

## Report on First-Half 2001

for the period Jan. 1 – June 30, 2001

### Key financial dates:

#### 2001

Analysts Meeting (Frankfurt) November 13/14

Report on the first  
nine months November 13/14

#### 2002

Analysts Meeting (Frankfurt) March 15

Press conference  
presenting the annual

financial statements (Frankfurt) March 15

Annual Report 2001 March 15

Annual General  
Meeting (Hamburg) May 30

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**PANDATEL**

## Slight profit and mild decrease in unit sales

As in the first quarter, through to mid-year the market for network infrastructure stood under the sign of an ongoing decline in demand among European and US telecoms companies. Worldwide, the pronounced investment restraint among telecoms corporations and carriers (pure network providers) persisted. In this difficult scenario, PANDATEL nevertheless succeeded in booking unit sales of almost EUR 13.7 million, a figure only 9.3 percent down on that for the same period in 2000; sales in Q2 2001 were even up on the

year-earlier quarter. In particular, the Company's comfortable liquidity levels and diversified sales network (exports = 91 percent of total sales) ensured a mild profit was turned in first-half 2001. The requisite human resources measures have been concluded and restructuring will now continue with a detailed examination of workflow.

In this way, PANDATEL will be able to operate successfully with an efficient cost structure as soon as the present market adjustments have come to an end.

<b>PANDATEL Group</b>	1/1–6/30/	1/1–6/30/	Change
(according to US-GAAP) in EUR m	2001	2000	in percent
Sales	13.68	15.09	–9.3
EBT	0.83	3.52	–76.4
Net income for the period	0.33	1.59	–79.2
Net EPS for the period (undiluted) in EUR	0.05	0.22	– 79.2
Payroll (average)	158	133	+18.8

Note: This half-year report complies with the regulations of Deutsche Börse AG for structured quarterly reports which will be binding for all Neuer Markt companies as of Q3 2001.

## Asia – buttressing sales given decreased demand in Europe and the United States

Sales for H1 2001 totaled EUR 13.68 million, as against EUR 15.09 million for the same period the previous year. As in Q1, in Q2 2001 sales in Asia soared compared with the respective prior-year period.

Overall, in first-half 2001 they surged 110 percent on the H1 2000 figure (EUR 6.45 million from EUR 3.07 million) and now account for slightly more than 47 percent of total sales. By contrast, unit sales in EMEA (Europe, the Mideast and Africa) now account for only just under 40 percent (EUR 5.40 million in H1 2001 compared with EUR 9.83 million the same period the prior year). The share of the total posted in North and South America came to 13.4 percent (EUR 1.83 million in H1 2001 as compared to EUR 2.20 million in H1 2000). We are pressing ahead with establishing a foothold in the United States, in which context PANDATEL is prioritizing gradual, cost-optimized expansion in light of general market trends. Business in SANs (storage area networks) and carrier solutions performed especially well.

Order receipts for first-half 2001 came to EUR 15.21 million compared with EUR 20.76 million as at June 30, 2000. The reasons: not only the

afore-mentioned restraint among investors, but also changed order policies among telecoms corporations: they now place orders with much shorter lead-times than only one year ago.

## First-half 2001 – still turning a profit

Owing to declining demand since February, PANDATEL adjusted production and sales capacities accordingly, although this did not successfully keep earnings in the black in the second quarter. We reported a loss before interest and taxes for Q2 of EUR 0.4 million, and a net loss of EUR 0.1 million. For first-half 2001 as a whole, we have nevertheless turned a profit, recording net income of EUR 0.33 million as against EUR 1.59 million in first-half 2000.

As at June 30, 2001, PANDATEL has an equity-assets ratio of 86.3 percent and cash and cash equivalents of EUR 20.5 million. In other words, the Company has the necessary financial scope in order to lock into opportunities at short notice as they arise.

On the assets side, trade receivables have fallen from EUR 11.1 million as at December 31, 2000 to EUR 8.4 million. Inventories increased over the same period from EUR 12.3 million to EUR 14.0 million. In first-half 2001,

### PANDATEL Group in first-half

in EUR million

Sales

EBT

Net income for the period

2000

2001

15.09

13.68

3.52

0.83

1.59

0.33



investments came to EUR 1.11 million with the largest single item being a total of EUR 315 thousand committed to installing the new ERP software system.

