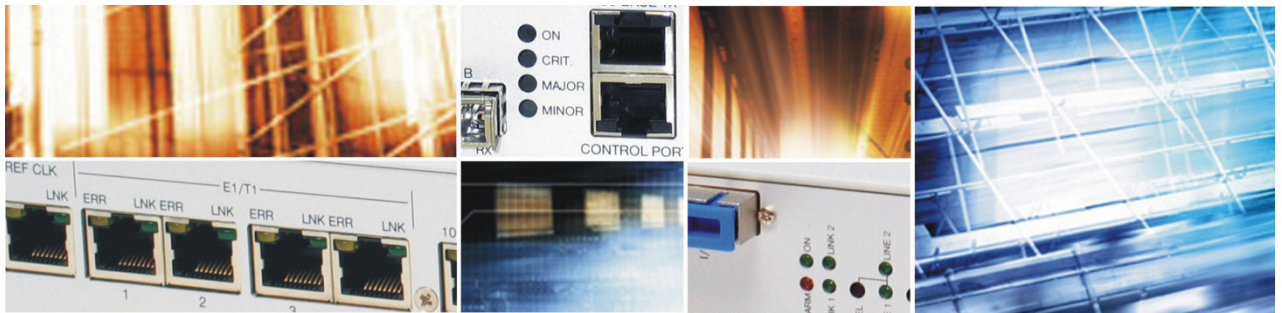




Semi-Annual Report 2007



PANDATEL Group	01/Jan/2007	01/Jan/2006
(IFRS)	to 30/Jun/2007	to 30/Jun/2006
Revenues (expressed in T€)	2,706	4,464
Earnings before Taxes (expressed in T€)	-971	-3,533
Net Loss for the Period (expressed in T€)	-957	-3,345
Earnings per Share, diluted (expressed in €)	-0.24	-0.84
Employees*	16	53
*average number per employment date		

Short Group Management Report

Business Development

In the first half of 2007, Pandatel booked revenues of €2.7m compared to €4.5m in the first half 2006, i.e. a decrease of 40%. EBIT amounted to €-1.1m in H1/2007 compared to €-3.4 in H1/2006, being a change of 68%.

Many lawsuits prevented Pandatel from focusing on its operational business. However, the company was able to considerably improve its results. And this is, despite clearly decreased revenues. Cash and cash equivalents did not come with significant changes. At the same time, various employees left the company at their own request.

Major Events in the current fiscal year

One important issue marked the first half of 2007: The application for liquidation from Dowslake Venture Ltd.

This was preceded by many lawsuits of minority shareholders. They were filed because of the extraordinary shareholders' meeting in March 2006. Major shareholder, Dowslake Venture Ltd., suggested including into the agenda the merger of Dowslake Microsystems with Pandatel. Using a capital

increase in kind Dowslake shares were to be contributed into Pandatel. This resolution was adopted by a large majority of the capital entitled to vote. Because of the lawsuits filed the company was not able enter into the commercial register its resolutions taken in time. Thus, no merger took place.

For this reason supervisory board members, Dr. Axel Pfeifer and Dr. Jozef Straus, left the supervisory board. In February 2007, the commercial register appointed two new supervisory board members: Manfred Wissmann and Stefan J. Weidner.

On 2 May 2007, Dr. Dan D. Yang resigned as CEO of Pandatel. She did so because of the failed merger as announced at the annual general meeting in August 2006. Juergen Schroeder became CEO for about one month until 5 June 2007. On the request of the supervisory board Yang returned as interim CEO.

Even before convening annual general meeting, majority shareholder made an application to include one additional agenda item. The annual general meeting, on 11 May 2007, was to resolve on the liquidation of the company. The reason: In recent years, Pandatel

accrued considerable loss. Regardless of restructuring measures executed, it is unlikely that the company will be able to work profitably on its own. Therefore, liquidation is necessary to pay the shareholders at least the remaining share capital and liquidity respectively.

Contrary to the majority shareholder's intentions, the annual general meeting was adjourned to August 2007. The reasons are: In anticipation of the court decision on pending lawsuit appealing against the annual general meeting's resolution of March 2006, the local court Hannover entered the share capital decrease into the commercial register, but not its subsequent capital increase in kind. Thus, the share capital in the commercial register did not correspond to the share capital in its annual report. This is sufficient cause for some shareholders to demand reconvening of the annual general meeting. Following this, annual financial statements were updated and published again. On 14 August 2007, Pandatel shareholders again convened in the HCC Hanover. This time, all resolutions were taken. In addition, the meeting agreed to an application for special audit.

