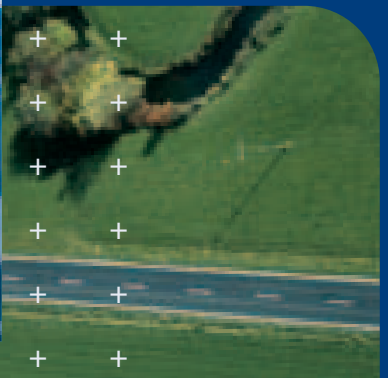
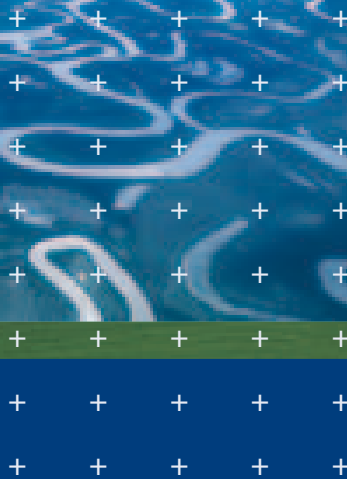




architects of geo solutions

Annual Report 2005



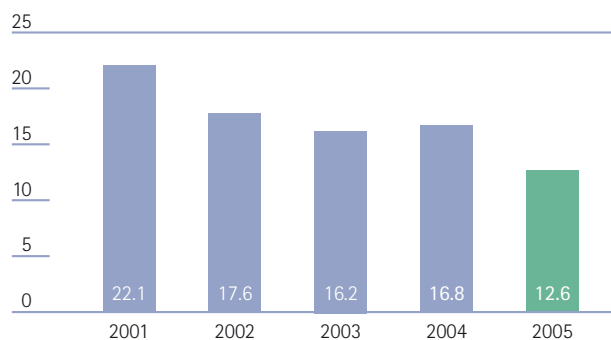
The Company in Figures

Figures shown in million EUR in accordance with IAS/IFRS	2001	2002	2003	2004	2005
Sales revenues	22.1	17.6	16.2	16.8	12.6
EBITDA ¹	-3.7	-4.5	-1.3	0.7	-5.2
EBIT ¹	-7.4	-9.8	-2.3	-0.1	-5.8
Net loss	-5.1	-10.3	-2.2	-0.9	-4.8
Profit/loss per share (in EUR)	-1.18	-2.40	-0.50	-0.21	-1.12
Staff ²	337	271	208	198	181
Balance sheet total	40.8	30.0	27.4	25.9	22.2
Equity ratio	82 %	77 %	77 %	78 %	69 %
Liquid assets	16.3	15.9	14.0	15.9	10.5

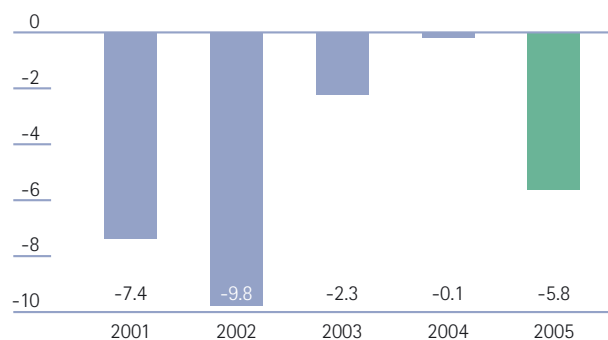
¹ After interest income

² Full-time equivalent, mean value

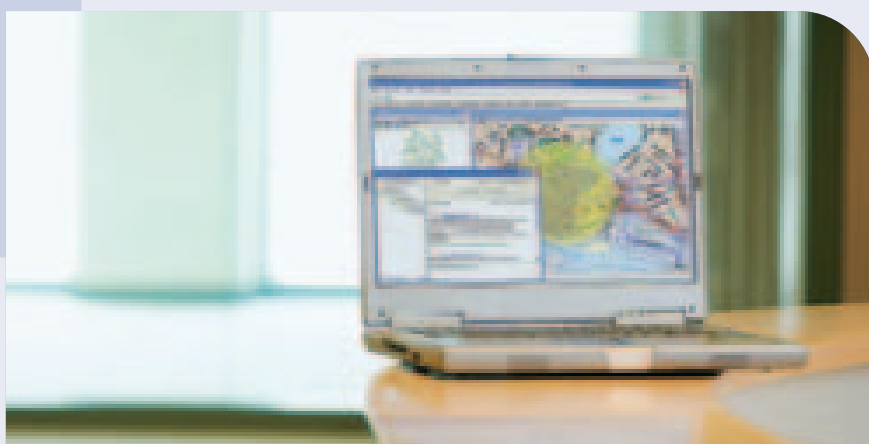
Turnover



EBIT



As we are IT specialists with expertise in specific industries and processes, we develop pioneering products and solutions which exploit to the full the potential found in geo and portal technologies. Our work produces open and interoperable applications which we realize for Government, Utilities, Telecommunications and Financial Management.



Contents

02	Foreword from the Management Board	30	Telecommunications & Utilities Division
06	Report of the Supervisory Board	36	Financial Solutions Division
08	Officers and Directors	40	Government Division
10	Corporate Governance Report	44	Consolidated Management Report
14	The PRO DV Stock	58	Annual Accounts
20	Strategy and Prospects	96	Glossary and Abbreviations
26	Process and Industry Know-how	97	Finance Calendar
		98	Contacts

Opportunities
for Growth.
Orientation
to the Future
Develops New
Potential.





The success of tomorrow is based on the initiatives of today. PRO DV takes up challenges early. Looking ahead to what is coming, we develop predictive solutions which enable the Company and its clients to continue their progress. The preparatory performance of fiscal year 2005 has set important parameters for positive further development and sustained growth, providing additional strengths for PRO DV.

Foreword from the Management Board

Dear Sir or Madam,

2005 was a year of important groundwork for PRO DV: we pushed forward the development of pioneering IT solutions with portal technology and, at the same time, expanded long-term our strengths in geo solutions. We also made good progress in expanding our clientele basis in the sectors Telecommunications/Utilities, Financial Solutions and Government, although we did not achieve the goals we had set for ourselves in all divisions.

Concentration on Securing the Future

Solution products for civil defence and natural disaster protection as well as network management are strategic focal points in the continued development of our portfolio. We concentrated a large part of our resources on the upcoming tasks in these two areas in 2005. The intensive groundwork which was laid is an investment in the future for which there was no equivalent return in orders in the reporting year. In combination with the general reserved nature of the market, this put a substantial damper on our original expectations concerning turnover and earnings.

Well Positioned in Conjunction with Partners

One positive signal is that over the course of the year the first signs of a break-up in the investment backlog in the IT sector became apparent. More and more decision-makers are recognizing the significance of information technology applications for successful realization of their market and customer strategy. The trend is in the direction of individual solutions which consistently support business processes and which are realized on the basis of open standards. PRO DV is well positioned in several ways for these increasingly important requirements.

We have in-depth knowledge of the business processes in our target industries and can contribute our expertise to IT projects carried out jointly with such renowned technology partners as Oracle or SAP. Services and service-oriented IT architectures are the backbone of the process re-engineering business solutions from PRO DV. They can be used to optimize existing systems to reduce costs and to integrate software applications flexibly. Moreover, they are enhanced by geoinformation from our geo-based solutions and the availability of functionalities of geographical information systems (GIS) as needed. We therefore address a field which is of growing consequence for companies and government authorities.

Large Order at the Beginning of 2006

The encouraging start into the new business year is evidence that our decision to direct a major part of our efforts in 2005 to the further development of the portfolio was the right one. In February 2006, the Federal Ministry of the Interior awarded us the long-awaited contract for the expansion of the German

civil defence and natural disaster protection system deNIS II. New functions will enable the system to provide even more intensive support to relief units in assessing wide-area hazard situations and coordinating the required relief measures among organizations.

Thanks to the preliminary work done in the past year, a large part of the order worth millions will affect turnover and earnings at PRO DV immediately. Our efforts are thus now beginning to bear first fruits which will have positive effects on business developments and the annual results for 2006. This contract from the Federal government should also have a signal effect which will induce the German states, neighbouring countries in Europe and companies to install similar preventive systems with the support of PRO DV.

Yours,



Klaus Bullmann



Udo Bücher



Uwe Osterkamp



Uwe Osterkamp, Klaus Bullmann and Udo Bücher

Report of the Supervisory Board

The Supervisory Board performed the duties for which it was responsible in accordance with laws and the Company Charter throughout the entire reporting year. We regularly advised the Management Board in the management of the Company and were directly involved in all of the decisions which were of essential importance for the Company. The Management Board regularly reported to the Supervisory Board, in writing and orally, on the course of business, the business planning, the position of the Company and the significant business events.