## Product development

### effort strengthened

In first-half 2001, PANDATEL increased staffing levels in its

Development section and plans to consistently raise investments in R & D. In its Optical Networks business unit, the Company has presented several new products relating to its FOMUX 3000 multiplexer system, including the CMX-IG2 channel card, which allows to combine two multiplexing procedures and thus bundles a significantly higher number of channels per optic fiber. At the same time, PANDATEL is working on various procedures for enhancing the number of channels in order to make its multiplexers even more powerful. Furthermore, the PAGRIS graphical user interface for the FOMUX 3000 is being extended further. It enables several devices to be configured and monitored comfortably from one central location – a facility that is becoming increasingly important as networks become ever more complex.

## Subsidiary founded

### in Singapore

Thanks to the gratifying business trend in Asia, as at

July 1, 2001, PANDATEL founded PANDATEL Asia

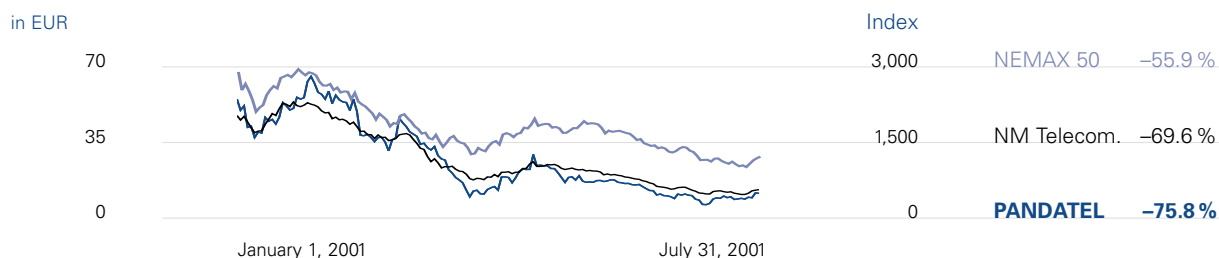
Pacific (Pte.) Ltd – it is based on our existing sales office in Singapore. According to findings by the RHK market research institute, the Asian optical transport market will grow by 57 percent to USD 6.2 billion in the course of the present year alone. If the ongoing prime growth prospects continue, PANDATEL's wholly owned subsidiary with its current staff of five will enable us to expand distribution activities and establish local value-added chains.

## Share price followed the market trend

The price of the PANDATEL equity as at year-end 2000

was EUR 55.00. Temporary price increases during first-half 2001 proved not to herald a turn for the better but were merely technical responses to the overarching downward trend since the all-time high in May of last year. The high volatility in the first quarter has abated markedly since early April and since then the share has settled on more solid bedrock. Most recently, the PANDATEL equity has broken with the long-standing downward trend and moved upward. Measured against the NEMAX 50 index (down 55.9 percent) and the telecom sub-index (down 69.6 percent), the PANDATEL equity has underperformed, shedding just under 76 percent from January 1 – July 31, 2001. However, in recent months this can be attributed primarily to the negative reports by optical

## Price trend of PANDATEL share



network operators and equipment providers worldwide; we can assume that these reports are now factored into share prices. The most recent price trend confirms us in this belief.

#### Shareholdings subject to disclosure requirements

as at June 30, 2001

	Number of shares	Number of options	Stake in total share capital in percent
<b>Board of Management</b>			
Henrik Förderer	0	16,666	0.23
Norbert Wienck	0	16,666	0.23
Frank Mauritz	0	8,333	0.12
<b>Supervisory Board</b>			
Axel Haas	11,000	0	0.15
Steffen Leistner	1,145	0	0.02
Uwe Hannig	200	0	0.00

#### Outlook:

##### Finding bedrock

The technical picture as regards the share-price trend seems to be confirmed by overall business events. As of mid-Q1 2001, in the network infrastructure field the propensity to invest weakened, but most recently it has appeared to stabilize. For example, the first moderate signs of a recovery are to be seen in the United States. However, as yet we cannot discern a significant business recovery and the general market situation is not expected to turn enduringly for the better until 2002. There is still excess supply in the market that puts pressure on margins. Telecoms corporations continue

to face a tense earnings and liquidity situation; however, ongoing strong demand among end users for bandwidth in MANs (metropolitan area networks) and SANs means that we are once more seeing the first tendency toward expanding capacity and thus making new investments in network infrastructure.

However, these tendencies first need to be borne out by a broad overall economic trend. At present, it is almost impossible to offer reliable predictions on market trends for 2001 and 2002, as we have not yet seen the end of consolidation among carriers and manufacturers.

