

Report on the first nine months of 2001

for the period January 1 – September 30, 2001

Key financial dates:

2002

Analyst 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

PANDATEL turns a profit in a contracting market

While the market for optical transmission systems is weak as a whole, individual segments, such as the field of metropolitan area networks (MAN), continue to grow. With its new product developments in recent months PANDATEL has established a superb position from which to benefit from precisely this market. Furthermore, the Company has optimized staffing levels and SCM, thus laying the foundations on which to successfully meet the challenge of market consolidation. Other key contributing factors for PANDATEL's success

are its diversified global distribution network and its extensive cash resources.

In the telecommunications market, the expansion of fixed networks has reached saturation point and excess capacities are already in evidence in the fiber-optic segment. This has prompted ongoing consolidation and a related dramatic decline in investment activity by carriers (network providers) and telecom companies. Only once capacities in the existing network infrastructures are more or less fully utilized, can we expect investments to grow again.

PANDATEL Group	01/01–30/09	01/01–30/09	Change
(according to US-GAAP) in EUR.m	2001	2000	in percent
Sales	21.1	24.0	-12.1
EBT	1.0	6.0	-83.3
Net income for the period	0.3	2.7	-88.9
Net EPS for the period			
(undiluted) in EUR	0.04	0.37	-88.9
Payroll (average)	157	135	+16.3

Slight sales increase

in Q3

In the first nine months of the current business year, PANDATEL booked sales totaling EUR 21.1 million, down 12.1 percent on the figure for the same period the prior year. In the third quarter, however, we managed to boost sales slightly over the first two quarters. In particular, gratifying growth was recorded in North and South America: from January through September 2001, sales to these regions amounted to EUR 3.6 million, as compared with EUR 2.9 million in the year-before period. We succeeded in boosting unit sales in Asia by 77.6 percent to reach EUR 8.7 million, up from EUR 4.9 million in the first nine months of 2000. By contrast, in EMEA (Europe, Mideast and Africa), sales slumped from EUR 16.3 million to EUR 8.8 million. In total, PANDATEL booked 90.8 percent of sales outside Germany.

The contraction in sales can essentially be attributed to long-standing clients putting a stop on investments. Given this scenario, call-off orders (orders without a fixed delivery date) are not included under order receipts. In the first nine months, order receipts totaled EUR 21.6 million as against EUR 29.2 million in the year-before period.

Successful launch

of Asian subsidiary July 1, 2001 saw the foundation of PANDATEL Asia Pacific (Pte.) Ltd in Singapore. This wholly-owned PANDATEL AG subsidiary has already scored its first successes. In August and September, it booked order receipts valued at EUR 2.0 million. In the future, we will press ahead with penetration of the Chinese market – it is attractive not least in terms of magnitude. For example, in 2001 China Telecom alone fielded an investment budget totaling USD 10 bn. (Morgan Stanley, 10/2001).

Profit again turned

for the period

In the wake of faltering sales, EBIT in the third quarter and for the first nine months as a whole was negative, with a loss of EUR 0.1 million on both occasions. By contrast, net income for the first nine months was EUR 0.3 million, as against EUR 2.7 million in the year-before period.

Given its sound balance sheet structure, with cash and cash equivalents of EUR 20.6 million and an equity-assets ratio of 88.7 percent, PANDATEL is superbly equipped to continue to operate successfully in the face of ongoing market consolidation.

In the first nine months of 2001, the Company made investments totaling EUR 1.6 million.

PANDATEL Group – the first nine months

in EUR million

Sales

EBT

Net income for the period

2000 2001

24.0 21.1

6.0 1.0

2.7 0.3



Intensified product development for growth segments

Bucking the general trend, in the third quarter

PANDATEL again strengthened its development section. In this way, PANDATEL is shortening the innovation cycles for its products and using state-of-the-art technologies to establish a strong position in market segments where we expect to see emphatic growth rates in the future, too.

Our Telecommunications BU has now launched its INAX-CV 2-channel access multiplexer. One interface in this compact multiplexer can be dedicated as required, enabling it to be used for copper/copper connections or interfacing copper and fiber-optic networks. Moreover, our line-protection facility, an alternative transmission path in the event of downtime, enhances data transmission security.

The integration of WDM technology (multiplexing which makes use of the different wavelengths, i.e. colors, of light) into our FX-G Gigabit fiber-optic converters enables clients to swiftly, simply and cost-effectively double the capacity of their data links.