Advising and Supervision of the Management

Four meetings were held in which we appraised in detail the business development on the basis of the Management Board's reports and monitored the management of the Company. Due to the size of the Supervisory Board, no committees were formed for this purpose. Any and all measures requiring the approval of the Supervisory Board were discussed in detail in the Supervisory Board meetings. Moreover, the chairperson of the Supervisory Board received running reports from the Management Board regarding any and all major business transactions. Any deviations in the course of business from plans and targets were explained by the Management Board and reviewed by us.

The Supervisory Board considered the general economic position of the Company in 2005. In particular, the prospects of the strategic orientation to geo-based products and solutions was at the focus of deliberations. After intensive deliberations in advance, we agreed to the Management Board's proposal to take over the Swiss company GeoTask AG, headquarters in Basle.

In addition, the Supervisory Board continuously and intensively reviewed the company-wide risk prevention and monitoring system. Moreover, measures for broadening the market position and the future corporate development were discussed.

Change on the Supervisory Board

After successfully serving for three years, Mr Knud Norden, Dr.-Ing., resigned as a member of the Supervisory Board of PRO DV Software AG, effective as of 05/04/2005. Under his leadership as Supervisory Board chairperson, a comprehensive process of change was initiated at PRO DV; as part of this process,



Prof. Dr.-Ing. Rolf Windmüller

the holdings portfolio was significantly concentrated and the orientation of the Company was more tightly focused. We wish to thank Dr Norden for the work he did and for his contributions to the further development of the Company.

Professor Rolf Windmüller, Dr.-Ing., was elected as a new member of the Supervisory Board by the General Meeting. Within the Board, Professor Windmüller was elected to the position of Supervisory Board Chairperson and Mr Siegfried Wenzel was elected to the position of Vice-Chairperson.

Corporate Governance at PRO DV

The Management Board reports equally on behalf of the Supervisory Board with respect to corporate governance at PRO DV. In conformity with Item 3.10 of the German Corporate Governance Codex, the Management Board explains the corporate guidelines and the corporate policies in the following chapter. On 10/11/2005, Supervisory Board and Management Board issued jointly an updated declaration of conformity in accordance with Section 161 AktG (German Company Law). The declaration has been made continuously available to the shareholders on the Company's Internet site.

Audit of the Annual Accounts

The accounting, the annual accounts and the management report for PRO DV Software AG as well as the consolidated annual accounts and the consolidated management report prepared for the fiscal year 2005 in accordance with IAS/IFRS were audited by AWT Horwath GmbH, Chartered Accountants, Munich. The auditor's opinion did not contain any reservations. The annual accounts and the management report of PRO DV Software AG, the consolidated annual accounts, the consolidated management report and the audit report of the auditor were submitted to the Supervisory Board. The Supervisory Board performed its own audit of the annual accounts, the management report, the consolidated annual accounts and the consolidated management report and did not determine any cause for objections. In its meeting on 24/03/2006, the Supervisory Board adopted the annual accounts and the consolidated annual accounts submitted by the Management Board. The annual accounts of PRO DV Software AG for the year 2005 have therefore been approved. The Supervisory Board accepts the proposal of the Management Board regarding the appropriation of the balance sheet loss for the fiscal year 2005.

We would like to express our thanks to the Management Board and to all employees for their work and their commitment in fiscal year 2005.

Dortmund, March 2006
The Supervisory Board



Professor Rolf Windmüller, Dr.-Ing.

Officers and Directors

Management Board

Klaus Bullmann (54), Management Board Spokesperson

After obtaining a degree in computer science, Klaus Bullmann began his career as a project engineer at Siemens in 1977. Only two years later he decided to take the step of becoming self-employed. In 1979, he and three other founding members established the predecessor of the company that is today PRO DV. After its conversion into a stock corporation, the Management Board spokesperson began preparations for the IPO, which was successfully carried out in 2000.

Klaus Bullmann is responsible for the departments Financials, Controlling, Investor Relations and Mergers & Acquisitions.

Udo Bücher (50)

After working for many years in an executive position at Karstadt AG, Udo Bücher moved to NCR to become key account manager for the retail industry in IT sales in 1988. Further stages in his career were at Metro, AT&T, RWE and Deutsche Telekom, where he was director of key account sales. In 2002, he assumed responsibility for sales at PRO DV in the position of authorized signatory and sales director.

Udo Bücher is the executive officer responsible for the departments Sales and Marketing as well as Business Development.

Uwe Osterkamp (41)

After obtaining a degree in computer science with a minor in machine construction, Uwe Osterkamp began his career at Mannesmann. In 1988, he assumed a position as systems analyst at PRO DV. After gaining his initial management experience as department head, he was made an authorized signatory in 1998 and assumed responsibility for development of geoinformation systems as division head. In 2001, he became Director of Professional Services with overall responsibility for product and service business at PRO DV.

Uwe Osterkamp bears responsibility for the departments Professional Services, Human Resources and Process and Quality Management.



Supervisory Board

Professor Rolf Windmüller, Dr.-Ing., Ennepetal

Chairperson of the Supervisory Board

Seats on other Supervisory Boards

PSI AG, Berlin

SAG Netz- und Energietechnik GmbH, Langen

Siegfried W. Wenzel, Herten

Vice-Chairperson of the Supervisory Board

No other Supervisory Board positions

Michael Petmecky, Dortmund

Seats on other Supervisory Boards

has programm service AG, Hamburg

VDG-Versicherungswirtschaftlicher Datendienst GmbH, Icking



Systematic
Responsibility.
**Corporate
Governance**
Creates Trust.





Dependable corporate management takes a holistic approach. Our goal is to live up to the trust put in PRO DV every day. By accepting the rules of the German Corporate Governance Codex, we emphasize the orientation of PRO DV to recognized standards and accepted criteria which are of particular importance for clients, investors and employees.

Active Corporate Governance Is the Foundation of the Corporate Policy

- Management Board and Supervisory Board Work Closely Together
- Joint Declaration Of Conformity Has Been Issued
- Open Communication Safeguards Shareholders' Interests

In accordance with Clause 3.10 of the German Corporate Governance Codex, the Management Board, acting simultaneously on behalf of the Supervisory Board, submits the following report on corporate governance at PRO DV: On 10/11/2005, Supervisory Board and Management Board issued a declaration of conformity in accordance with Section 161 AktG and then made it permanently available to all shareholders by publishing it on the PRO DV Internet site. PRO DV continues to be in conformity with the recommendations of the German Corporate Governance Codex, even after passage of the Codex amendments by the Government Commission on 02/06/2005, with two exceptions.

A liability insurance policy covering pecuniary loss (D&O insurance) has been concluded for Management Board and Supervisory Board with the approval of the General Meeting of 19/06/2001. A deductible was not agreed with the insurer. The Supervisory Board at PRO DV Software AG continues to be comprised of three people. Since the smallest committee which can pass resolutions must consist of three people, no committees have been formed due to the size of the Supervisory Board.

Compliance Systemized

In analogy to the legal statutes aimed in strengthening investor trust in the capital market, we installed a compliance system back in 2002. The system secures risk-free communications with the goal of strengthening the integrity of PRO DV. The system is supervised by the compliance commissioner who ensures that legal provisions as well as the requirements of the German Corporate Governance Codex are in agreement with the corporate policy. During the implementation of the Act for the Improvement of Investor Protection (AnSVG), for example, an insider register was created in which all of the relevant people have been listed since that time.

Open and Transparent Communications

Our corporate communications pursue the goal of providing the same information to all groups of interested parties at the same point in time. By logging onto the Internet site, institutional investors and, above all, private investors can find out about current developments in the Group as they occur. All of the press and ad hoc reports from PRO DV are published on our Internet site.

In accordance with Section 15a Securities Trade Act (WpHG), members of the Management Board and of the Supervisory Board as well as any employees with executive responsibilities must disclose the purchase and sale of PRO DV stocks and related financial instruments. PRO DV did not receive any reports during the reporting period.

Management Board and Supervisory Board Work Closely Together

Management Board and Supervisory Board work closely together for the benefit of the Company, its employees and its shareholders. Their common goal is the sustained increase in the Company's value and the securing of jobs. The Management Board regularly reports to the Supervisory Board contemporaneously and comprehensively concerning any and all relevant questions of corporate planning and strategic further development, the course of business and the position of the Group, including the risk situation, and the profitability of the Company. Management Board decisions which require approval by the Supervisory Board have been specified in the Supervisory Board by-laws.

