

2005

Three-Month Report



PAN|DATEL

PANDATEL GROUP (pursuant to IFRS)	to	01 Jan. 2005 31 March 2005	to	01 Jan. 2004 31 March 2004
Sales revenues (in €000)		2,844		3,067
Loss before income taxes (in €000)		-1,589		-2,635
Net loss for the period (in €000)		-1,560		-1,678
Earnings per share, diluted (in €)		-0.20		-0.23
Employees*		138		179

*average number according to entry date

With effect from 1st January 2005, accounting is in accordance with International Financial Reporting Standard (IFRS).

History

First quarter characterized by reorganization

As expected, the first three months of the current financial year were restrained, since the first quarter is traditionally the weakest sales quarter for Pandatel and the restructuring measures for increasing sales have not yet taken effect. Accordingly, the sales and net earnings of the Pandatel group were slightly below the level of last year. As of the second half of the year, however, a sustained improvement in the business situation is expected. The reconstruction measures to improve sales will then show their favorable effect.

Tightening of the management structure

Norbert Wienck, the previous CEO, left the executive board with effect from 19th January 2005. The executive board was thus reduced to two persons, Dr.-Ing. Elke Jahn and Dr.-Ing. Niraj Agrawal. Ralph Breuling was also appointed Commercial Director.

Concentration of locations

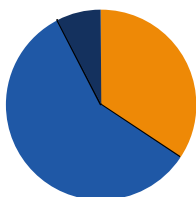
The two previous locations of the company in Hamburg have been united in the Bargkoppelstieg. Pandatel expects that the vacation of the premises in Fasanenweg will lead not only to a cost reduction through subletting, but also to greater efficiency through shorter routes between staff members. Operative business in Israel was discontinued.

Renewed appearance at the CeBIT exhibition

The presentation by Pandatel at the CeBIT 2005 computer exhibition in Hanover was marked by the reorientation and consolidation of the company. The business units Connectivity Products, Access Multiplexers and WDM/Optical Systems were presented to the discerning public under the motto "Securing the Future" in respectable surroundings on the 60 sq m stand.

Selected products from the consolidated product portfolio and the primarily technical marketing clearly reflected the technological competence of Pandatel and the company's concentration, introduced within the framework of the consolidation, on the future-oriented markets of IP/Ethernet, SDH/Sonet and Storage/Metro, which are threads running through all divisions of the company. The stand was conceived as a forum for new customer contacts and for preparing the ground for new projects, and was understood and accepted by the expert public as such. It proved possible to make the new strategy of Pandatel transparent and to communicate it successfully. This successful exhibition presence, which was planned under the sole point of view of costs, confirms the significance of the CeBIT as an important platform for Pandatel to present itself to potential new customers and prospective buyers, so that it is expected that Pandatel will be present at the CeBIT again next year.

Sales by business area



- Optical Systems 7.5%
- Connectivity Products 57.9%
- Access Multiplexers 34.6%

Trends in sales and earnings

In the first quarter of the current financial year, the Pandatel group recorded sales of € 2.8 million compared with € 3.1 million in the first quarter of last year, representing a decrease of 7.3 %. Despite massive staff reductions, the sales level does not significantly differ from that of last year.

The restructuring measures had practically no effect on the net earnings of the first three months, since suitable operating reserves had been established by 31st December 2004. Operating result was €-1.8 million compared with € -2.8 million in the same quarter last year. EBIT amounted to € -1.7 million (last year € -2.7 million). In the course of restructuring, the Competence Center in Israel was closed in operative terms in the first quarter of 2005, which is expected to ease the pressure on the cost side by approx. € 1.5 million in 2005. The development activities of the location were successfully transferred to Germany.

Sales trends in the regions

As per 31st March 2005, the proportion of foreign sales was 89.4% (last year 77.4%). Of the worldwide group sales in the amount of € 2.8 million, 1.8 million euro (last year € 2.2 million) or 64.6 % was achieved in the strongest region EMEA (Europe, Middle East, Africa). This corresponds to a drop of 18.2% compared to last year. Developments have been encouraging in France, where sales went up from € 50,200 to € 419,400. In Asia, sales went slightly up to reach € 0.9 million (last year € 0.6 million).