The measures initiated in Q1 to optimize costs and our ongoing active cost management drive have proved successful in past months. PANDATEL will continue with its tried-and-true policy of circumspect Group management. As soon as the current phase of adjustments in the sector comes to an end and business in the field of optical network components picks up, thanks to its lean and flexible structure, the Company will profit to an above average extent from a renewed upturn.

Hamburg, August 14, 2001

**The Board of Management**

#### PANDATEL worldwide

Share of sales in %

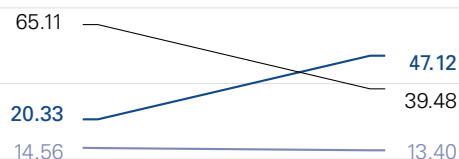
Europe, Mideast, Africa

Asia

The Americas

first-half 2000

first-half 2001



**Balance sheet of PANDATEL Group**

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as of June 30, 2001

<b>ASSETS</b>	6/30/2001	12/31/2000
EUR.000s		
<b>Current assets</b>		
Cash and cash equivalents	20,515	25,494
Short-term investments/Marketable securities	5,449	5,485
Trade accounts receivable	8,350	11,130
Accounts receivable due from related parties	2,573	0
Inventories	14,023	12,277
Deferred tax asset	220	44
Prepaid expenses and other current assets	1,559	761
Others	0	0
<b>Total current assets</b>	<b>52,688</b>	<b>55,191</b>
Property, plant and equipment	2,165	1,912
Intangible assets	681	376
Investments	30	39
Notes receivable/loans	0	0
Goodwill	687	733
Deferred taxes	0	0
Other assets	0	0
Others	0	0
<b>Total assets</b>	<b>56,251</b>	<b>58,250</b>

as of June 30, 2001

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	6/30/2001	12/31/2000
EUR 000s		
<b>Current liabilities</b>		
Current portion of capital lease obligation	0	0
Short-term debt and current portion of long term debt	0	0
Trade accounts payable	1,962	2,341
Advance payments received	0	0
Accrued expenses	4,632	3,807
Deferred revenues	0	0
Income tax payable	567	417
Deferred taxes	148	0
Other current liabilities	397	1,520
Others	0	0
<b>Total current liabilities</b>	<b>7,706</b>	<b>8,086</b>
Long-term debt, less current portion	0	0
Capital lease obligations, less current portion	0	0
Deferred revenues	0	0
Deferred taxes	0	0
Pension accrual	0	0
Others	0	0
Minority interest	0	0
<b>Shareholders' equity</b>		
Share capital	7,225	7,225
Additional paid-in capital	33,154	32,984
Treasury stock	0	0
Retained earnings	8,089	9,900
Accumulated other comprehensive income	77	56
Others	0	0
<b>Total shareholders' equity</b>	<b>48,545</b>	<b>50,165</b>
<b>Total liabilities and shareholders' equity</b>	<b>56,251</b>	<b>58,250</b>

**Statement of income  
of PANDATEL Group**

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for the period January 1 to June 30, 2001

EUR 000s	4/1– 6/30/2001	4/1– 6/30/2000	1/1– 6/30/2001	1/1– 6/30/2000
Revenues	6,839	6,621	13,678	15,090
Others	0	0	0	0
Cost of revenues	–4,407	–2,781	–7,761	–6,810
<b>Gross profit</b>	<b>2,433</b>	<b>3,840</b>	<b>5,917</b>	<b>8,280</b>
Selling and marketing expenses	–1,414	–1,339	–2,802	–2,430
General and administrative expenses	–488	–573	–1,358	–1,260
Research and Development	–727	–643	–1,496	–1,163
Other operating income and expenses	74	–86	247	–192
Amortization (and impairment) of goodwill	–23	–23	–46	–46
Depreciation and amortization	–254	–110	–456	–254
Others	0	0	0	0
<b>Operating income/loss</b>	<b>–399</b>	<b>1,065</b>	<b>6</b>	<b>2,936</b>
Interest income	313	306	826	584
Others	0	0	0	0
<b>Result before income taxes (and minority interest)</b>	<b>–86</b>	<b>1,371</b>	<b>832</b>	<b>3,520</b>
Income tax	–20	–750	–501	–1,927
Extraordinary income/expenses	0	0	0	0
<b>Result before minority interest</b>	<b>–105</b>	<b>621</b>	<b>332</b>	<b>1,593</b>
Minority interest	0	0	0	0
<b>Net income/loss</b>	<b>–105</b>	<b>621</b>	<b>332</b>	<b>1,593</b>
Earnings per share (diluted)	–0.01	0.09	0.05	0.22
Earnings per share (basic)	–0.01	0.09	0.05	0.22
Weighted average shares outstanding (basic)	7,225	7,225	7,225	7,225
Weighted average shares outstanding (diluted)	7,225	7,270	7,241	7,269