There is a consultancy agreement existing between PRO DV Software AG and the Supervisory Board member Siegfried W. Wenzel. Conflicts of interest for members of Management Board and Supervisory Board which must be disclosed without delay to the Supervisory Board did not occur. Other Supervisory Board positions held by members of the Supervisory Board as well as the relationships to close persons are shown in the overview on page 09 as well as on page 96 of the Notes to the consolidated annual accounts.

Compensation for Management Board and Supervisory Board

The structure of the compensation system for the Management Board is regularly deliberated and reviewed by the Supervisory Board. Compensation for the members of the Management Board comprises a fixed share, including payment in kind, as well as a variable share with success-related components. A component with long-term incentive effects has been realized by a stock option plan newly created in 2005.

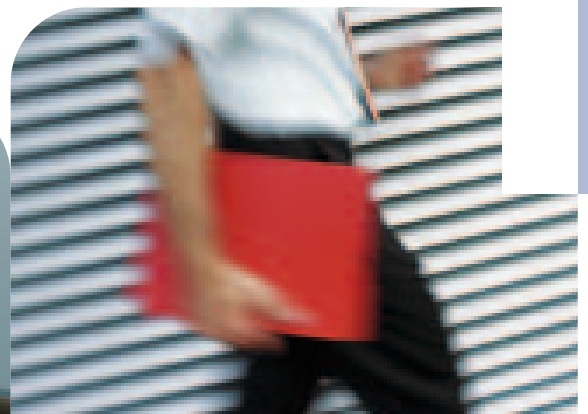
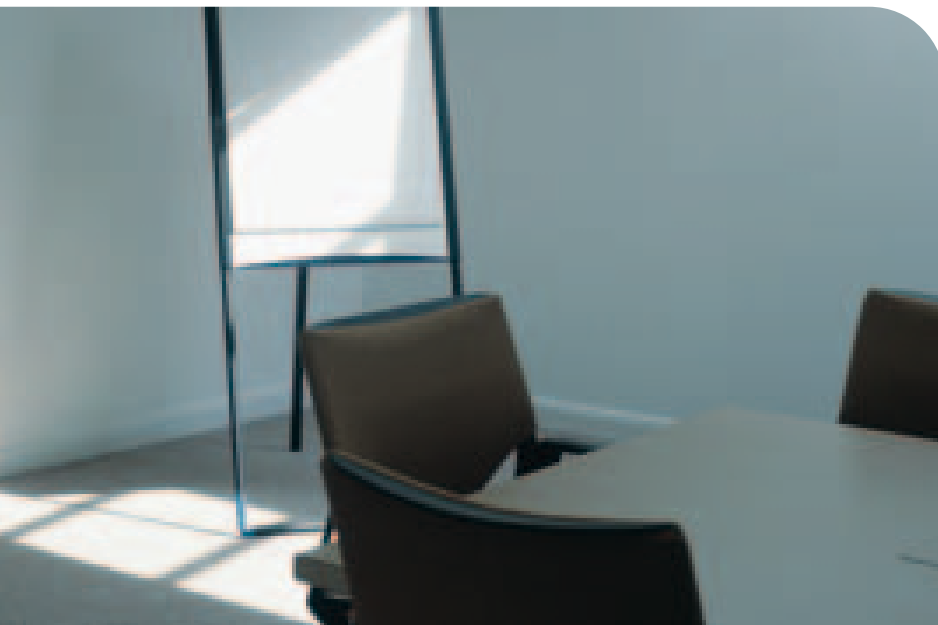
The compensation paid to the Supervisory Board contains a variable component dependent on the Company's profit in addition to the fixed compensation and is stipulated in the Company Charter. Just as the compensation for the Management Board, it takes into consideration the responsibility, the breadth of activities and the financial position of PRO DV.

The compensation for Management Board and Supervisory Board is itemized in the Notes to the Consolidated Annual Accounts on page 96.

Service Related to the General Meeting

During the Annual General Meeting, our shareholders have the opportunity to exercise their voting rights themselves, or to authorize a proxy of their choice or a voting representative of the Company bound by their instructions to exercise the voting rights on their behalf. All of the documents and information related to the General Meeting are available on our Internet site.

Pursuant to the Act Regarding Corporate Integrity and the Modernization of the Right to Challenge (UMAG), which entered into force on 01/11/2005, we have changed the registration and verification procedure for the upcoming General Meeting to the so-called "record date" usual at the international level. In future, the 21st day before the General Meeting will be the authoritative date for verification and registration of the shareholders.



Staying on
Course.
Comprehensive
Information
Safeguards
Shareholders'
Interests.





Principles are for the long term. Transparency, contemporaneous information and intensive dialogue with the capital market are the outstanding characteristics of our investor relations. As overriding premises, they remain valid beyond the moment – independently of the stock exchange segment in which the PRO DV stock is listed. We are continuing on our chosen path now that we are in the General Standard, committed to open communications and comprehensive reporting.

Solid Price Development with Additional Potential

- Price Developed at a Constant Level
- Segment Change Logical Continuation of Cost Optimization
- New Stock Option Programme Creates Flexible Incentives

After a long period of drought, the development of the German stock market last year was considerably more positive. For the first time in many years, the DAX broke the threshold of 5,000 points and was able to increase by 27% to a total of 5,408 points over the course of the entire year. The performance of technology stocks was once again weaker than that of the general market. The TecDAX, stock exchange barometer for technology stocks, was unable to keep pace with the value development of the DAX in 2005. Its performance, although a plus of 15% for the year, was significantly below that of the leading index.

The PRO DV stock was also unable to avoid the consequences of the reserved attitudes towards technology stocks. After an optimistic start at the beginning of the year, the stock rose to a high point of EUR5.28. As the year continued, there was a consolidation which could not be stopped until autumn. At the end of the year, the stock had recovered and closed out at EUR3.55.

Price Development of the PRO DV Stock



Performance Indicators of the PRO DV Stock

	2005	2004
High	5.28 EUR	4.93 EUR
Low	2.95 EUR	3.04 EUR
Close-out price (as of 31/12)	3.55 EUR	3.75 EUR
Number of shares (as of 31/12)	4,300,000	4,300,000
Market capitalization (as of 31/12)	15.27 Mio. EUR	16.13 Mio. EUR
Trading volume (daily average)	17,565	10,505
Diversified holdings	49.3%	49.3%

Stock Held by Officers and Directors

There were no changes in comparison with the previous year with respect to the PRO DV stock held by members of the Management Board and Supervisory Board or their subscription rights.

	Stock held 31/12/2005	Stock held 31/12/2004	Subscription rights 31/12/2005	Subscription rights 31/12/2004
Management Board				
Klaus Bullmann	491,225	491,225	0	10,000
Udo Bücher	0	0	0	0
Uwe Osterkamp	28,730	28,730	0	10,000
Supervisory Board				
Prof. Dr.-Ing. Rolf Windmüller	0	0	0	0
Siegfried Wenzel	491,225	491,225	0	10,000
Michael Petmecky	0	0	0	0



PRO DV Stock Moves to General Standard

As part of the continued pursuance of strict cost management at PRO DV, Management Board and Supervisory Board decided to change segments on the stock exchange. The PRO DV stock has been traded on the General Standard of the Frankfurt Stock Exchange since 09/01/2006.

Great importance is attached to shareholders' interest with respect to open communications. Even after the change to General Standard, PRO DV will continue its strategy of providing comprehensive information to the capital market and will in future continue to meet completely any and all report obligations. The report obligations of the companies of the General Standard include as well the annual accounts, a semi-annual report and ad hoc reports in German.

Basic Data of the PRO DV Stock

SIN	696780
ISIN	DE0006967805
Stock exchange abbreviation	PDA
Designated Sponsors	Close Brothers Seydler AG
Stock exchange segment	General Standard

General Meeting Decides on Option Programme

The PRO DV Software AG General Meeting decided on 31/05/2005 to terminate the option programme which had lapsed in the previous year and, at the same time, to initiate a new stock option plan.

For this purpose, the share capital will be contingently raised by up to EUR430,000 by the issue of up to 430,000 new no-par shares issued to the bearer. The members of the Management Board at PRO DV Software AG, the members of the management at the companies affiliated with PRO DV and the employees of PRO DV and its affiliated companies have been granted subscription rights. In total, a maximum of 430,000 subscription rights will be issued for these groups collectively.

A total of 180,000 subscription rights are allocated to the employees, a total of 180,000 subscription rights to the Management Board members and a total of 70,000 subscription rights to members of the management of companies affiliated with the Company.



