

2005

Nine-Month Report



PAN|DATEL

PANDATEL GROUP (pursuant to IFRS)	to	01 Jan. 2005 30 Sept. 2005	to	01 Jan. 2004 30 Sept. 2004
Sales revenues (in €000)		8,879		11,122
Loss before income taxes (in €000)		-10,460		-7,998
Net loss for the period (in €000)		-11,654		-7,787
Earnings per share, diluted (in €)		-1.48		-1.08
Employees*		123		189

*average number according to entry date

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

Business Development and Major Events

Weak business development in the previous quarter continued into the third Quarter of the current fiscal year with another decline in sales. The decline in sales of traditional products could only be partially offset by sales of new products.

In the previous reporting quarter, the company achieved total sales amounting to € 2.9m and € 8.9m for the fiscal year to date. Compared to the previous quarter, this corresponds to a decline of € 0.8m or 21%. On the cut-off date (September 30, 2005), EBIT totaled € -10.6m (PY: € -8.2m), which corresponds to a decline of 29%.

Management Board Changes

On August 24, 2005, Thomas Becker was appointed Chief Financial Officer by resolution of the Supervisory Board. After the end of the quarter, effective October 14, 2005 and until further notice, he was appointed sole member of the Management Board bearing sole responsibility for operational management decisions at Pandatel AG. Dr. Elke Jahn, so far COO of Pandatel AG and Dr. Niraj Agrawal, so far CTO of Pandatel AG, left the Management Board effectively October 13, 2005. Both had been members of the Management Board of Pandatel AG from July 2004.

QM Certification

In the third Quarter of 2005, Pandatel AG successfully passed pending recertification of its Quality Management System in accordance with ISO 9001:2000. Thus, Pandatel currently disposes of a Quality Management system, which is both modern and fit for the future.

Products

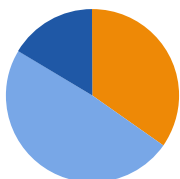
Since recently the Yumix4000 product series have attained a data transfer rate of 10 Gb/s, which corresponds to a multiple of currently available bandwidths.

The new Add Drop Module managed to provide new functionality to C-Mux as well, thus making it suitable for application in rings, i.e. data may be added or taken from any device in the ring.

Also in this Quarter, ET-CB was launched a High-End Broadband Ethernet Converter ready for introduction into the market. It is able to convert a variety of long-range optical transmission standards to multiplex multiple data strands.

Based on its new DWDM Systems Yumix4000M, combined with router technology of Cisco Systems, Pandatel AG landed a contract for the construction of an area-wide gigabit backbone.

Sales by Business Areas



Optical Systems 16.4%
Connectivity Products 49.0%
Access Multiplexers 34.6%

Sales by Region

In the reporting period, the Group achieved total sales of € 8.9m (PY: € 11.1m). The EMEA region accounted for 69.5% (PY: 68.7%) or € 6.2m (PY: € 7.6m) of this, Asia Pacific reported 26.6% (PY: 25.9%) (or some € 2.4m [PY: € 2.9m]), with the remaining € 0.3m (PY: € 0.6m) attributed to the Americas.

Also in the third quarter of 2005, France and Great Britain asserted themselves as the strongest sales achievers with a share of 18.6% and 15.7% respectively.

Sales in Germany continued their decline compared to the same period last year, amounting to a 12.45% share of total sales worldwide for the reporting period. Eastern European sales also weakened in the third quarter and fell by 11.3% compared to the same period last year. The rest of Europe followed the trend with a 6.68% share in total sales. With a 26.6% share of total sales Asia remained in line with prior year's levels, though also showing an 18% fall in sales compared to the third quarter of the prior year.

Sales by Business Areas

The Access Multiplexer segment achieved sales of around € 3.1m following € 3.7m in the previous year, which corresponds to a decline of 18%. Connectivity Products booked sales of € 4.4m against € 6.4m for the same period in 2004, also a decline of 32%. In contrast, the Optical Systems business grew its sales to € 1.5m (€ 0.9m in Q3/2004) compared to the prior year, nevertheless staying well below expectations.

Balance Sheet and Cash Flow

Despite the restructuring measures initiated on October 12, 2004, to date no sustained reduction in operational business losses could be achieved. This unsatisfactory development necessitated further action, as announced in the ad hoc release of 10/14/2005. In November, the Supervisory Board will be presented the results of the strategic review mentioned in this release. Then, the company will inform on the company's further development.

