

- **14 % increase in turnover in the first nine months**
- **transtec remain firm in difficult market situation**
- **Results affected by structural changes in Switzerland and investments in tec2b**

### Business trend and market situation

The transtec's business group turnover for the first nine months in 2000 totals 132.9 million Euro. Compared with the same period of last year (117.1 million Euro), a 13.5 % increase has been made. Thus the increase in turnover is lower than what was predicted at the beginning of this year. With respect to the entire IT market, transtec has managed to remain firm in its core business.

Despite the difficult market situation in the IT sector, transtec has increased their turnover abroad by approx. 40%. The percentage of business abroad has also increased by approx. 10%. And this despite of reports coming from diverse IT companies in the USA and Europe which are clearly indicating that the IT market is not particularly proving to be dynamic at the moment.

In the third quarter of 2000, transtec continued its investment strategy, as announced. The most important figures of transtec AG for the months January to September are considerably affected by the low sales revenue as well as investments for the future. According to IAS, the profit for the year amounts to -5.2 million Euro (in the same period in 1999: 2.4 million Euro). The DVFA earnings amount to -5.1 million Euro in comparison to 2.3 million Euro from the same period last year. According to DVFA/SG, the cash flow for the first nine months of 2000 represents -3.3 million Euro (3.9 million Euro in comparison to the months Januar to September 1999).

### Structural changes in Switzerland and investments in tec2b

The results have been mainly affected by numerous restructural changes in Switzerland. In addition, considerable investments were needed for establishing tec2b AG.

transtec announced the formation of tec2b AG at the beginning of August, shortly after the half-yearly report was published. The company is based on the "Virtual Warehouse", the successful e-business project introduced by transtec. tec2b specialises in the direct online sales of IT products for Business-to-Business (B2B) customers.

With the motto "High Tech. Low Cost. No Risk." tec2b offers their customers an assortment of more than 30,000 products. The company which is presently doing business with selected customers is in the Beta test phase. The official and anticipated online start is planned to begin some time this year.

In September 2000, transtec computer AG in Switzerland and datacomp AG, acquired in September 1999, moved to new business premises. The joint company location is in Ruemlang near Zurich. This integration, which took place earlier than planned and the structural changes related to this as well as various streamlines made to the product range, have led to unscheduled expenditures this year. The transtec group has decided to completely pay off the high expenditures in Switzerland within this year and provide the necessary financial structure for this. The aim of these measures is to complete all necessary changes as quickly as possible in order to set matters straight.

	<b>1/1 -30/9/2000</b>	<b>1/1 -30/9/1999</b>
	<b>EUR</b>	<b>EUR</b>
Sales	132,920,335.81	117,137,592.01
Abroad	71,473,319.45	51,644,181.60
Share	53.77%	44.09%
Operating result	- 4,487,265.50	4,440,010.01
Earnings from ordinary operations	- 5,191,099.38	4,064,137.38
Net profit according to IAS	- 5,176,399.03	2,389,777.22
per share	- 1.50	0.69
Earnings according to DVFA/SG	- 5,059,633.53	2,261,594.94
per share	- 1.46	0.66
Cash flow according to DVFA/SG	- 3,339,167.93	3,855,520.32
per share	- 0.96	1.12
Capital stock	10,528,152.00	10,345,167.00
Number of shares	3,460,526	3,448,389
Total equity	24,068,331.13	28,524,427.25
Equity ratio	40.85%	48.44%
Balance sheet total	58,920,807.54	58,887,829.56
Employees	354	353

## **Success with transtec's own brand name products**

The transtec AG is on the road to success with their Built-to-Order production process (BTO). The company's own brand-name products have received positive reviews by the technical press. The magazines PC Professionell, PC Direkt and CHIP awarded various systems with the marks "Very Good" and "Good". First place went to the transtec 1300 AMD 1-GHz system, which was at the top of the CHIP Top Ten list for the best tested computer costing over 3,000 DM.