Business in the US was mainly sluggish in recent years. That is why Pandatel decide to close its subsidiary in Acton U.S.A.

With its notice of 31 July 2007, BaFin revoked its exemption from making a takeover bid. Its reasons: Dowlake Venture did not contribute Dowlake Microsystems by capital increase in

kind into Pandatel until 31 December 2006. Only the resolution, but not its execution was entered into the commercial register.

In March 2007, Pandatel successfully participated in CeBIT. This is no contradiction to the company's liquidation plans.

The Share

Since early 2007, the share continually lost in value. While it still achieved €0.58 in early 2007 it closed at €0.22 by end of June. Its highest level of €0.68 it achieved on 9 April 2007. This was prior to the annual general meeting and publication of its annual report 2006. Its lowest value dates to 20 June 2007 with €0.15. At this time, the share attracted hardly any interest. Neither analysts nor institutional investors turned their attention to it. No interesting developments were expected. Altogether, the share continually depreciated in the period under review. However, we expect a number of ups and downs within the next months. The reason: The forthcoming takeover bid and liquidation. Thus, the equity again develops contrary to current market trends. The majority of Germany shares continually appreciated in the year to date.

Product Developments

No major new product developments are worth mentioning. In fact, Pandatel focuses on its remaining business. Thus, it secures the service to existing customers.

Short Notes

Accounting and Valuation Principles

As of 1st January 2005, the consolidated financial statement of Pandatel AG was drawn up in € in accordance with the International Financial Reporting Standards (IFRS). The semi-annual financial statements for 2007 will also comply with IFRS. The consolidated financial statements include Pandatel AG as well as Pandatel Inc. and USA, Pandatel Asia Pacific Pte Ltd, Singapore, 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 reporting 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 differences 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 is offset against the corresponding expenses. Interim earnings or losses are eliminated.

Investments

To offer its customers, despite current developments, continued quality Pandatel bought highly sensitive testing equipment. It is worth T€30. No further investments were made.

Revenues and Result per Region

Again, EMEA turned out to be the strongest region with sales of €2.149m in H1/2006 against sales of €3.149m in H1/2006 a reduction of 29%. Still, EMEA is Pandatel's traditional market. Revenues of Asia Pacific decreased from €1.213m in H1/2006 to €0.457m for H1/2007, i.e. a difference of -62%. As of 1 May 2007, Pandatel ended its American business. No operational revenues were booked in this period.

	Period	Revenues by Region in T€	in %	EBT in T€	in %
EMEA	30/06/2007	2,249	83.1	-741	77.4
	30/06/2006	3,149	70.5	-3,409	96.5
The Americas	30/06/2007	0	0	0	0
	30/06/2006	102	2.3	0	0
Asia Pacific	30/06/2007	475	16.9	-216	22.6
	30/06/2006	1,213	27.2	-124	3.5
Group	30/06/2007	2,706	100.0	-957	
	30/06/2006	4,464	100.0	-3,533	100.0

Balance Sheet and Cash Flow

Net loss for the period improved from €-3.345m for H1/2006 to €-0.957m for H1/2007, which is a considerable enhancement. This development proves that Pandatel has taken the right measures. If there were no lawsuits driving the company into liquidation. The same applies to EBIT figures in the reporting period. EBIT increased from €-3.4m to €-1.1, i.e. rose by 68%. This is also a considerable improvement. Again, this is mainly attributable to major cost savings in all business areas. Mainly for two reasons, the revenues decreased. On the one hand, pending lawsuits encumber Pandatel operations. On the other hand, its new products are not sufficiently accepted. Pandatel's revenues are mainly attributable to its traditional product portfolio.

Cost of production decreased from €-3.862m (H1/2006) to €-1.641m (H1/2007). This is an improvement of 58%. General and administrative expenses improved too. They amounted to €-0.807m in H1/2007 compared to €-1.070m in H1/2006, which is a decrease of -25% because of major cut-down on over-head. Selling and marketing expenses improved to in H1/2007. They decreased from €-1.539m (H1/2006) to €-0.630m (H1/2007). This is an improvement of 60%. Costs for R&D on the other hand went down from €-1.975m in H1/2006 to € 0.906m in H1/2007, i.e. a decrease of 54%.