Earnings for the first nine months of 2005 were € -11.7m (PY: € -7.8m), which corresponds to a negative change of 50%. These results include the full write-off of goodwill in Lightmaze Solutions AG. A currently ongoing impairment test based on adjusted plans necessitates this write-down, 50% already having been written down as of 6/30/2005. A further adjustment in deferred tax assets amounting to € 1.36m was effected. EBIT attained € -10.6m, i.e. 29% below the level of the previous year (PY: € -8.2m). Cash holdings and current assets were valued at € 9.4m on the reporting cut-off date. Cash flow amounted to € -5.9m (PY: € -6.7m). Additionally Pandatel booked € 8.6m (PY: € 10.7m) in sales revenue and has € 1.4m (PY: € 1.5m) in orders on hand.

The evolution in sales and administrative costs as well as research and development costs was generally in line with previous quarters. In all they amounted to € 8.6m (PY: € 11.7m), which corresponds to a 27% decline versus the same period a year ago. Research and development accounted for € 3.6m (PY: € 5.1m). Pandatel AG's equity-to-assets ratio continues to be high and stood at 83% (PY: 87%) on the cut-off date. No significant investments were made.

Results by Region*

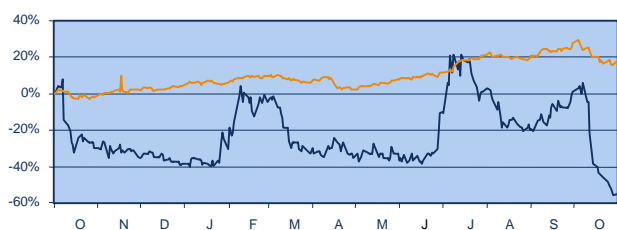
	Reporting period	External sales in	in %	Internal sales	in %	EBT	in %
EMEA	30 September 2005	6,171	69.5	3,057	100.0	-10,195	98.0
	30 September 2004	7,641	68.7	2,805	100.0	-7,444	89.8
The Americas	30 September 2005	346	3.9	0	0.0	-203	2.0
	30 September 2004	599	5.4	0	0.0	-275	6.3
Asia Pacific	30 September 2005	2,362	26.6	0	0.0	-62	0.1
	30 September 2004	2,882	25.9	0	0.0	-279	3.9
Group	30 September 2005	8,879	100.0	3,057	100.0	-10,460	100.0
	30 September 2004	11,122	100.0	2,805	100.0	-7,998	100.0

*Total assets break down in the regions as follows EMEA € 20,093,000 (Q3/2004: € 37,266,000), The Americas € 151,000 (Q3/2004: € 391,000) and Asia Pacific € 1,574,000 (Q3/2004: € 1,926,000). Net interest income of € 181,000 (Q3/2004: € 227,000) was generated in the EMEA region.

Of this, € 172,000 related to interest income (Q3/2004: € 230,000) and € -9,000 related to interest expenses (Q3/2004: € 3,000). In Germany sales of € 1,284,000 (Q3/2004: € 1,776,000) were generated.

Results by Business Areas

	Reporting period	Sales in € 000	in %	Gross result in € 000	in %
Access Multiplexers	30 September 2005	3,070	34.6	1,195	34.9
	30 September 2004	3,746	33.7	1,557	33.6
Connectivity Products	30 September 2005	4,353	49.0	1,612	47.1
	30 September 2004	6,436	57.9	2,608	56.3
Optical Systems	30 September 2005	1,456	16.4	614	17.9
	30 September 2004	940	8.5	470	10.1
Group	30 September 2005	8,879	100.0	3,421	100.0
	30 September 2004	11,122	100.0	4,635	100.0



- Technology All Share
- Pandatel share

Performance of the Pandatel share compared to reference indices in%

Costs

Cost development generally evolved according to plan. In view of the trend in the sales numbers, they nevertheless are obviously too high.

Shareholder Structure

AUGUSTA Technologie AG	49.98%
Private investors	8.5%
Free float	41.52%

Directors' Holdings

As of 30 September 2005	No. of shares	Percentage of the capital stock	Stock options
Management Board:			
Norbert Wienck*	0	0	49,999
Elke Jahn**	335,403	4.25	0
Niraj Agrawal**	335,403	4.25	0
Thomas Becker	0	0	0
Supervisory Board			
Axel Haas	50,000	0.63	0
Uwe Hannig	1,000	0.01	0
Steffen Leistner	0	0.00	0

*withdrawn as of January 19, 2005

**withdrawn as of October 13, 2005

Stock

As of the cut-off date on September 30, 2005 Pandatel's share price evolution has been markedly positive. At the end of that period the share price stood at € 1.83 versus € 1.59 at the start of the period, corresponding to a 15% improvement. Unfortunately this trend wasn't sustained thereafter. On October 28, 2005, the share was quoted at € 0.79, i.e. suffered a loss of 56.8% after the end of the quarter. This number marks a new all time low since the initial market introduction.

