

Second-quarter report for transtec AG

- **22 % increase in turnover in second quarter, 16 % in the first half of the year**
- **Investments for the future**

Business trend and market situation

In the second quarter of 2000, the transtec AG's growth in turnover increased considerably. With 45.6 million Euro, the turnover for between April and June this year was 21.6 % higher than that of the same period last year (37.5 million Euro). Thus, for the first half of the year 2000, there has been an increase in turnover from 77.3 million Euro to 89.7 million Euro, which is equivalent to 16.0 %. When compared with the first quarter of 2000, these turnover figures are considerably better.

The current state of the market is still extremely reserved. Especially on the IT market for business customers, the profits were generally unsatisfactory for the first half of this year. transtec regards the special "Year 2000" situation as the main cause for this problem. Despite widespread opinion that the market would recover in early 2000, this has not yet been materialised. Even transtec's plans for the future were based on greater expectations.

transtec envisages a future trend in the IT market for business customers, however, it does not predict a rapid recovery for the short-term. transtec's plans for the middle and long term are based on a rapidly expanding market, in which the company will be optimally positioned throughout Europe with its corporate sectors of transtec brand products as well as the e-business concept of the Virtual Warehouse.

transtec regards the year 2000 under the aspect of "investments for the future". The company will continue to invest in infrastructure and marketing in the next months, in order to be well prepared for the future market situation. As already stated, these investments will effect transtec's profits for the rest of this year.

The most important figures of transtec AG represent the current market situation as well as the investment strategy for 2000. According to IAS, the

profit for the year amounts to - 2.3 million Euro (in the same period last year: 1.8 million Euro). The DVFA earnings of - 2.2 million Euro are also below the figures from the previous year (1.6 million Euro). According to DVFA/SG, the cash flow for the first half of 2000 represents - 1.1 million Euro (2.7 million Euro in the same period in 1999).

The equity ratio of 42.1 % is again of a very high standard.

	1/1-30/6/2000	1/1-30/6/1999
	EUR	EUR
Sales	89,682,956.33	77,332,252.48
Abroad	49,012,907.87	33,642,220.41
Share	54.7 %	43.5 %
Operating result	- 1,694,795.23	3,328,446.40
Earnings from ordinary operations	- 2,159,210.76	3,083,729.50
Net profit according to IAS	- 2,314,334.38	1,766,338.87
per share	- 0.67	0.52
Earnings according to DVFA/SG	- 2,236,490.70	1,599,234.75
per share	- 0.65	0.47
Cash flow according to DVFA/SG	- 1,120,863.64	2,668,361.19
per share	- 0.32	0.78
Capital stock	10,386,555.00	10,200,000.00
Number of shares	3,460,941	3,400,000
Total equity	25,774,649.08	26,827,775.54
Equity ratio	42.1 %	51.1 %
Balance sheet total	61,291,972.12	52,502,696.95
Employees	367.2	265.6

Investments in the future

In the middle of May, the signal was given on the transtec company grounds to begin working on the necessary expansions of the production capacities. The new building on a 1200 m² area and with a height of 15 m will be completed in September.

In the first half of the year, new product lines in the server and RAID sectors (fail-safe storage systems) were announced. The next generation products with a variety of new features are available as of now. A successful marketing campaign has already been launched for transtec brand products. The expansion of the production capacities ensures the continuing growth in this sector.

The Swiss datacomp AG, which was acquired in September 1999, has now been integrated in the transtec group. The next step will begin in September – earlier than planned. datacomp AG and the transtec Computer AG in Switzerland will establish a joint location near Zurich. With a total turnover of 42.0 million Euro (1999, datacomp as of 01/09/99), it is the leading IT direct sales company in Switzerland.

Even in the e-business sector, measures with a direct effect on the future are being introduced. At the beginning of July, Gabriele Instenberg took over the responsibility of the Virtual Warehouse and, together with the project team, will ensure that the Warehouse will be soon launched on the market. The introduction will be accompanied by a wide variety of different marketing activities.

transtec group balance sheet as of 30/06 according to IAS (not reviewed)

Assets	30/06/2000	30/06/1999
	EUR	EUR
A. Fixed assets	13,188,128.29	12,948,041.44
I. Intangible assets	1,701,254.78	2,163,166.05
II. Tangible assets	11,486,873.51	10,784,875.39
B. Current assets	46,189,627.54	37,788,163.33
I. Inventories	16,877,640.09	9,425,996.84
II. Accounts receivable and other assets	25,174,427.83	18,878,667.07
III. Securities	0.00	0.00
IV. Cash and cash equivalents	4,137,559.62	9,483,499.42
C. Accruals	648,391.05	383,031.64
D. Deferred taxes	1,265,825.24	1,383,460.54
Total assets	61,291,972.12	52,502,696.95

Forecast

transtec does not expect any significant changes on the market for the third quarter in 2000. For this reason, transtec assumes that the transtec group's turnover may be considerably below that of previous expectations. However, at this present moment in time, it cannot be predicted what effect the traditionally lucrative fourth quarter will have on the final turnover and profits for 2000.

transtec has extremely positive middle and long-term perspectives. The developments on the IT market reflect again transtec's business strategy as the company has an optimum position in areas with the most rapid growth – Linux systems, high-end servers and fail-safe RAID storage solutions – and is well prepared for a qualitative expansion.