The share – influenced by negative reports in the sector

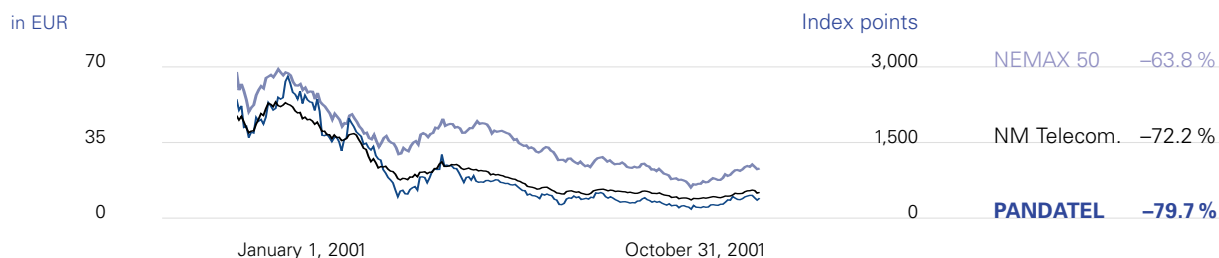
The performance of the PANDATEL equity over the first ten months of 2001 was strongly influenced by negative news released by network equipment providers, network operators and telecom companies. On September 21, the share price hit an all-time low of EUR 6.33; by the end of October it had, however, almost doubled, bouncing back to EUR 11.30. The pronounced volatility of the PANDATEL share – like that of most other network equipment suppliers – can be attributed to the current uncertainty as regards forward planning in the industry as a whole. However, the ongoing strong interest analysts and investors are showing in the PANDATEL equity confirms its fundamental appeal. At present, ten professional capital market players regularly publish analyses of the Company.

Shareholdings subject to disclosure requirements

as at September 30, 2001

		Number of shares	Number of options	Percentage of total share-holders' capital
Board of Management	Henrik Förderer	0	16,666	0.23
	Norbert Wienck	0	16,666	0.23
	Frank Mauritz	0	8,333	0.12
Supervisory Board	Axel Haas	11,000	0	0.15
	Steffen Leistner	1,145	0	0.02
	Uwe Hannig	200	0	0.00

Price trend of PANDATEL share



Outlook: recovery

from 2003 onward It remains difficult to gauge exactly how the market for network infrastructure will perform in the future. Carriers and telecom companies continue to feel the squeeze on profits and liquidity. Additionally, the surge in investments in recent years has led to excess capacity primarily in fiber-optic technology. Capital expenditure cannot be expected to rise overall until these capacities have been exhausted – presumably as of 2003.

For the current year, forecasts suggest investments in fixed networks will fall 4.1 percent in Europe, 19.5 percent in North America, and 6.3 percent in Asia. A global decrease of some 15 percent is anticipated in 2002 (WestLB Panmure, 09/2001).

However, trends for the various regions and market segments will differ greatly. PANDATEL is gearing its strategy to those fields and regions which promise expansion: various research institutes, such as RHK (09/2001), continue to identify substantial growth potential above all in the MAN and access network segments. For example, the market for fiber-optic MANs is expected to grow from approx. US\$ 3 bn. in 2001 to US\$ 13 bn. in 2005, or by an average 44 percent a year. It will be the Asia-Pacific region

which most significantly fosters this growth (WestLB Panmure, 09/2001). Moreover, the world market for DWDM technology is predicted to grow 34 percent annually for the 2001-5 period (KMI Corporation, 10/2001). In addition, the PANDATEL Board of Management assumes that the market for SAN (external storage systems) will surge in the future owing to an extraordinary rise in security requirements.

PANDATEL is convinced that once the current phase of market corrections is over it will be better positioned than before. The key factors for PANDATEL's ongoing success are its ability to develop up-to-date products for growth segments, high liquidity, lean cost structures, and its global distribution network. However, in light of the ongoing consolidation in the carrier market, which has taken the form of M&As and bankruptcies, it is increasingly difficult to make accurate predictions. Given that in Q4 2000 we booked an above-average proportion of our sales for that year, the Board of Management expects aggregate sales for the current year will decline some 25 percent from the figure of EUR 36.5 million for 2000 while the Company's books will continue to balance.

Hamburg, November 12, 2001

The Board of Management

PANDATEL worldwide

Share of sales in %

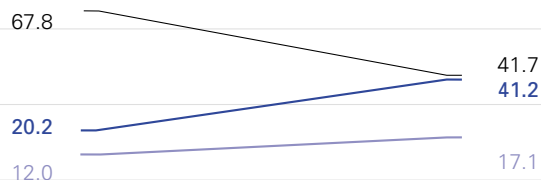
Europe, Mideast, Africa

Asia

The Americas

first nine months 2000

first nine months 2001



Balance sheet of PANDATEL Group

10/11

as of September 30, 2001

ASSETS	30/09/2001	31/12/2000
EUR.000s		
Current assets		
Cash and cash equivalents	20,599	25,494
Short-term investments/marketable securities	5,460	5,485
Trade accounts receivable	8,139	11,130
Accounts receivable due from related parties	2,605	0
Inventories	12,932	12,277
Deferred tax asset	285	44
Prepaid expenses and other current assets	972	761
Total current assets	50,992	55,191
Non-current assets		
Property, plant and equipment	2,266	1,912
Intangible assets	715	376
Goodwill	665	733
Investments	19	39
Investments accounted for by the equity method	0	0
Notes receivable/loans	0	0
Deferred taxes	0	0
Other assets	0	0
Total non-current assets	3,665	3,060
Total assets	54,657	58,251