Risks and Prospects

Commensurate to the ad hoc release announced on October 14, 2005, a comprehensive strategic reassessment is being made for the entire business group. In the course of these deliberations both our products' general market acceptance as well as their chances of success were reevaluated in the context of the obvious decline in our cash position. If this should lead to a substantial change in the strategic alignment of the company Pandatel AG will inform about it in due course.

Financial Calendar

Annual Report	March 2006
Analyst Conference	March/April 2006
Three-Month Report	May 2006

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 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 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). Parts of the IFRS standards that have an significant 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 net earnings of the current quarter as well as of the equity capital of the comparative balance sheet, from US GAAP to IFRS.

Conversion Statement

Group balance sheet			
€ 000	IFRS	Delta	US GAAP
Assets	31 December 2004		31 December 2004
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
Notes receivable/loans	25	25	0
Deferred taxes ^{*1}	2,938	872	2,066
Other assets	433	-26	459
Total non-current assets	11,745	1,052	10,693
Current assets			
Inventories	4,604	0	4,604
Trade accounts receivable	3,640	0	3,640
Short-term investments/marketable securities	3,858	0	3,858
Prepaid expenses and other current assets	313	0	313
Cash and case equivalents	9,879	0	9,879
Total current assets	22,294	0	22,294
Total assets	34,039	1,052	32,987

Group balance sheet			
€000	IFRS	Delta	US GAAP
Liabilities and shareholders' equity	31 December 2004		31 December 2004
Shareholders' equity			
Share capital	7,896	0	7,896
Additional paid-in capital	21,579	108	21,471
Changes in shareholders' equity not affecting earnings ^{*2}	0	-119	119
Shareholders' equity from currency exchange ^{*2}	86	86	0
Revaluation reserve ^{*2}	32	32	0
Total shareholders' equity	29,593	107	29,486
Non-current liabilities			
Total non-current liabilities	0	0	0
Current liabilities			
Trade accounts payable	599	0	599
Income tax payable	146	146	0
Tax accruals	147	0	147
Accounts payable due to related parties	0	-15	15
Other accruals	1,774	14	1,760
Deferred taxes	1,209	946	263
Other current liabilities	571	-146	717
Total current liabilities	4,446	945	3,501
Total liabilities and shareholders' equity	34,039	1,052	32,987

*1 Settlement of deferred taxes in accordance with US-GAAP is not allowed according to IFRS, and was therefore cancelled.

*2 The "Changes in shareholders' equity not affecting earnings" account needed to be redistributed in view of the conversion to IFRS, and is now split over both the accounts "Shareholders' equity from currency exchange" and "Revaluation Reserve"

Statement of income of Pandatel Group

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

Shareholders' equity in €000 as of	01 January 2004	30 September 2004	31 December 2004
Shareholders' equity according to US GAAP	42,525	34,900	29,486
Activation of development expenses	0	0	180
Taxes from income and revenue	0	0	-73
Shareholders' equity according to IFRS	42,525	34,900	29,593

Consolidated Balance Sheet as of 30 September 2005

ASSETS	Nine-Month Report 30 September 2005 €000	Annual Report 31 December 2004 €000
Non-current assets		
Intangible assets	1,148	1,648
Property, plant and equipment	1,722	2,352
Goodwill	0	4,349
Notes receivable/loans	0	25
Deferred taxes	1,464	2,938
Other assets	331	433
Others	0	
Total Non-current assets	4,666	11,745
Current assets		
Inventories	3,992	4,604
Trade accounts receivable	3,200	3,640
Short-term investments marketable securities	3,960	3,858
Prepaid expenses and other current assets	572	313
Cash and cash equivalents	5,429	9,879
Total current assets	17,153	22,294
Total assets	21,818	34,039

PASSIVA	Nine-Month Report 30 September 2005 €000	Annual Report 31 December 2004 €000
Shareholders' equity		
Share capital	7,896	7,896
Additional paid-in capital	21,659	21,579
Changes in shareholders' equity from exchange rates	-164	86
Revaluation reserve	279	32
Accumulated deficit	-11,654	0
Total shareholders' equity	18,016	29,593
Non-current liabilities		
Deferred taxes	851	1,209
Total non-current liabilities	851	1,209
Current liabilities		
Trade accounts payable	494	599
Income tax payable	181	146
Tax accruals	142	147
Accruals	1,807	1,774
Other current liabilities	327	571
Total current liabilities	2,950	3,237
Total Liabilities and shareholders' equity	21,818	34,039