The US market as well as Central and South America remain difficult markets for small and medium-sized telecommunication suppliers from Germany. In the first three months, only negligible sales were recorded in this region.

Development in sales according to business areas

Of total sales, Connectivity Products accounted for 57.9%, Access Multiplexers 34.6% and Optical Systems 7.5%. In particular, the business area with the highest sales, Connectivity Products, did not come up to expectations. Here, sales of € 1.6 million (last year € 2.0 million) were achieved in the first three months. Developments in the two other business areas remained within expectations. The decisive factor for the favourable development of the product areas in future is the rapid market introduction of new developments. Although not all new devices have been introduced onto the market, numerous devices have already reached partners and customers within the framework of tendering procedures. The successful introduction of new products is expected in the second half of the year and is expected to give new impulses to sales developments.

Segment Results

	Reporting period	External sales in		Internal sales		EBT	
		€000	in %	in €000	in %	in €000	in %
EMEA	31 March 2005	1,836	64.6	1,107	100.0	-1,874	93.3
	31 March 2004	2,219	72.4	1,339	100.0	-2,283	86.6
The Americas	31 March 2005	83	2.9	0	0.0	-76	3.8
	31 March 2004	234	7.6	0	100.0	-95	3.6
Asia Pacific	31 March 2005	925	32.5	0	0.0	58	2.9
	31 March 2004	614	20.0	0	100.0	-257	9.8
Group	31 March 2005	2,844	100.0	1,107	100.0	-1,892	100.0
	31 March 2004	3,067	100.0	1,339	100.0	-2,635	100.0

Total assets break down in the regions as follows EMEA € 29,714,000 (Q1/2004: € 41,416,000), The Americas € 147,000 (Q1/2004: € 396,000) and Asia Pacific € 2,143,000 (Q1/2004: € 1,670,000). Net interest income of € 77,000 (Q1/2004: € 103,000) was generated in the

EMEA region. Of this, € 143,000 related to interest income (Q1/2004: € 106,000) and € 66,000 related to interest expenses (Q1/2004: € 3,000). In Germany sales of € 301,000 (Q1/2004: € 660,000) were generated.

	Reporting period	Sales in € 000	in %	Gross result in € 000	in %
Access Multiplexers	31 March 2005	983	34.6	680	38.7
	31 March 2004	801	26.1	304	20.3
Connectivity Products	31 March 2005	1,648	57.9	966	54.9
	31 March 2004	2,000	65.2	1,080	72.0
Optical Systems	31 March 2005	213	7.5	113	6.4
	31 March 2004	266	8.7	115	7.7
Group	31 March 2005	2,844	100.0	1,759	100.0
	31 March 2004	3,067	100.0	1,499	100.0

Balance Sheet and Cash Flow

Cash flow amounts to € -1.2 million (last year -1.3 million euro). At € 3.7 million, trade accounts receivable are at the same level as last year. Liquidity plus short-term investments/marketable securities as per 31st March 2005 amounts to € 12.3 million (last year 23.6 million euro). Short-term assets amount to € 0.8 million (last year € 0.3 million) compared to short-term liabilities (incl. tax liabilities) in the amount of € 0.7 million.

In the first three months, unpredicted operative reserves in the amount of € 0.3 million had to be established on account of vendor contracts and € 0.29 million on account of additional personnel-related reorganization costs.



- Technology All Share
- Pandatel share

Performance of the
Pandatel share compared to reference indices in %

Share price reflects business situation

The development of the Pandatel share was patchy between January and March this year, and closed on the target date at € 1.25 after a negative price development in the run-up to the target date. At the beginning of the year, the price of the share was € 1.10, and it achieved an intermediate high of € 1.85 on 09.02.2005. Compared with last year, the share suffered a total drop in price of 69 % as per 31st March. All in all, the share price remains on a low level. After successful restructuring in 2005, the Pandatel share could well show an encouraging trend once more.