The subscription rights can be issued within a period of four weeks after the Company's Ordinary General Meeting or after the announcement of annual accounts or semi-annual accounts by the Management Board. A waiting period of at least two years has been set for each issued tranche in order to generate a long-term incentive effect. 40% of a tranche may be exercised at the earliest two years, another 30% three years and the remaining 30% four years after the issue, in each case within four weeks after the Annual General Meeting.

Any exercise, however, is subject to the restriction that the PRO DV stock at the time of any exercise must have realized a growth in price of at least 10% in comparison with the point in time of the issue of the subscription rights. This provision enhances the stock option plan by an additional value-oriented component.



Unmistakeable
Profile.
Concentration
on **Geodata**
Means Involvement
on
an Attractive
Market.





Strength is the result of clear focus. The specialization in geo solutions positions PRO DV on a highly promising growth market. When combined with our competence in portal technology and service-oriented architecture, this enables us to satisfy requirements which are found at the top of the priority list of companies, government authorities and institutions.

Competitive Advantages Through Geo Solutions and Service-oriented Architectures

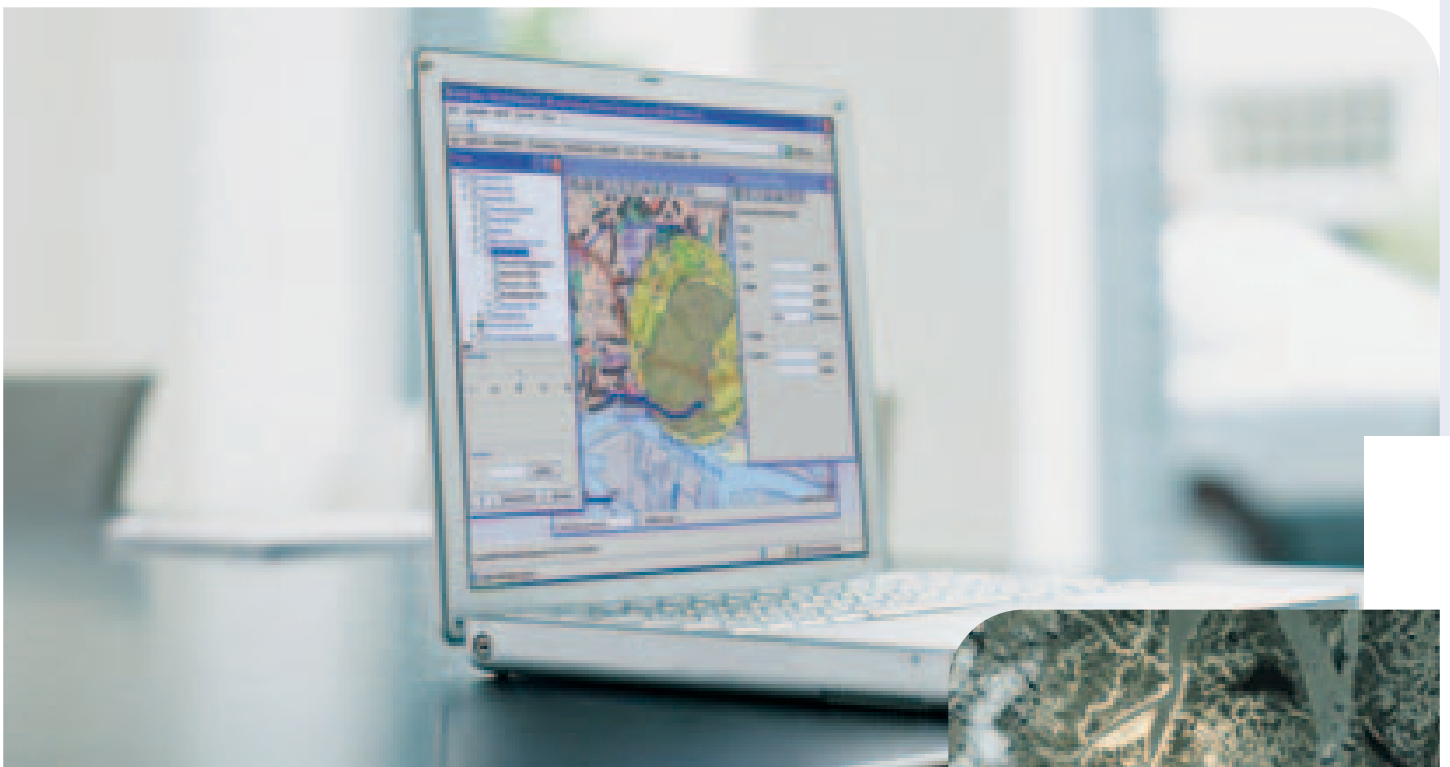
- Portal Solutions Harmonize IT Landscapes
- Improve Work Procedures, Protect Investments, Reduce Costs
- Partnerships with SAP and Oracle Promote Market Access

Companies are increasingly concerned with aligning their work procedures flexibly to changed market situations or customer expectations. Administrative and business processes suitable for the market help them to improve customer service and increase competitiveness. Government authorities and public administration as well are looking to improve their procedures and optimize services for their citizens. Appropriate information technology ensures that employees always have at their disposal all of the facts they require when performing their duties so that they can act quickly and efficiently.

The strengths of PRO DV in this environment are solutions for process re-engineering as well as geo solutions which link spatial data with material and corporate information. Our products and services make decisive contributions to IT infrastructures which correspond to the requirements of companies and administrations.

Reliable Planning and Decision-making Help

About half of all areas of business regularly require geographical information. Geo solutions break new ground in information procurement and analysis. Their essential characteristic is digitally prepared cartographic representations as reliable planning and decision-making help for the most widely diverse industries. Geo solutions prove their value in location and customer structure analyses as well as in information and data systems or navigation. Geodata which are interactively available through mobile phones, notebooks and personal digital assistants (PDA) secure all of the benefits of mobility. The spectrum ranges from support in the form of digital maps and road maps to intelligent navigation systems.



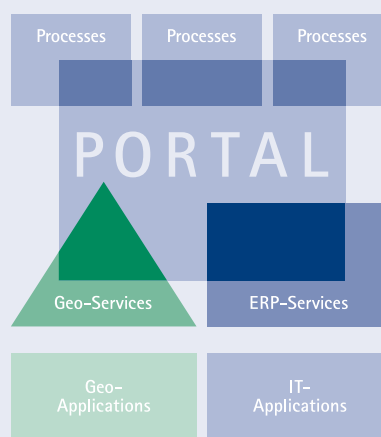
Good Prospects on a Growth Market

Experts predict sustained strong growth for geographic information systems over the coming years. Just how the significance of geo solutions will continue to increase is documented by a study conducted on behalf of the Federal Ministry for Economics and Labour. It determines a market potential for the commercial use of geodata amounting to almost EUR7 billion. In Germany alone, the market for geodata is expected to reach a volume of more than EUR2 billion by 2008. In other words, PRO DV is active on a growth market with extraordinarily good prospects.

Natural Disaster Protection with Great Potential

Exactly as is the case for the area of geo solutions, the topic of civil defence and natural disaster protection is not only being discussed everywhere around the world; it also possesses an enormous economic importance. The budget for the American "Department of Homeland Security" alone for fiscal year 2007 comes to US-\$42.7 billion, just to mention one example. The breadth of the addressed market segments ranges from emergency and natural disaster protection programmes in a more precise sense to anti-terror measures and border protection or customs tasks, as well as others. PRO DV solutions will make an important contribution to all of these areas in the future.

In addition, it is vital for companies to protect their sensitive and critical infrastructures as best they can. The Safety and Security Information System (SaSIS) from PRO DV, a solution based on deNIS which is available to the private sector, does exactly that. By providing fast, coordinated access to the most important information systems for all people and interfaces involved, we offer inestimable added value in this area, including during everyday operations outside of crisis situations.



Portal as Uniform Platform

We rely on open, standard-based portal technology and service-oriented architectures (SOA) in our geo-services so that geodata – independently of their electronic format or their structure – can be made useful. Consequently, companies and government authorities can compile their data, applications and services as needed from enterprise portals and then offer them to the greatest possible number of users – employees and partners, customers or citizens, traders and suppliers. Being a uniform platform, portal solutions not only harmonize heterogeneous IT landscapes, but also contain previously existing IT systems and integrate them into the portal solution via interfaces.

Partnerships in Pioneering IT Projects

We have concluded a partnership agreement with SAP AG, the leading provider of corporate software worldwide, for the development of portal solutions. Within the scope of this joint programme, applications which integrate technical and commercial applications will be created on the basis of the SAP portal technology. As a universal standard interface, the portal combines information from the ERP company management systems, the Internet, geographic information systems and other data sources. This close cooperation with SAP is the starting point for further pioneering projects for PRO DV and secures us cross-industry market access.