Liquidity hardly shrank and amounted to €2.314m by the end of H1/2007 after €2.319m for the end of 2006. The equity-to-assets ratio remains at a high level of 79% in H1/2007 compared to 72% in H1/2006.

The Company

On 1 May 2007, Pandatel closed its operations in America.

Costs

In H1/2007, the company made provisions for legal and consultancy fees. They amount to €0.5m. They are necessary because of the upcoming liquidation. In this context, considerable legal and consultancy fees arise.

Outlook and Risks

Mainly, Pandatel will now concentrate on its existing customers. Existing contracts will be fulfilled and service requests handled. Further, the company focuses on cost-saving measures. Thus, it intends to achieve the highest possible distribution for its shareholders.

Sales in 2007 will not exceed €4m. At the same time, Pandatel intends to keep the operational cash burn rate as low as possible.

Risks remain due to pending lawsuits. The distribution amount depends significantly on their number, amount and duration until court decision. In addition, it is decisive whether interested persons are found to acquire assets of Pandatel.

Financial Calendar

Annual Report 30 April 2008

Annual General Meeting June 2008

Material Business with Associated Persons

Material business takes place with Dowslake Microsystems. Both companies are associated via their joint majority shareholder Dowslake Microsystems. Receivables from associated companies amount to €0.104m and liabilities against associated companies to €1.037m.

Declaration according to Art. 31y WpHG in connection with Art. 37w para 2 no. 3 WpHG

Affirmation by Legally Authorized Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Audit

These interim financial statements were prepared in accordance with the stipulations of Art. 37w WpHG, but not audited according to Art. 317 HGB. Further, no auditors' review was performed by certified public accountants.

Balance Sheet of Pandatel Group

ASSETS	Semi-Annual Report	Annual Report
	30/06/2007	31/12/2006
	TEUR	TEUR
Non-current assets		
Intangible assets	695	903
Property, plant and equipment	506	580
Goodwill	0	0
Investments	0	0
Notes receivable/loans	0	0
Deferred taxes	0	0
Other assets	1,105	1,081
Others	0	0
Total Non-current assets	2,306	2,564
Current assets		
Inventories	527	753
Trade accounts receivable	1,031	2,246
Accounts receivable due from related parties	104	7
Short-term investments marketable securities	2,919	2,915
Prepaid expenses and other current assets		570
Taxes receivable	144	117
Cash and cash equivalents	2,314	2,319
Total current assets	7,330	8,927
Total assets	9,636	11,491
Liabilities and shareholders' equity		
	Semi-Annual Report	Annual Report
	30/06/2007	31/12/2006
	TEUR	TEUR
Shareholders' equity		
Share capital	3,948	3,948
Additional paid-in capital	2,913	3,870
Revenue reserves	0	0
Changes in shareholders' equity from exchange rates		662
Revaluation reserve		9
Accumulated deficit	0	0
Total shareholders' equity	7,647	8,489
Non-current liabilities		
Long term debt, less current portion	0	0
Capital lease obligations, less current portion		
Deferred taxes	20	30
Pension accrual	0	0
Others	0	0
Total non-current liabilities	20	30
Current liabilities		
Trade accounts payable	206	281
Accounts payable due to related parties	1,037	1,693
Accounts payable due to credit institutions	0	0
Income tax payable	0	0
Tax accruals	7	7
Advance payments received	0	0
Deferred revenues	568	633
Other current liabilities	151	358
Others	0	0
Total current liabilities	1,969	2,972
Total Liabilities and shareholders' equity	9,636	11,491

Profit and Loss Statement of Pandatel Group

	Semi-Annual Report	Semi-Annual Report
	I/2007	I/2006
	01/01/2007-30/06/2007	01/01/2006-30/06/2006
€000	TEUR	TEUR
Revenues	2,706	4,464
Cost of revenues	-1,641	-3,861
Gross profit/loss	1,065	603
Selling and Marketing expenses	-630	-1,539
General and administrative expenses	-807	-1,070
Research and Development expenses	-906	-1,975
Other operating income and expenses	114	32
Amortization (and impairment) of goodwill	0	0
Restructuring expenses	0	-5
Others	0	0
Operating income/loss	-1,164	-3,669
Interest income and expenses	125	136
Foreign currency exchange gains / losses	67	0
Result before income taxes (and minority interest)	-972	-3,533
Income tax	15	188
Result before minority interest	-957	-3,345
Net loss for the period	-957	-3,345
Earnings per share (basic)	-0.24	-0.84
Earnings per share (undiluted)	-0.24	-0.84
Weighted average shares outstanding (basic)	3,947,903	3,947,903
Weighted average shares outstanding (diluted)	3,947,903	3,947,903