Shareholder structure

AUGUSTA Technologie AG	49.98%
Private investors	8.5%
Free float	41.5%

Directors' holdings

as of 31 March 2005	No. of shares	Percentage of the capital stock in %	Stock options
Executive board:			
Norbert Wienck*	0	0	49,999
Elke Jahn	335,403	4.25	0
Niraj Agrawal	335,403	4.25	0
Supervisory board:			
Axel Haas	50,000	0.63	0
Uwe Hannig	1,000	0.01	0
Steffen Leistner	1,145	0.01	0

*withdrawn as of 19 January 2005

Outlook

Within the framework of the "Unleaded" project, all parts of Pandatel products must be free of components containing lead by July 01, 2006. For this reason, medium-term investments of almost € 0.4 million will accrue. Furthermore, Pandatel plans to expand its marketing activities in Eastern Europe and the DACH countries (Germany, Austria and Switzerland), in order to gain a better foothold in these regions.

The cost-cutting and restructuring program initiated in October 2004 will be continued further; the company will purposefully pursue the policies it has started. On the other hand, the market introduction of new products, with which an improvement in the company's competitive situation is to be achieved, is an equally important factor.

This year's Annual General Meeting of the company will take place in Hamburg on 19th May 2005. For detailed information on this, interested parties can visit www.pandatel.de and the related Internet sites.

Financial calendar

Annual general meeting	19 May 2005
H1 Report	10 August 2005
Q3 Report	10 November 2005
Analyst Conference	23 November 2005

Accounting and valuation principles

As of 1st January 2005, the consolidated financial statement of Pandatel AG will be drawn up in € in accordance with the International Financial Reporting Standards (IFRS). The quarterly financial statements for 2005 will also comply with IFRS. The consolidated financial statements include Pandatel AG as well as Lightmaze Solutions AG, Eisingen (Würzburg), Pandatel Inc., USA, Pandatel Asia Pacific Pte Ltd, Singapore and Pandatel Ltd., Israel, in which Pandatel AG had a controlling financial interest (100 % of the voting rights). The statements of the individual companies were drawn up in line with uniform accounting and valuation principles in order to facilitate their inclusion in the consolidated financial statements. All companies included in the consolidation use the same recording date for the

statements. The capital consolidation has been undertaken in line with the so-called book value method by offsetting the cost of acquisition against the proportionate stake in the shareholders' capital of the subsidiary at the time of first inclusion in the consolidation. No difference remained as a result of the consolidation. Loans and other receivables and liabilities between the consolidated companies are offset against each other. Income from intra-group sales as well as other intra-group income are offset against the corresponding expenses. Interim earnings or losses are eliminated.

In accordance with IFRS 1, explanations must be published on the effects of the changeover to IFRS on comparative statements; these allow a conversion of the group's equity capital and consolidated earnings as reported in accordance with the accounting standards used so far (US GAAP). Significant IFRS standards that have an influence on the quarterly financial statement of Pandatel refer to the activation of development costs and thus to changes in individual items of the annual financial statement as well as of the profit and loss statement.

In accordance with IAS 38, development costs are to be activated; in accordance with US GAAP, these are as a rule booked immediately as expenditures. The obligation to activate these costs takes effect retroactively when certain conditions (for example technical feasibility, future financial benefit) have been fulfilled.

Conversion statement

Pandatel AG has drawn up a conversion statement of the current net earnings of the quarter to be compared as well as of the equity capital of the comparative financial statement, from US GAAP to IFRS.

Conversion statement

Group balance sheet € 000	IFRS 31 December 2004	Delta	US GAAP 31 December 2004
Assets			
Non-current assets			
Intangible assets	1,648	4,168	5,816
Property, plant and equipment	2,352	0	2,352
Goodwill	4,349	-4,349	0
Investments	0	0	0
Notes receivable/loans	25	-25	0
Deferred taxes	2,066	0	2,066
Other assets	0	459	459
Others	0	0	0
Total non-current assets	10,439	253	10,693
Current assets			
Inventories	4,604	0	4,604
Trade accounts receivable	3,640	0	3,640
Accounts receivable due from related parties	0	0	0
Short-term investments/marketable securities	3,858	0	3,858
Prepaid expenses and other current assets	313	0	313
Cash and case equivalents	10,312	-433	9,879
Total current assets	22,728	-433	22,294
Total assets	33,167	-180	32,987