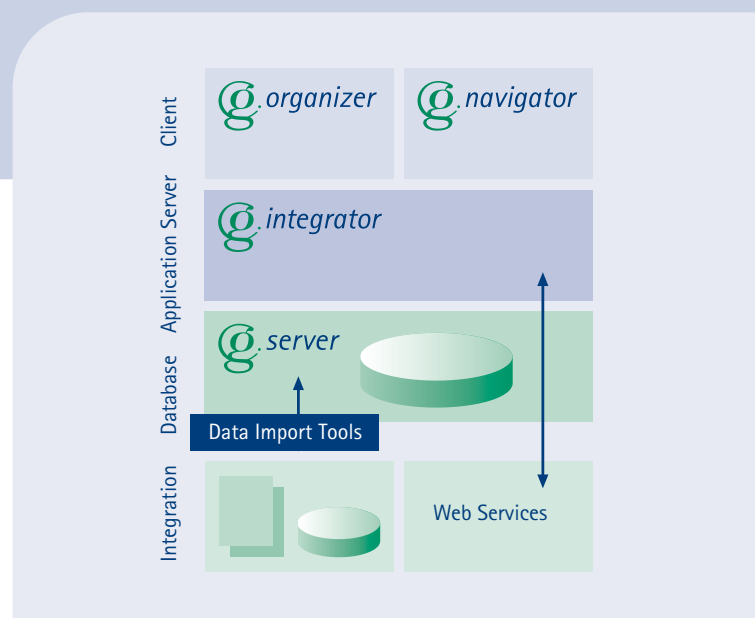
In spring 2005, we concluded a partnership with Oracle Germany in the field of civil defence and natural disaster protection. The cooperative venture covers the joint marketing of a solution for cross-organizational management of wide-area hazard situations. We thus support the preventive and operative work of relief organizations and crisis management groups at the national, state and district level. Control centres, scheduling tools and simulation models as well as geodata records are integrated on a portal basis into a crossover decision support system.

We maintain additional solution partnerships and technology cooperative ventures with companies such as AED-SICAD, CSC, MapInfo, TeleAtlas and Microsoft.

New Subsidiary GeoTask Strengthens Strategic Position

The takeover of the Swiss GeoTask AG, previously a cooperation partner of PRO DV, brings with it major strategic advantages for us: for one, the acquisition expands our portfolio by the addition of new technologies and products. For another, it increases our Company's know-how with respect to geographic information systems and geodata infrastructures.

The PRO DV Group, which enjoys an even stronger position thanks to this acquisition, has the goal of penetrating existing markets more deeply with a keener profile and developing new markets – at the European level as well. The products for integration in Web-based portal architectures are major factors for the achievement of the corporate goals we are striving for.



The core of the GeoTask array is the modularly designed "g.business" suite. It includes software components, interface modules and services for the integration of geographic information systems (GIS) into existing IT landscapes. Using the suite, existing solutions can be expanded step by step into comprehensive, process-oriented geodata infrastructures (GDI).

Open Standards for Free Access to Data, Services and Applications

Compared to conventional, closed information systems, open GDI solutions have clear advantages: users profit from improved data quality and faster response times while enjoying free access to geodata, geoservices and applications. In addition, the costs for the provision and use of geoinformation are reduced significantly.

The service spectrum ranges from data conversion to geodata warehouses to interactive Internet GIS solutions for the comprehensive integration of geodata in business processes and administrative procedures. With the help of software products from GeoTask, public administrations and network operators especially can realize complex geodata infrastructures, metadata information systems and Web-based geoservices which build on standards.

The high efficiency of standard-based GIS projects is confirmed by an American study conducted by the US consulting company Booz Allen Hamilton on behalf of NASA. According to the study from April 2005, geoinformation projects which are oriented to industrial standards such as ISO and OGC (Open Geospatial Consortium) are not only more efficient and less costly, but also involve fewer risks than projects based on proprietary technologies and formats.

Increasing Demand for Service-oriented Architectures

Service-oriented IT architectures (SOA) create the framework for the creation, management and combination of software services in a network. We can use them to integrate the Web Map Services (WMS) for Internet-supported map creation in distributed geoinformation systems (GIS).

Owing to the opportunities they offer, SOA are becoming a megatrend in the IT industry. Analysts at the Gartner Consulting Group expect that as early as 2008 some 80% of all new IT platform development projects will be conducted on the basis of the cutting-edge SOA concept. According to findings of the "IT Barometer 2006", a joint survey conducted by Computerwoche and Capgemini, almost one-third of the surveyed company have in the meantime realized SOA projects. Users expect above all more flexibility for future modifications and simpler automation of the most important business processes from these systems.

By coupling existing services and networking available application building blocks, SOA enables current systems to gain in productivity and economic efficiency. Yet another benefit: the multiple use of common data and processes for various applications reduces significantly running costs in companies or government agencies.

Expertise
in Customers'
Business. Pro-
found **Knowledge**
of the Industries
Enables Strong
Solutions for the
Market.





Anyone who wants to make an impression with the precise fit of his services must know and understand his customers' business. We have focused on the special requirements of the clients by setting up three industry-oriented divisions. The results: adaptable IT structures which integrate seamlessly geographic information and enable more efficient work processes, more performance strength and reduced costs for our clients.



Success with Process and Industry Know-how

- Competence Centre Bundles Geo Expert Knowledge and Portal Know-how
- Complete Service Spectrum Enables Modular Service Portfolio
- Divisions Ensure Professional Industry Orientation

The marketing activities of PRO DV match the increased desire of many companies and government agencies for flexible information technology which reliably supports administrative and business processes. We, the specialists for process re-engineering and geo-based business solutions, incorporate our years of project experience in future-secure, crossover IT infrastructures. Our clients profit from efficient work processes reduced operating costs and stable customer loyalty.

Customer Benefits Have Priority

PRO DV solutions are specifically designed to meet the requirements of industry. Our clients profit from our know-how, which comprises consulting, technology, processes and integration. The framework of the service portfolio is enhanced by our services in consulting, conception, project management, realization, system integration, instruction and training.

We have combined the technological expertise and extensive experience with geoinformation in the central competence centre "Geo Solutions". Taking as a basis leading technology standards, the centre develops innovative components and applications which combine geographic data with material and company data.

In the past year, PRO DV also expanded permanently the portfolio for service-oriented architectures, establishing an independent competence centre "Portals" and reinforcing it by the recruiting of new employees with extensive experience in the field of SOA. This gives us proven expertise in the business processes of our target industries, aiding us in the support of our clients during the entire SOA lifecycle. From the initial analysis of the technical processes and the tracking down of cost-cutting and improvement potential to the SOA strategy planning to the process mapping and the final implementation – the client receives all of the necessary services from a single source.

Steps to a Complete Solution

The first phase of PRO DV's professional service portfolio is the IT strategy consulting. The focus of the analysis phase is becoming acquainted with the client's overall strategy and understanding the concrete tasks which must be performed. The requirements for information technology and organization are derived from the analysis results. In the course of the process and organizational consulting, an individual process model with solution alternatives is developed.

If desired by the client, this is followed by efficiency analyses and feasibility studies. Then the requirement specifications are drawn up and concrete project planning begins. The next step is project and quality management. The range of additional services includes the development of individual and industry-specific solutions and the system integration. All of the activities – including those after the implementation – are accompanied by support and training measures.

Active Quality Management with Certificate

PRO DV has detailed knowledge of processes, methods, industries and new technologies. We analyze procedures and identify potential for improvement, then realize them in a graded project plan at defined costs within an agreed time period.

We secure the high standard of our activities and procedures through active quality management, certified in conformity with DIN ISO 9001 and accompanied by systematic further training measures.

Client Proximity via Industry Orientation

The tasks of project realization and customer care are organized in three industry-specific divisions:

- **Telecommunications & Utilities Division:** Systems for infrastructure management, including network planning and optimization, for performance improvement of complex data warehouses and for implementation of customer care applications into the infrastructure of telecommunications companies. Furthermore, geo-based systems for network management at utility companies and mobile solutions for service team dispatch. Integration solutions with geo-focus based on Netweaver technology from SAP for IT harmonization and business process re-engineering.
- **Financial Solutions Division:** Added-value solutions for cash and document management, export business processing and for activities involved in assessments for the granting of loans by banks and savings and loans.
- **Government Division:** Development of Internet-supported and geo-based solutions for public administrations in handling tasks such as natural disaster management, consumer protection, emissions protection or process control in forestry.