Other evidence of the high performance of transtec products: Following 1999, the chess programme Shredder once again became the unbeaten world champion at the 17th chess world championships for microcomputers, which took place in London at the end of August – and it was once again run on a transtec system. The secret of this success: a computer configuration which is 100% compatible to the needs of the software.

For several years now, Built-to-Order configurations for Windows, Linux and SPARC servers as well as workstations can be put together via the Internet with the help of the Online configurator. The configurator for transtec high-end RAID storage solutions is a new addition. Customers can easily and at their own ease select the appropriate interfaces, different safety levels and the desired capacity ranges. One click and all technical details as well as price information can be displayed.

The new 1200 m<sup>2</sup> high-bay warehouse with a height of 15 m was completed in Tuebingen at the end of September. This means that there is enough storage space in the previous warehouses for expanding production capacities.

## **Outlook for the year 2000**

With an equity ratio of 40.9 %, transtec AG has an extremely solid financial basis. In the annual financial statement for the year 2000, all the financial strain caused by the restructuring work in Switzerland will be covered. Additional costs for this in 2001 are not expected. Therefore, the negative development of operating results in 2000 will remain an exception.

transtec can confirm for the year 2000 what they announced in the forecast in the half-yearly report. The turnover as well as profits will be below previous expectations. Although turnover will be considerably higher than that from the previous year, the company still expects the results to be negative.

## **Perspectives for the year 2001**

For the following year, transtec's success factors depend on two completely differently oriented company sectors.

On the one hand, the company will aim at continuing to focus on its own brand-name products. For this, the product divisions from the sectors storage systems, Unix/Linux systems, Windows systems and network/peripheral devices will be separated even more distinctively. Due to the solid basis of each of these divisions, transtec expects extremely positive results in the future with high sales margins.

In addition to this, high expectations have been placed in tec2b for trading IT goods on the e-business market. A wide range of different marketing activities have been planned for the coming year, which will be aimed at establishing the tec2b name as well as fast market development. This means that further investments will need to be made in the coming year.

Due to this success-oriented strategical perspective, transtec's Management Board expects to generate distinctively more positive figures in the year 2001, with respect to both turnover as well as the results of transtec's core business.

**transtec group balance sheet as of 30.09.  
according to IAS (not reviewed)**

Assets	30/9/2000 EUR	30/9/1999 EUR	Equity and Liabilities	30/9/2000 EUR	30/9/1999 EUR
<b>A. Fixed Assets</b>	14,800,887.06	13,315,241.06	<b>A. Total equity</b>	24,068,331.13	28,524,427.25
I. Intangible assets	2,061,706.68	2,171,235.38	I. Capital stock	10,528,152.00	10,345,167.00
II. Tangible Assets	12,739,180.38	11,144,005.68	II. Capital reserves	15,302,428.14	13,947,956.01
<b>B. Current assets</b>	42,092,453.18	43,812,929.76	III. Retained earnings	2,768,244.64	312,128.49
I. Inventories	15,379,055.29	14,779,376.32	Equity differences due to currency translation	114,760.29	50,581.11
II. Accounts receivable and other assets	22,698,983.68	22,526,574.48	IV. Profit/loss carried forward	531,145.09	1,478,817.42
III. Securities	0.00	0.00	V. Annual net profit	- 5,176,399.03	2,389,777.22
IV. Cash and cash equivalents	4,014,414.21	6,506,978.96	<b>B. Special item with     proportion of reserves</b>	4,170.26	11,409.33
<b>C. Accruals</b>	576,603.75	401,513.75	<b>C. Provisions</b>	7,164,619.47	6,825,095.56
<b>D. Deferred taxes</b>	1,450,863.55	1,358,144.99	<b>D. Liabilities</b>	27,435,162.87	22,909,601.36
<b>Total assets</b>	<b>58,920,807.54</b>	<b>58,887,829.56</b>	<b>E. Deferred items</b>	248,523.81	617,296.06
			<b>Total equity and liabilities</b>	<b>58,920,807.54</b>	<b>58,887,829.56</b>