€000	IFRS 31 December 2004	Delta	US-GAAP 31 December 2004
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	7,896	0	7,896
Additional paid-in capital	21,579	-108	21,471
Revenue reserves	0	0	0
Changes in shareholders' equity not affecting earnings	0	119	119
Shareholders' equity from currency exchange	86	-86	0
Revaluation reserve	32	-32	0
Accumulated deficit	0	0	0
Total shareholders' equity	29,593	-107	29,486
Non-current liabilities			
Others	337	-337	0
Total non-current liabilities	337	-337	0
Current liabilities			
Trade accounts payable	599	0	599
Income tax payable	147	0	147
Tax accruals	0	0	0
Other accruals	1,774	-1,774	0
Accounts payable due to related parties	0	15	15
Advance payments received	0	0	0
Accrued expenses	0	1,760	1,760
Deferred taxes	0	263	263
Deferred revenues	0	0	0
Other current liabilities	717	0	717
Others	0	0	0
Total current liabilities	3,237	264	3,501
Minority interest	0	0	0
Total liabilities and shareholders' equity	33,167	-180	32,987

In the first quarter 2004, no IFRS conversions had effect on the result for the period.

Shareholders' equity in €000 as of	01 January 2004	31 March 2004	31 December 2004
Shareholders' equity according to US GAAP	42,525	40,853	29,486
Activation of development expenses	0	0	180
Taxes from income and revenue	0	0	-73
Shareholders' equity according to IFRS	42,525	40,853	29,593

Consolidated balance sheet as of 31 March 2005

ASSETS	Three -MonthReport 31 March 2005 €000	Annual Report 31 December 2004 €000
Non-current assets		
Intangible assets	1,554	1,647
Property, plant and equipment	2,128	2,352
Goodwill	4,349	4,349
Investments	0	0
Notes receivable/loans	25	25
Deferred taxes	2,648	2,066
Other assets	139	0
Others	0	0
Total Non-current assets	10,843	10,439
Current assets		
Inventories	4,388	4,604
Trade accounts receivable	3,685	3,640
Accounts receivable due from related parties	0	0
Short-term investments marketable securities	3,869	3,858
Prepaid expenses and other current assets	815	313
Cash and cash equivalents	8,405	10,312
Total current assets	21,161	22,728
Total assets	32,004	33,167

Liabilities and shareholders' equity	Three -MonthReport 31 March 2005 €000	Annual Report 31. December 2004 €000
Shareholders' equity		
Share capital	7,896	7,896
Additional paid-in capital	21,628	21,579
Revenue reserves	0	0
Other comprehensive income	149	86
Accumulated other comprehensive income/loss	-70	32
Accumulated deficit	-1,560	0
Total shareholders' equity	28,042	29,593
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	337
Pension accrual	0	0
Others	0	0
Total non-current liabilities	0	337
Current liabilities		
Trade accounts payable	568	599
Accounts payable due to related parties	0	0
Income tax payable	1,170	147
Tax accruals	142	0
Advance payments received	0	0
Accrued expenses	1,803	1,774
Deferred revenues	0	0
Other current liabilities	95	717
Others	184	0
Total current liabilities	3,962	3,237
Minority interest	0	0
Total Liabilities and shareholders' equity	32,004	33,167

Consolidated income statement

€000	Three-Month Report	Three-Month Report
	I/2005	I/2004
	01 Jan. 2005- 31 March 2005	01 Jan. 2004- 31 March 2005
Revenues	2,844	3,067
Cost of revenues	-1,169	-2,055
Gross profit/loss	1,675	1,012
Selling and Marketing expenses	-816	-1,269
General and administrative expenses	-1,225	-1,035
Research and Development expenses	-807	-1,595
Other operating income and expenses	205	81
Amortization (and impairment) of goodwill	0	0
Restructuring expenses	-871	0
Others	0	0
Operating income/loss	-1,838	-2,806
Interest income and expenses	77	103
Foreign currency exchange gains / losses	-172	68
Other revenues/expenses	0	0
Others	0	0
Result before income taxes (and minority interest)	-1,589	-2,635
Income tax	29	957
Extraordinary income/expenses	0	0
Result before minority interest	-1,560	-1,678
Minority interest	0	0
Net loss for the period	-1,560	-1,678
Earnings per share (basic)	-0.20	-0.23
Earnings per share (undiluted)	-0.20	-0.23
Weighted average shares outstanding (basic)	7,895,806	7,225,000
Weighted average shares outstanding (diluted)	7,895,806	7,275,099