On the following pages, we will present examples of products, solutions and references from the various industries.



Telecommunications &
Utilities
Financial Solutions
Government



Strength
Through
Change.
Flexible
Business
Processes
Drive
Success.





Mobility, speed and dynamics are what count in global competition. Telecommunications providers and utilities take up the challenge and depend on IT systems which actively support re-engineering processes. PRO DV offers professional solutions – for trouble-free network operation as well as for adaptation of the work procedures to growing demands.



Optimize and Manage Information Networks at Reduced Costs

- Portal Solutions Support Flexible Adaptation of Business Processes
- Information Systems Reliably Optimize Network Operation
- Visualizations Create Spatial Overall Image

The market for telecommunications is characterized by keen competition and intense pressure on costs. Providers of landline and wireless services realize a double-pronged strategy so that they can successfully meet the challenges: they optimize their infrastructure and simultaneously push their programmes to secure customer loyalty. We support the companies with specific solution packages in both fields.

Geo-Applications for Network Planning and Management

A major part of our solutions for the telecommunications industry is oriented to the support of flexible adaptation of business processes to changes in requirements. More precisely, technical information systems for billing and knowledge management are just as much a part of the PRO DV spectrum as customer care systems for fast, specific answers to customer enquiries. Our geographically based applications for infrastructure management take over the planning and administration of facilities for network operators. In addition, they provide all of the information required for cost-cutting optimization and ensure operation without any disruptions.



New Procedure for Line Documentation at Arcor

One PRO DV solution, for example, provides support to Arcor AG & Co., Eschborn, in the planning of the provider's network expansion, reduction of the leased line and IT budget and the cost-effective provision of additional wide-area network capacities.

Arcor is striving to achieve optimum coverage and is continuing to expand its network in many regions to achieve this. Additional lines are leased from Deutsche Telekom to ensure optimal service to customers and for interconnect traffic. The network of lines is shown as graphic map.

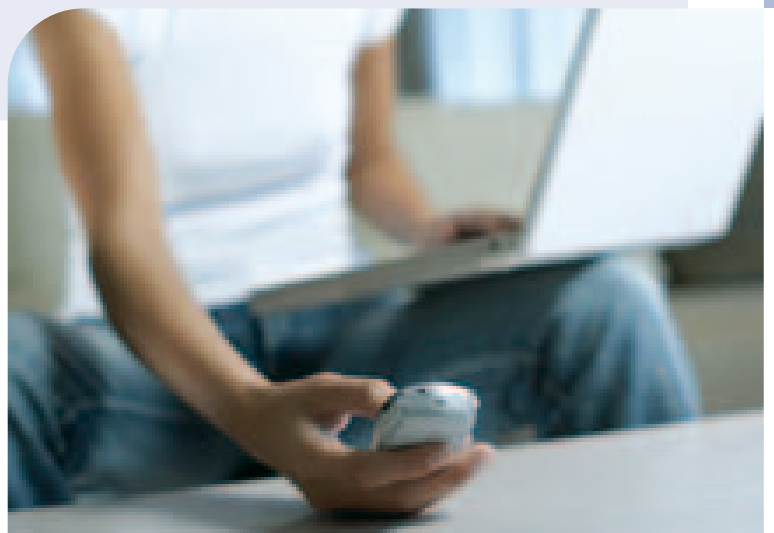
The primary goal of the PRO DV solution was the visualization of the leased lines in MapInfo Professional. This software package enables the analysis and representation of spatial contexts in data records. Significant benefits can be derived from the flexible visualization opportunities and the compiling of widely diverse data levels into a single overall image.

Transfer to the new system was accomplished by feeding in as a table the data from the previous Excel lists and performance documentation found in an Oracle database and marking it with indicators such as geo-coordinates. The line network is now displayed as a map on a scale of 1:10,000 with line charts. Lines running parallel are not shown on top of one another, but as fan shots.

Recognizing and Exploiting Synergy Effects During Network Expansion

The new system offers substantial benefits for the Arcor network planners. They can now see at a glance whether lines are available in certain regions and, if so, what lines are available, whether additional lines may be required or where there are redundancies. The costly redundancies are immediately recognizable.

Moreover, the new solution enables Arcor to improve design of the network: the overall view of all of the data permits the acquisition of a single leased line of higher capacity in place of multiple leased lines running parallel. Finally, the graphic representation reveals synergy effects in the network expansion so that the number of leased lines can be reduced, lowering costs.



Managing Networks and Integrating Applications

Open markets, increasing globalization and changes in legal circumstances confront utilities and waste disposal companies with new challenges. The companies are working at top speed to increase their profitability so that they can continue to operate successfully. Intelligent IT solutions are effective starting points.

PRO DV offers utilities companies a comprehensive portfolio which includes, among other things, solutions for network management and for optimization of the line infrastructure.

Consistently Geographic Reference

Utility companies and waste disposal companies profit to an especially high degree in their work from PRO DV solutions because their business processes almost always have a geographic reference. One characteristic example for the meaningful use of geodata is the pipeline networks of the utility and waste disposal companies.

If the operators are to maintain this important infrastructure in the best possible condition, they require up-to-date information about the condition of their networks at all times. Network management systems from PRO DV provide exact geographic documentation which enables fast recognition and repair of any damage. Furthermore, the process-oriented view of all of the data offers essential basic information for the economically efficient operation of the network.

Customer Portal Gives Information about Precise Positions

In addition, the utilities team concentrates on the merger of technical and commercial applications in IT portal solutions. They not only accelerate the internal work processes in the companies, but also provide significantly better service to citizens. For example, PRO DV realized a customer self-service portal which gives information about the precise position of utility lines. The portal compiles data from various sources and geographic systems. Citizens, customers and business partners can access the required information online whenever they like.

Satellite Technology for Position Determination

PRO DV realized an extensive project for mobile operational equipment data capture with satellite survey for the Stadtwerke Essen. The solution combines promap from PRO DV with the "ascos-ruhrgas



positioning services" operated by E.ON Ruhrgas AG. promap is the geographic information and analysis system successfully implemented at the Stadtwerke Essen, while Ascos is a satellite reference service which provides data for position determination across Germany.

The transmitted data is received via a newly developed navigation interface and displayed in a digital map. The determination of the positions of technical equipment such as lines or facilities can be determined in full-area coverage and in real time. Measurement accuracy of up to 2 cm documents the high precision of the system.

The merger of promap and ascos offers concrete benefits for the Stadtwerke Essen: media discontinuity is a thing of the past. The recording expenditures have been substantially reduced and the reliable documentation of the operational equipment, always up to date, has been consistently secured.

Systems Test a Success

Ascoss uses data transmitted by the American GPS and the Russian GLONASS systems. The combination of the two systems means that data are available even at remote locations. The success of the solution developed by PRO DV was ensured by the conduct of comprehensive testing before implementation at the Stadtwerke Essen, which also included testing of the configuration used with respect to the required 2-frequency reception of the two satellite systems.



Focus on
Added Value.
Industry-specific
Solutions
Reduce Costs
and Risks.





Relevant information is the prerequisite for the proper decisions. If they have the appropriate data at the right point in time, financial service providers can optimize internal processes and simultaneously avoid imputed risks. PRO DV supports banks, savings and loans and insurance companies with a broad portfolio of industry-specific solutions – including geographic information.



Support Financial Services Geographically

- Web-based Solutions Make Business Processes More Efficient
- Geographic Information Systems Optimize Quality of the Results
- Portfolio-supported Real Estate Management Minimizes Risks

The subsidiary PRO DV Financial Solutions GmbH maintains a broad array of solutions supporting processes at banks and savings and loans. They range from control of the cash logistics to document management to support of the processing of export business.

Solution Package for High Automation Potential

When structuring the solutions for the financial services sector, PRO DV relies on processes which address a high potential for automation and require a fundamental re-engineering due to stricter legal requirements. "cashXpert", for example, the product for optimal cash logistics, enables the determination of the exact cash requirements for teller windows and cash point machines and dependably controls their inventories. The inventory optimization with its graphic support reduces process costs by as much as 30%.

The documentation and publication system "docXpert" simplifies document management in financial business. The utilization of Web-based solutions accelerates business processes and streamlines them for substantially greater efficiency. "KWG18Xpert" creates greater transparency and security during international activities. The solution thus safeguards the major interest of financial service providers in minimizing any possible risks to the greatest possible extent.



Geo-supported Real Estate Appraisal Lowers Expenditures and Costs

The solution "estateXpert" is a product for the simplification of complex real estate appraisal processes. It supports banks when making decisions about giving mortgage loans as well as in the management of the banks' own real estate holdings; insurance companies can use it to calculate sums insured.