Consolidated Income Statement

€000	Nine-Months Report		Quarterly Report	
	2005		2004	
	01.01.2005-30.09.2005		01.07.2005-30.09.2005	
	01.01.2004-30.09.2004		01.07.2004-30.09.2004	
	€000	€000	€000	€000
Revenues	8,879	11,122	2,937	3,718
Cost of revenues	-5,459	-7,667	-1,540	-2,632
Gross profit/loss	3,421	3,455	1,398	1,086
Selling and Marketing expenses	-2,515	-3,602	-1,154	-1,101
Research and Development expenses	-3,630	-5,078	-1,264	-1,651
General and administrative expenses	-2,431	-3,010	-660	-911
Other operating income and expenses	332	27	273	-157
Amortization (and impairment) of goodwill	-4,349	0	-2,175	0
Restructuring expenses	-1,442	0	0	0
Operating income/loss	-10,614	-8,208	-3,581	-2,734
Interest income and expenses	181	227	57	66
Foreign currency exchange gains / losses	-22	-17	-14	-38
Other revenues/expenses	-4	0	16	0
Result before income taxes (and minority interest)	-10,460	-7,998	-3,523	-2,706
Income tax	-1,195*	211	-1,264*	197
Result before minority interest	-11,654	-7,787	-4,786	-2,509
Net loss for the period	-11,654	-7,787	-4,786	-2,509
Earnings per share (basic)	-1.48	-1.08	-0.61	-0.35
Earnings per share (undiluted)	-1.48	-1.08	-0.61	-0.35
Weighted average shares outstanding (basic)	7,895,806	7,225,000	7,895,806	7,225,000
Weighted average shares outstanding (diluted)	7,895,806	7,243,100	7,895,806	7,225,000

*Adjustment of the "Deferred taxes" account see explanations on balance sheet and cash flow on page 3.

Consolidated Statement of Cash Flow

€000	01 Jan. 2005-	01 Jan. 2004-
	30 September 2005	30 September 2004
Net loss before extraordinary items	-11,654	-7,787
Depreciation/appreciation on tangible assets	5,335	1,005
Expenses for stock options	81	63
Losses/gains on the disposal of fixed assets	384	16
Cash flow	-5,854	-6,703
Changes in		
Trade accounts receivable	440	1,445
Inventories	612	298
Other assets which cannot be classified as investing or financing activities* ¹	1,213	276
Changes in		
Trade accounts payable	-105	-217
Other liabilities which cannot be classified as investing or financing activities* ¹	-538	-230
Cash flow from operating activities	-4,231	-5,131
Income from disposal of fixed assets	0	131
Payment for investments in tangible assets	-157	-749
Payment for investments in intangible assets	-61	-249
Income from the sale of securities	0	-12,971
Payments for investments in financial assets	0	-60
Acquisition of subsidiaries less transferred cash and cash equivalents	0	-3,443
Payments owing to investments of financial resources as part of short-term treasury transactions	0	9,502
Cash flow from investing activities	-218	-7,840
Cash flow from financing activities	0	0
Changes in cash balances impacting earnings	-4,449	-12,971
Changes in cash balances owing to exchange rate differences	0	0
Cash and cash equivalents at beginning of the period	9,878	22,426
Cash and cash equivalents at end of the period	5,429	9,455
Interest paid	4	3
Tax paid	61	61

*¹The "Deferred taxes" account was integrated into "Other assets/liabilities, which cannot be classified as investing or financing activities".

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	T€	T€	T€	T€	Changes in shareholders' equity from exchange rates		
						T€	T€	
As of 31 December 2003	7,225,000	7,225	33,408	3,023	-1,009	-42	-80	42,525
Stock option program			63					63
Net loss for the period					-7,787			-7,787
Unrealized exchange and currency diff. after deducting taxes of € -41,000						166		166
Unrealized each and currency diff. not affecting tax liability							-67	-67
As of 30 September 2004	7,225,000	7,225	33,471	3,023	-8,797	124	-147	34,900
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)	0	0	108	0	0	-155	154	107
	7,895,806	7,896	21,579	0	0	86	32	29,593
Stock option program			81					81
Net loss for the period					-11,654			-11,654
Unrealized exchange and currency diff. after deducting taxes of 40%						-250		-250
Unrealized each and currency diff. not affecting tax liability							247	247
As of 31 December 2005	7,895,806	7,896	21,659	0	-11,654	-164	279	18,016
					-11,654		115	

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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 connectivity products, access multiplexers, and wavelength division multiplexed systems.

Pandatel is one of the world's few providers with such a wide range of products and systems for data transmission over both copper and fiber optics media as well as any combination thereof.

Pandatel products are used wherever new capacities have to be created or when the performance of existing networks need to be enhanced and/or optimized.

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.