Consolidated statement of cash flow

€000	01 Jan. 2005-	01 Jan. 2004-
	31 March 2005	31 March 2004
Net loss before extraordinary items	-1,560	-1,678
Depreciation/appreciation on tangible assets	353	344
Expenses for stock options	0	0
Other expenses/revenues affecting earnings	48	15
Losses/gains on the disposal of fixed assets	-33	-17
Cash flow	-1,192	-1,335
Changes in		
Trade accounts receivable	-45	1,787
Inventories	216	-576
Other assets which cannot be classified as investing or financing activities	-1,100	-339
Changes in		
Trade accounts payable	-30	178
Deferred taxes	979	-953
Other liabilities which cannot be classified as investing or financing activities	-481	-120
Payments of extraordinary items	0	0
Cash flow from operating activities	-1,653	-1,358
Income from disposal of fixed assets	78	141
Payment for investments in tangible assets	-50	-354
Income from disposal of intangible assets	0	0
Payment for investments in intangible assets	-30	-38
Income from the sale of securities	0	0
Payments for investments in financial assets	-2	-36
Acquisition of subsidiaries less transferred cash and cash equivalents	0	0
Payments owing to investments of financial resources as part of short-term treasury transactions	184	-12,410
Cash flow from investing activities	180	-12,697
Changes in long term debt	0	0
Income from appropriation of shareholders' equity (capital increase)	0	0
Cost of IPO	0	0
Dividends	0	0
Cash flow from financing activities	0	0
Changes in cash balances impacting earnings	-1,473	-14,056
Changes in cash balances owing to exchange rate differences	0	0
Cash and cash equivalents at beginning of the period	9,878	22,425
Cash and cash equivalents at end of the period	8,405	8,369
Interest paid	3	3
Tax paid	19	41

Statement of changes in shareholders' equity

Changes in shareholders' equity according to IFRS	Subscribed capital		Capital reserves	Revenue reserves	Profit brought forward	Other changes in shareholders' equity not affecting earnings		Total Shareholders' equity
	Shares	€000	€000	€000	€000	Accumulated exchange rate adjustments	Available-for-Sale Securities	€000
						€000	€000	€000
As of 31 December 2003	7,225,000	7,225	33,408	3,023	-1,009	-42	-80	42,525
Stock option program			15					15
Allocation to revenue reserves								
Net loss for the period					-1,679			-1,679
Dividends								
Unrealized exchange and currency diff. after deducting taxes of € -41,000						94	11	105
Unrealized exch and currency diff. not affecting tax liability							-113	-113
As of 31 March 2004	7,225,000	7,225	33,423	3,023	-2,688	52	-182	40,853
					335		-13	
As of 31 December 2004	7,895,806	7,896	21,471	0	0	241	-122	29,486
Changes according to IFRS (activation of development expenses/deferred taxes)			108					108
Stock option program			49					49
Allocation to revenue reserves								
Net loss for the period					-1,560			-1,560
Dividends								
Unrealized exchange and currency diff. after deducting taxes of 40%						-91		-91
Unrealized exchange and currency diff. not affecting tax liability							51	51
As of 31 March 2005	7,895,806	7,896	21,628	0	-1,560	149	-70	28,042
					-1,560		79	

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Pandatel AG

is a high-tech company operating in the telecommunications market of the future. Pandatel is one of the leading suppliers of optoelectronic components and wavelength division multiplexers (DWDM systems).

Pandatel is one of the world 's few providers with such a wide range of products and systems for data trans mission both via copper and fiber optics –and combining the two transmission techniques.

Pandatel products are used wherever new capacities have to be created or where the capacities of existing networks are to be optimized and performance increased.

Pandatel 's activities focus on three product categories:

- Connectivity Products
- Access Multiplexers
- WDM/Optical Systems

Since November 1999 Pandatel has been listed at the Frankfurt Stock Exchange and was included in the Prime Standard segment in January 2003.

Only the German version of this report is legally binding.