When conventional methods are used, complicated steps are required to appraise reliably the value of properties and thereby minimize risks. Once the time-consuming determination of size, condition, location and infrastructure has been concluded, all of the data must be processed uniformly. These procedures are not only costly and time-consuming; they are quite frequently subject to significant fluctuations in quality since there are usually a large number of people involved in the processes.

estateXpert increases the efficiency of real estate appraisal processes significantly. With the help of a geographic information system, it collects and processes property-related geographic and socio-demographic information such as rent indices, traffic connections or purchasing power. The data are then made accessible to account managers and assessors by a Web-based program – uniformly and clearly structured. The program visualizes spatial relationships and provides local and socio-demographic information such as property characteristics, rent index, vacant space, shopping opportunities, purchasing power or population figures.

Using estateXpert, properties can be appraised more precisely and credit risks reduced. Appraisal processes are shortened, expenditures and risks of loss minimized, ultimately generating a faster return on investment. The improved risk assessment for banks offered by estateXpert is of particular benefit in view of the implementation of Basle II.



Priority for
Cooperation.
Acting Together
Promotes Security
and Defence
Against Hazards.





Effective emergency services and efficient crisis management can save lives. PRO DV is the experienced partner for civil defence and natural disaster protection. Using geo-based information systems, we support the crisis staffs in evaluating the situation and coordinating the relief forces. The German emergency system deNIS realized in cooperation with PRO DV sets a standard at the national and state levels. Including prospects for Europe.



Civil Defence with Digital Maps

- Public Administrations Rely on Know-how from PRO DV
- Data Networking Promotes Interstate Defence Against Hazards
- Federal Portal Centralizes Geoinformation

Government agencies and organizations are dependent on geographic data which are always up to date, especially in times of crisis. Dependable support from the appropriate information systems is of key importance in mastering vital tasks.

The focal point of PRO DV activities for public administrations is in the area of civil protection. The special strengths of our civil defence and natural disaster protection systems are found in the intuitive, error-tolerant operation as well as the actor-specific, event-dependent display of information.

Friction-free Coordination of the Relief Units

PRO DV has been involved in developing solutions for the field of civil defence for many years. Due to our extensive experience and competence, we were awarded the contract for realization of the German emergency relief information system deNIS II in 2002. The client was the Federal Office of Administration, a government office belonging to the Federal Ministry of the Interior.

deNIS II is used today by the Federal Office for Civil Defence and Natural Disaster Relief (BBK). It is available to a closed group of users comprising about 50 institutional groups. As it is connected to the joint situation and report centre of the Federal and state governments, the knowledge management system offers fast, dependable help in making decisions. Its system building blocks for reporting, situation and resource management provide sustained support for the coordination of relief units.

Effective Prevention Thanks to Predictive Scenarios

deNIS II shows exactly on digital maps where hazards have been localized. Even complex circumstances can be plainly visualized, enabling specific preventive measures with a high degree of efficiency. The use of the system is not tied to a specific location: relief units can also exchange information with deNIS II via personal digital assistants (PDAs).

The Safety and Security Information System (SaSIS) from PRO DV offers a solution for private business which companies can use to take care of critical or especially vulnerable infrastructures and facilities, for example.



Expansion of the System for Coordination Across Europe

Working with our client, we have continuously developed deNIS II further with respect to improved co-operation in an expanded Europe. An operative natural disaster, support and information management system, the solution promotes international coordination and the joint defence against hazards by public and operational institutions. Pursuant to this orientation, the system integrates competence and task areas which previously tended to operate separately as a consequence of their function or state affiliation.

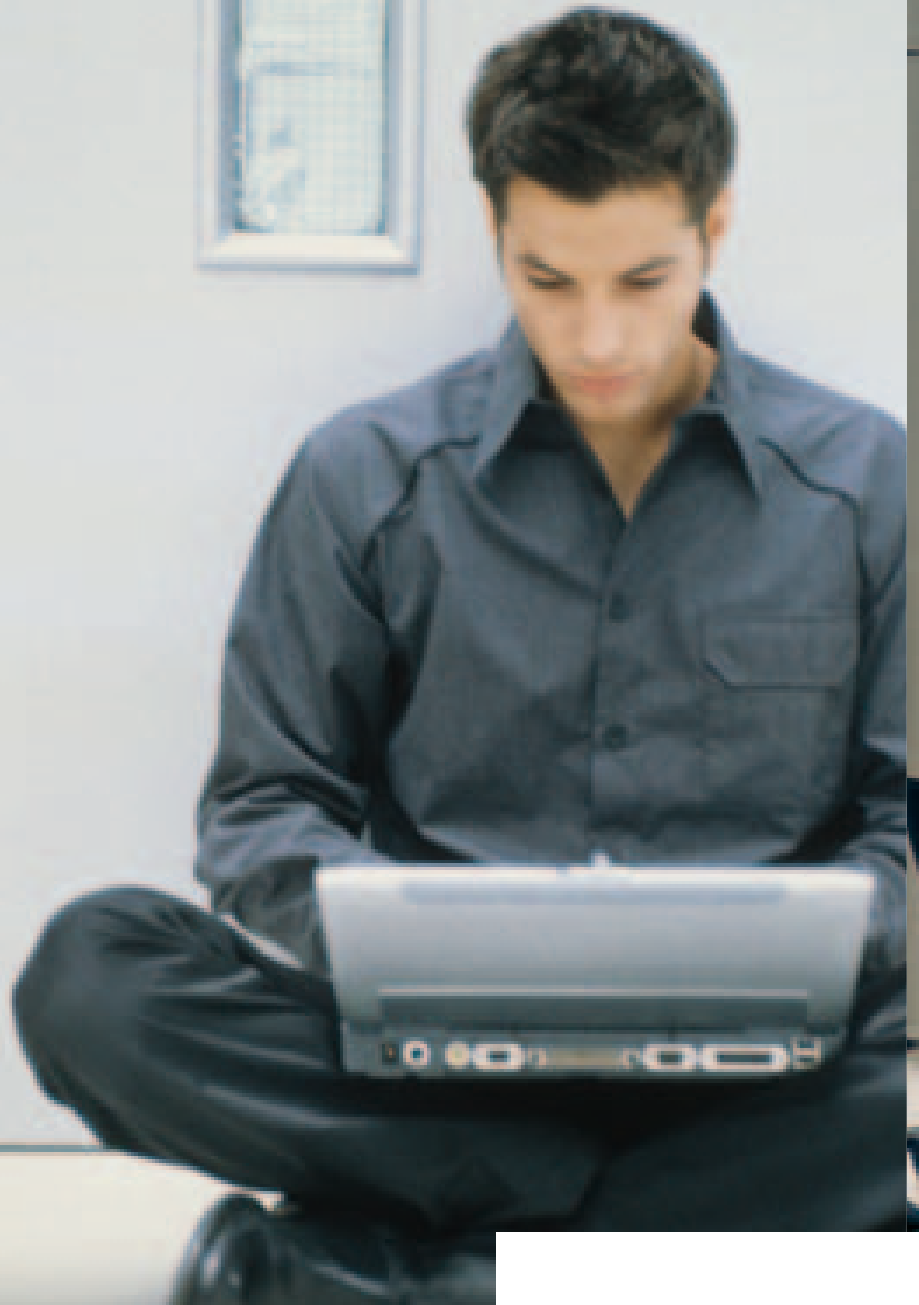
GeoPortal.Bund Secures Additional Data Sources

Additional geodata sources for emergency prevention and natural disaster management can also be accessed with the help of the "GeoPortal.Bund" which has also been established by PRO DV. In this complex geodata portal of the Federal Republic of Germany, the geographic information found in various government agencies and public institutions is collated, developed uniformly and made accessible across all boundaries. Data from diverse sources can be integrated into the processes and incorporated into geographic information systems of various producers. GeoPortal.Bund thereby serves as a central information source for administration, business, science and citizenry.

The grid data archive of the Lower Saxony State Surveyor's Office and Geobase Information (LGN), which was developed by the PRO DV subsidiary GeoTask, is a solution at the state level which is comparable to the concept of the GeoPortal.Bund.



Future as
Programme.
Investment
in Our Own
Products Pays
for Itself.





Extraordinary projects require somewhat longer lead time. In 2005, PRO DV invested mainly in the further development of its products. The focus was on solutions for civil defence and natural disaster protection. This strategy began to have an effect right at the beginning of 2006: the Federal government awarded us the contract for the expansion of the emergency relief system deNIS – a contract worth figures of seven digits which offers highly promising prospects.