**transtec group income statement according to IAS (not reviewed)**

	30/9/2000 EUR	30/09/1999 EUR
1. Sales	132,920,335.81	117,137,592.01
2. Other operating earnings	1,553,589.10	1,394,216.84
<b>3. Total operating performance</b>	<b>134,473,924.91</b>	<b>118,531,808.85</b>
4. Material costs	111,018,763.72	94,059,908.39
5. Personnel costs	14,927,310.37	10,741,760.13
6. Depreciation	1,749,631.21	1,362,092.42
7. Other operating expenses	11,265,485.11	7,928,037.90
<b>8. Operating results</b>	<b>- 4,487,265.50</b>	<b>4,440,010.01</b>
9. Financial results	- 703,833.88	- 375,872.63
<b>10. Earnings from ordinary operations</b>	<b>- 5,191,099.38</b>	<b>4,064,137.38</b>
11. Earnings from extraordinary operations	0.00	0.00
<b>12. Earnings before taxes</b>	<b>- 5,191,099.38</b>	<b>4,064,137.38</b>
13. Taxes on income and earnings	- 36,513.21	1,658,645.86
14. Other taxes	21,812.86	15,714.30
<b>15. Annual net profit</b>	<b>- 5,176,399.03</b>	<b>2,389,777.22</b>

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

	30/9/2000 EUR	30/9/1999 EUR
1. Annual net profit	- 5,176,399.03	2,389,777.22
2. Depreciation	1,749,631.21	1,362,092.42
3. Decrease (+) / increase (-) of inventories	2,554,186.60	- 1,395,618.97
4. Decrease (+) / increase (-) of accounts receivable, Assets	5,800,119.14	- 4,614,847.39
5. Decrease (+) / increase (-) of other assets	- 108,719.76	311,359.49
6. Decrease (-) / increase (+) of provisions	256,273.56	1,580,003.27
7. Decrease (-) / increase (+) of liabilities (not including bank liabilities)	- 4,522,082.72	- 3,639,762.88
8. Decrease (-) / increase (+) of other equity and liabilities	1,088,777.69	1,466,686.81
<b>Cash flow from operating activities</b>	<b>1,641,786.69</b>	<b>- 2,540,310.03</b>
9. Cash flow from investment activities (+)	0.00	0.00
10. Cash flow for investment activities (-)	- 3,380,706.44	- 1,646,618.63
11. Exchange rate differences (+/-)	77,871.48	50,581.11
<b>Cash flow from investment activities</b>	<b>- 3,302,834.96</b>	<b>- 1,596,037.52</b>
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	3,449,979.26	- 1,010.47
<b>Cash flow from financing activities</b>	<b>1,374,161.06</b>	<b>- 1,913,242.11</b>
Cash and cash equivalents beginning of period	4,301,301.42	12,556,568.62
Cash and cash equivalents end of period	4,014,414.21	6,506,978.96
<b>Total changes in cash and cash equivalents</b>	<b>- 286,887.21</b>	<b>- 6,049,589.66</b>

## Cash flow calculation according to DVFA/SG

1. Annual net profit according to IAS	- 5,176,399.03	2,389,777.22
2. + Depreciation		
Goodwill	362,241.68	353,075.80
Other assets	1,387,389.53	1,009,016.62
3. +/- Changes in long-term provisions		
Pension provisions	11,653.22	27,704.01
4. + Other substantial cash irrelevant expenses		
Release of deferred taxes	116,765.50	116,765.50
5. - Other substantial cash irrelevant income		
Capitalisation of deferred taxes	- 40,818.83	- 40,818.83
6. + Extraordinary cash relevant expenses	0.00	0.00
<b>Cash flow according to DVFA/SG</b>	<b>- 3,339,167.93</b>	<b>3,855,520.32</b>