,099.2	-536.9
Income from sales of tangible fixed assets	65.8	23.4
Payments for securities	-5,062.4	-82.3
Cash flow from investment activities	-6,095.8	-595.8
Change in financial liabilities minus funds with only limited availability	0.0	-1,876.0
Inflow from the capital increase	0.0	3,086.1
Cash flow from financing activities	0.0	1,210.1
Increase/decrease in liquid funds	-6,263.1	1,386.2
Liquid funds at the beginning of the period	32,685.8	1,179.2
Liquid funds at the end of the period	26,422.7	2,565.4
Interest paid	20.6	21.7
Taxes paid	1,883.3	1,261.9



**BALANCE SHEET of PANDATEL AG
as at September 30, 2000
(US-GAAP)**

ASSETS	Sept. 30, 2000 EUR t	Sept. 30, 1999 EUR t
Current assets		
Liquid funds	26,422.7	2,565.4
Trade payables less allowances for doubtful accounts	7,865.2	4,031.0
Inventories	9,424.3	4,710.3
Other assets and prepaid expenses	1,087.0	807.0
Total current assets	44,799.3	12,113.6
Tangible assets	1,692.0	934.2
Intangible fixed assets	876.2	939.6
Financial assets	5,590.6	90.0
Total assets	52,958.1	14,077.4
 EQUITY AND LIABILITIES		
Short-term liabilities		
Short-term borrowings	0.0	0.0
Trade accounts payable	2,469.3	2,365.1
Accruals for income taxes	1,818.7	1,645.2
Other short-term accruals and liabilities	1,881.7	1,851.0
Total short-term liabilities	6,169.6	5,861.4
Other accruals and liabilities	0.0	45.0
Total liabilities	6,169.6	5,906.4
Subscribed capital	7,225.0	5,625.0
Capital reserve	32,607.5	0.0
Revenue reserves	1,295.1	209.0
Retained earnings carried forward	2,957.7	563.5
Net income	2,686.3	1,773.5
Other comprehensive income	16.9	0.0
Total equity	46,788.5	8,171.0
Total equity and liabilities	52,958.1	14,077.4