Balance sheet of PANDATEL Group

12/13

as of September 30, 2001

LIABILITIES AND SHAREHOLDERS' EQUITY	30/09/2001	31/12/2000
EUR.000s		
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	996	2,341
Advance payments received	0	0
Accrued expenses	4,874	3,807
Deferred revenues	0	0
Income tax payable	2	418
Deferred tax liability	9	0
Other current liabilities	305	1,521
Total current liabilities	6,186	8,087
Non-current liabilities		
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
Total non-current liabilities	0	0
Minority interest	0	0
Shareholders' equity		
Share capital	7,225	7,225
Additional paid-in capital	33,223	32,984
Treasury stock	0	0
Retained earnings	8,061	9,899
Accumulated other comprehensive income/loss	-38	56
Total shareholders' equity	48,471	50,164
Total liabilities and shareholders' equity	54,657	58,251

**Statement of income
of PANDATEL Group**

14/15

for the period January 1 to September 30, 2001

EUR 000s	01/07– 30/09/2001	01/07– 30/09/2000	01/01– 30/09/2001	01/01– 30/09/2000
Revenues	7,446	8,940	21,124	24,030
Cost of revenues	-3,546	-4,636	-11,307	-11,445
Gross profit	3,900	4,305	9,817	12,585
Selling and marketing expenses	-1,709	-1,093	-4,511	-3,522
General and administrative expenses	-1,428	-600	-2,786	-1,859
Research and development expenses	-451	-641	-1,947	-1,804
Other operating income and expenses	-181	317	65	125
Amortization (and impairment) of goodwill	-23	-23	-69	-69
Depreciation and amortization	-248	-156	-704	-410
Operating income/loss	-141	2,109	-134	5,045
Interest income	276	333	1,102	916
Income from investments and participations	0	0	0	0
Income from investments accounted for by the equity method	0	0	0	0
Foreign currency exchange gains/losses	0	0	0	0
Other income/expenses	0	0	0	0
Result before income taxes (and minority interest)	135	2,441	968	5,961
Income tax	-164	-1,348	-664	-3,275
Extraordinary income/expenses	0	0	0	0
Result before minority interest	-28	1,093	303	2,686
Minority interest	0	0	0	0
Net income/loss	-28	1,093	303	2,686
Earnings per share (diluted) in EUR	0.00	0.15	0.04	0.37
Earnings per share (basic) in EUR	0.00	0.15	0.04	0.37
Weighted average shares outstanding (basic)	7,225	7,225	7,225	7,225
Weighted average shares outstanding (diluted)	7,225	7,270	7,229	7,270

**Cash flow statement
of PANDATEL Group**

for the period January 1 to September 30, 2001

EUR 000s	9/2001	9/2000
Net income for the period before extraordinary items	303	2,686
Depreciation on intangible and tangible assets	773	479
Expense for stock option program	238	122
Expense/income not impacting on earnings	0	0
Profit/loss on sales of tangible assets	103	-27
Cash flow	1,418	3,260
Changes in		
trade accounts receivables	-655	-4,181
inventories	386	-1,002
other assets which cannot be classified as investing or financing activities	-462	-698
Changes in		
trade payables	-1,345	1,398
deferred taxes	-232	-54
other liabilities which cannot be classified as investing or financing activities	-374	1,111
Income from or payments for extraordinary items	0	0
Net cash used in operating activities	-1,263	-167
Income from disposals of fixed assets	130	66
Payments for investments in tangible assets	-1,120	-1,028
Payments for investments in intangible assets	-490	-72
Payments for investments in financial assets	0	0
Acquisition of subsidiaries net of cash acquired	0	0
Payments owing to investments of financial resources as part of short-term treasury transactions	-8	-5,062
Net cash used in investing activities	-1,489	-6,096
Change in long-term debt	0	0
Inflow from capital increase	0	0
Dividends disbursed	-2,143	0
Net cash used in financing activities	-2,143	0
Changes in cash balances impacting on earnings	-4,895	-6,263
Changes in cash balances owing to exchange rate differences	0	0
Cash and cash equivalents at beginning of period	25,494	32,686
Cash and cash equivalents at end of period	20,599	26,423
Interest paid	2	21
Tax paid	1,068	1,883

**Development of share capital
of PANDATEL Group**

18/19

	Subscribed capital		Capital reserve	Revenue reserve	Profit brought forward	Other changes	Total share capital
	shares	sum				not affecting	
						earnings	
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	
Status as at January 1, 1999	818,067	818	–	–	2,492	–	3,310
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
Status as at December 31, 1999	7,225,000	7,225	32,486	1,295	2,957	–	43,963
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
Status as at December 31, 2000	7,225,000	7,225	32,984	1,295	8,604	56	50,164
Stock option plan	–	–	239	–	–	–	239
Net income for the year	–	–	–	–	303	–	303
Dividends	–	–	–	–	–2,142	–	–2,142
Other changes in share capital not affecting earnings	–	–	–	–	–	–94	–94
Status as at September 30, 2001	7,225,000	7,225	33,223	1,295	6,766	–38	48,471