Over the next few years, the future will definitely belong to the e-business. Especially in the B2B sector, transtec is focusing on this sector in order to be the leading online provider of IT products in Europe in the coming years.

The Year 2000:
Investments for the future –
transtec is on its way into the future.

Equity and Liabilities	30/6/2000	30/6/1999
	EUR	EUR
A. Total equity	25,774,649.08	26,827,775.54
I. Capital stock	10,386,555.00	10,200,000.00
II. Retained capital	14,244,641.61	12,863,500.73
III. Retained earnings	2,768,244.64	312,128.94
Equity differences due to currency translation	158,397.12	33,522.04
IV. Profit/loss carried forward	531,145.09	1,652,284.96
V. Annual net profit	- 2,314,334.38	1,766,338.87
B. Special item with pr portion of reserves	4,170.26	11,387.02
C. Provisions	6,046,816.20	5,641,654.60
D. Liabilities	29,201,602.33	19,746,851.16
E. Deferred items	264,734.25	275,028.63
Total equity and liabilities	61,291,972.12	52,502,696.95

transtec group income statement according to IAS (not reviewed)

	30/6/2000	30/06/1999
	EUR	EUR
1. Sales	89,682,956.33	77,332,252.48
2. Other operating earnings	1,000,476.39	777,492.10
3. Total operating performance	90,683,432.72	78,109,744.58
4. Material costs	74,504,989.19	61,567,329.93
5. Personnel costs	9,802,171.42	6,887,892.57
6. Depreciation	1,136,115.63	897,486.32
7. Other operating expenses	6,934,951.71	5,428,589.36
8. Operating results	- 1,694,795.23	3,328,446.40
9. Financial results	- 464,415.53	- 244,716.90
10. Earnings from ordinary operations	- 2,159,210.76	3,083,729.50
11. Earnings from extraordinary operations	0.00	- 127,822.97
12. Earnings before taxes	- 2,159,210.76	2,955,906.53
13. Taxes on income and earnings	139,438.72	1,176,164.43
14. Other taxes	15,684.90	13,403.23
15. Annual net profit	- 2,314,334.38	1,766,38.87

transtec group cash flow statement according to IAS (not reviewed)

	30/6/2000	30/6/1999
	EUR	EUR
1. Annual net profit	- 2,314,334.38	1,766,338.87
2. Depreciation	1,136,115.63	897,486.32
3. Decrease (+) / increase (-) of inventories	1,055,601.80	3,957,760.51
4. Decrease (+) / increase (-) of accounts receivable, other assets	3,324,675.00	- 966,939.97
5. Decrease (+) / increase (-) of other assets	4,531.25	304,526.05
6. Decrease (-) / increase (+) of provisions	- 861,529.70	396,562.31
7. Decrease (-) / increase (+) of liabilities (not including bank liabilities)	- 4,699,370.88	- 6,802,513.10
8. Decrease (-) / increase (+) of other equity and liabilities	- 94,395.43	68,242.79
Cash flow from other operating activities	- 2,448,706.71	- 378,536.22
9. Cash flow from investment activities (+)	0.00	0.00
10. Cash flow for investment activities (-)	- 1,154,432.09	- 814,812.92
11. Exchange rate differences (+/-)	121,508.31	33,522.05
Cash-flow from investment activities	- 1,032,923.78	- 781,290.87
12. Receipts (+) from capital measures	0.00	0.00
13. Payments (-) to partners	- 2,075,818.20	- 1,912,231.64
14. Receipts (+) / payments (-) for changes in bank liabilities	5,393,706.88	- 1,010.47
Cash flow from financing activities	3,317,888.68	- 1,913,242.11
Cash and cash equivalents beginning of period	4,301,301.42	12,556,568.62
Cash and cash equivalents end of period	4,137,559.61	9,483,499.42
Total changes in cash and cash equivalents	- 163,741.81	- 3,073,069.20

Cash flow calculation according to DVFA/SG

1. Annual net profit according to IAS	- 2,314,334.38	1,766,338.87
2. + Depreciation		
Goodwill	241,494.45	233,908.77
Other assets	894,621.17	663,577.55
3. +/- Changes in long-term provisions		
Pension provisions	6,724.00	12,655.03
4. + Other substantial cash irrelevant expenses		
Release of deferred taxes	77,843.67	77,843.67
5. - Other substantial cash irrelevant income		
Capitalisation of deferred taxes	- 27,212.55	- 85,962.70
6. + Extraordinary cash relevant expenses	0.00	0.00
Cash flow according to DVFA/SG	-1,120,863.64	2,668,361.19