**Group flow-of-funds statement  
of PANDATEL Group**

for the period January 1 to June 30, 2001

EUR.000s	6/2001	6/2000
Net income for the year before extraordinary items	332	1,593
Depreciation on intangible and tangible assets	502	300
Expense for stock option program	170	81
Expense/income not impacting on earnings	-165	0
Profit/loss on sales of tangible assets	99	-12
<b>Cash flow</b>	<b>937</b>	<b>1,962</b>
Changes in		
trade accounts receivables	-1,745	-2,676
inventories	207	680
other assets which cannot be assigned to investing or financing activities	-993	-739
Changes in		
trade payables	-379	1,289
deferred taxes	-28	-174
other liabilities which cannot be assigned to investing or financing activities	103	387
Income from or payments for extraordinary items	0	0
<b>Cash outflow for operating activities</b>	<b>-1,899</b>	<b>728</b>
Income from disposals of fixed assets	9	20
Payments for investments in tangible assets	-726	-391
Payments for investments in intangible assets	-387	-15
Payments for investments in financial assets	0	0
Acquisition of subsidiaries less liquid assets acquired	0	0
Payments owing to investments of financial resources as part of short-term treasury transactions	2	-5,062
<b>Cash outflow for investing activities</b>	<b>-1,102</b>	<b>-5,448</b>
Change in long-term debt	0	0
Inflow from capital increase	0	0
Dividends disbursed	-2,143	0
<b>Cash flow from financing activities</b>	<b>-2,143</b>	<b>0</b>
<b>Changes in cash balances impacting on earnings</b>	<b>-5,144</b>	<b>-4,720</b>
<b>Changes in cash balances owing to exchange rate differences</b>	<b>165</b>	<b>0</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>25,494</b>	<b>32,686</b>
<b>Cash and cash equivalents at end of year</b>	<b>20,515</b>	<b>27,966</b>
Interest paid	1	0
Tax paid	1,047	1,226

	Subscribed capital		Capital reserve	Revenue reserve	Profit brought forward	Other changes	Total share capital
	shares	sum				not affecting earnings	
	1 EUR per unit	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	
<b>Status as at January 1, 1999</b>	<b>818,067</b>	<b>818</b>	<b>–</b>	<b>–</b>	<b>2,492</b>	<b>–</b>	<b>3,310</b>
Allocation to revenue reserves pursuant to partners' resolution	–	–	–	1,930	–1,930	–	–
Capital increase from own funds, March 1999	1,738,392	1,738	–	–1,738	–	–	–
Switchover to euro	741	1	–	–1	–	–	–
Capital increase against cash contributions, June 1999	3,042,800	3,043	–	–	–	–	3,043
Capital increase by contributions in kind, August 1999	25,000	25	19	–	–	–	44
Capital increase as part of the IPO, November 1999	1,600,000	1,600	33,600	–	–	–	35,200
Net IPO costs	–	–	–1,147	–	–	–	–1,147
Stock option plan	–	–	14	–	–	–	14
Allocation to the revenue reserves	–	–	–	1,104	–1,104	–	–
Net income for the year	–	–	–	–	3,499	–	3,499
<b>Status as at December 31, 1999</b>	<b>7,225,000</b>	<b>7,225</b>	<b>32,486</b>	<b>1,295</b>	<b>2,957</b>	<b>–</b>	<b>43,963</b>
Net subsequent IPO costs	–	–	–68	–	–	–	–68
Stock option plan	–	–	566	–	–	–	566
Net income for the year	–	–	–	–	5,647	–	5,647
Other changes in share capital not affecting earnings	–	–	–	–	–	56	56
<b>Status as at December 31, 2000</b>	<b>7,225,000</b>	<b>7,225</b>	<b>32,984</b>	<b>1,295</b>	<b>8,604</b>	<b>56</b>	<b>50,164</b>
Stock option plan	–	–	170	–	–	–	170
Net income for the year	–	–	–	–	332	–	332
Dividends	–	–	–	–	–2,142	–	–2,142
Other changes in share capital not affecting earnings	–	–	–	–	–	21	21
<b>Status as at June 30, 2001</b>	<b>7,225,000</b>	<b>7,225</b>	<b>33,154</b>	<b>1,295</b>	<b>6,794</b>	<b>77</b>	<b>48,545</b>