Cash Flow Statement of Pandatel Group

	01/01/2007-30/06/2007	01/01/2006-30/06/2006
	TEUR	TEUR
Net loss before extraordinary items	-957	-3,345
Depreciation/appreciation on tangible assets	318	141
Depreciation/appreciation on intangible assets	0	65
Expenses for stock options	-36	15
Other expenses/revenues affecting earnings	0	0
Losses/gains on the disposal of fixed assets	0	0
Cash flow	-675	-3,224
Changes in		
Trade accounts receivable	1,327	1,231
Inventories	226	923
Other assets which cannot be classified as investing or financing activities	157	317
Changes in		
Trade accounts payable	-74	-74
Deferred taxes	0	-76
Other liabilities which cannot be classified as investing or financing activities	-929	-1,769
Payments of extraordinary items	0	0
Cash flow from operating activities	32	-2,572
Income from disposal of fixed assets	0	139
Payment for investments in tangible assets	-37	-131
Income from disposal of intangible assets	0	2
Payment for investments in intangible assets	0	0
Income from the sale of securities	0	0
Payments for investments in financial assets	0	0
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	0	0
Cash flow from investing activities	-37	10
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	0	-2,793
Changes in cash balances owing to exchange rate differences	0	-522
Changes in cash balances owing to exchange rate differences	2,319	5,093
Cash and cash equivalents at end of the period	2,314	1,778
Interest paid	0	2
Tax paid	2	8

Statement of Changes in Shareholders' Equity of Pandatel Group

Changes in shareholders' equity according to IFRS	Subscribed Capital		Additional Paid-in Capital	Retained Earnings	Accumulated Profit	Changes in Shareholders' Equity from Currency Translation	Available-for-Sale Securities	Balance Sheet Total
	Shares	T€	T€	T€	T€	T€		
As of 31 December 2005	7,895,806	7,896	4,651	0	0	544	4	13,096
Stock option program			15					15
Allocation to revenue reserves								0
Net loss for the period								0
Dividends					-3,345			-3,345
Unrealized exchange and currency diff. after deducting taxes of 40%								
Unrealized exchange and currency diff. not affecting tax liability						-521		-521
As of 30 June 2006	7,895,806	7,896	4,667	0	-3,345	22	-46	-46
					Balance Sheet Gain/Loss		Revaluation Reserve	
							Financial Instruments	
As of 31 December 2006	3,947,903	3,948	3,870			662	9	8,489
Stock option program								
Appropriation to revenue reserves								
Withdrawal from reserves								
Net loss for the period					-957			-957
Allocation of net loss for the period to capital reserves			-957		957			
Unrealized exchange and currency diff. after deducting taxes of 11T€						113	2	115
Unrealized exchange and currency diff. not affecting tax liability								
As of 30 June 2006	3,947,903	3,948	2,913			775	11	7,647
							11	

PANDATEL

86 countries, 800+ customers, 100,000+ units of communications products deployed in today's worldwide networks.

Our History

- 1987:** Pandatel formed as Pan Dacom Telekommunikation GmbH
- 1999:** Pandatel went public, listed at the Prime Standard of Frankfurt Stock Exchange
- 2004:** Pandatel acquired Lightmaze Solutions AG, a specialist in optical metro WDM transport systems
- 2005:** Dowslake Venture Ltd., a major shareholder of Dowslake Microsystems, acquired 49.98% stake in Pandatel AG
- 2006:** Pandatel is in the process of merging with Dowslake Microsystems, headquartered in Santa Clara, California. Dowslake has a fully owned operations center in Shanghai, China.
- Up to 2006:** Pandatel deployed more than 100,000 units of communications products, with 800 satisfied customers in over 86 countries.



Our Focus

Leveraging on our technology and know-how, working with hundreds of customers worldwide, we focus on providing cost-effective network solutions to network operators and service providers in following areas: enterprise, security, military, home and local access.

Our Commitment

We commit to make continuous improvement on our products, operations process and our support networks. We commit to work on issues and problems to reach our goal – to meet and exceed customers' expectations.

Ethernet Solutions – from Optical to Last Mile

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