Consolidated Management Report

Business and General Conditions

The year 2005, just as the years before, proved to be a year of challenges for midsize IT companies. The environment continues to be difficult and demanding for companies fighting to survive on the market. We were faced with continued reservation on the part of our clients to make major investments. Over the course of the year, however, there were indications of a slight break-up of the investment backlog which had built up in the past. Nevertheless, it was not possible to acquire orders in the volume which was initially expected. During the past fiscal year, orders for new projects with a total volume of EUR12.8 million were placed (2004: EUR17.1 million).

The order backlog for fixed-price projects as of 31/12/2005 amounted to EUR2.1 million (2004: EUR1.6 million). In addition, maintenance projects and other time and material projects in the amount of EUR3.1 million were ordered so that the order backlog for the entire Group totalled EUR5.2 million.

Economic Environment

It appears that a change in the way of thinking has begun in the demand for IT services and products. There is a recognizable tendency for companies to consider once again their use of IT from a strategic viewpoint. Consequently, IT is no longer seen as only a cost factor. Clients have learned from their experience in recent years when it comes to their requirements. They have become more demanding and goal-oriented. Universal applications are no longer at the centre of their attention. On the contrary, companies are now looking for concrete solutions to their specific problems. IT support is in demand for individual, customer-related processes - with the fastest possible ROI. As a consequence, knowledge of their clients' business processes is becoming increasingly important for providers.

In such a situation, providers who know their clients exactly will have good opportunities. Furthermore, it is necessary to combine software and services in such a way that projects can be carried out quickly and at low cost. It is of no minor significance for providers to have their own processes and cost structures so well under control that they can compete against low-price offers by giving high quality at fair prices.

Current Market Development

The lack of relief in the keen competition kept pressure on prices in 2005. On the client side, purchasers are aware of their negotiating position and were able to exploit the competitive situation to their advantage. IT providers must adapt to this situation today. PRO DV recognized this fact some time ago and responded accordingly: we take aim at the most important industries in Germany with our services. Besides telecommunications providers and utilities, public administration as well as financial service providers and banks are among the PRO DV clients.



Business for software providers and IT service providers, who profit from higher expenditures of companies for the modernization of their IT infrastructure, has improved in the last two years according to the Federal Association for IT Industry, Telecommunications and New Media (BITKOM). According to BITKOM surveys, the software market for system and application programs in 2005 amounted to about EUR16.1 billion. Turnover for IT services such as consulting, software implementation and IT outsourcing came to EUR27.9 billion nationwide in 2005.

Our growth potential on the IT services market is substantial for the future as well: with its share of 21.2%, the German IT market – ahead of Great Britain (20.5%) and France (14.9%) – is positioned as the most important one in western Europe. Globally speaking, Europe has a total volume of EUR293 billion, making it the second-largest IT market in the world (world market share 30%) – immediately after the USA with 32% (source: EITO).

Segments

Public administrations are given support during the re-engineering of their business processes with solutions for the segment Government. The combination of information, communication, transaction and participation is decisive for the efficient use of a large number of services for citizens, businesses and administrations, whereby we take into account important aspects such as procedures for security or verification. In the fields of food monitoring, forestry, information for citizens and, in particular, in civil defence and natural disaster protection, PRO DV applications create leaner processes and are used and promoted by organizations at the highest level.



Telecommunications companies and utilities counter the high pressures of competition and costs by optimizing their infrastructure and through customer loyalty programmes. Here is where the segment Telecommunications & Utilities, created by the merger of two divisions, offers support with specific solution packages in the areas of technical information systems, billing, knowledge management and customer care. The structural transformation of the energy market also confronts utilities with new challenges. Corporate mergers, unbundling, general cost pressure and new general legal conditions lead to the acceleration of measures to increase profitability. Applications based on service-oriented architectures (SOA) integrate heterogeneous applications such as network management solutions or workforce management solutions for the direction of service teams.

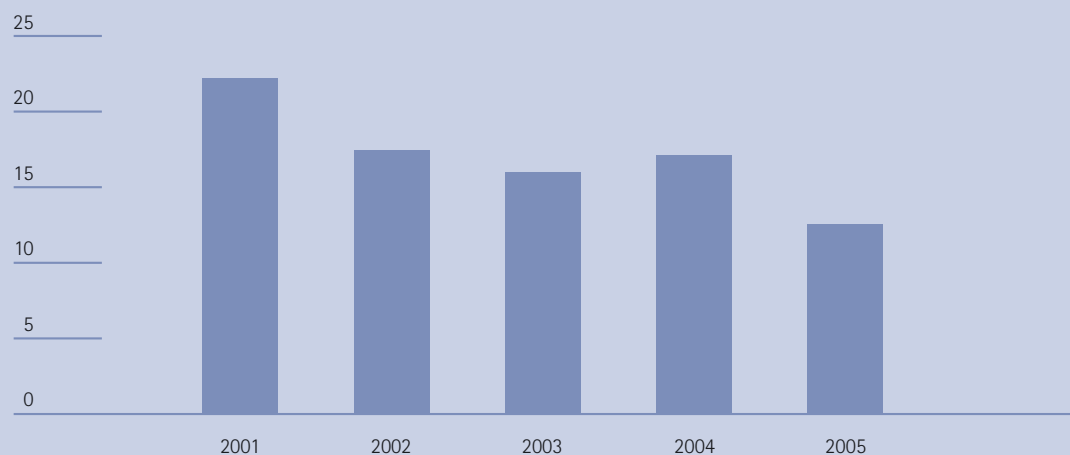
The segment Financial Solutions, previously known as Banking within the PRO DV Group, provides financial service providers as well as banks and savings and loans with products and solutions for optimization and control of cash logistics or for improvement of the creation, management, distribution as well as utilization and research of instructions and operational regulations in individual institutes and associations.

Overview of the Course of Business

In fiscal year 2005, sales of EUR12.6 million (2004: EUR16.8 million) were realized within the PRO DV Group. This drop in comparison with the previous year is essentially a consequence of two factors. The IT market has continued to be one of caution, and this, in combination with the ongoing keenly competitive situation has prevented PRO DV from being able to demand the prices on the market which were possible some years ago. Moreover, a greater share of resources has been bound up with R&D expenditures and the further development of our solutions in the field of natural disaster protection.

After being set off against payments on account, the work in progress amounted to EURO.5 million (2004: EURO.7 million). No development performance was capitalized.

Sales revenues



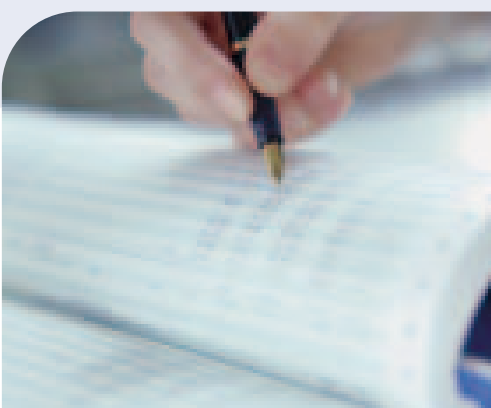
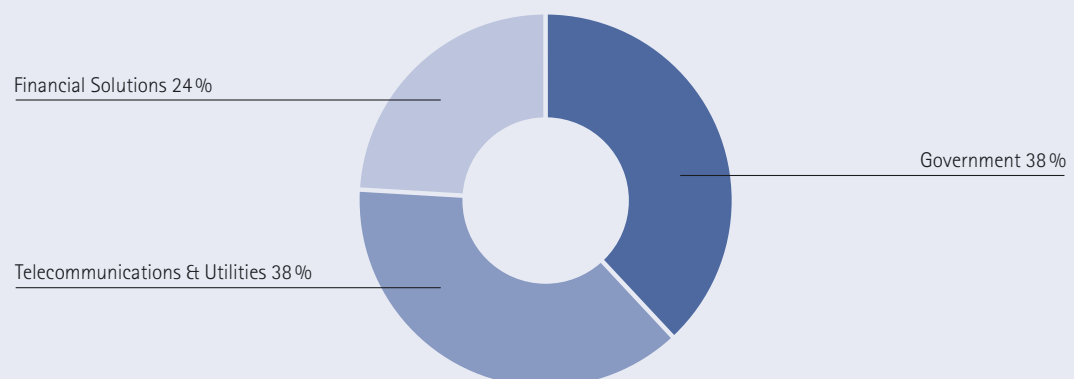
Sales revenues in EURm

	2005	Share	2004	Share
Government	4.7	38 %	6.9	41 %
Telecommunications & Utilities	4.8	38 %	6.8	41 %
Financial Solutions	3.1	24 %	2.0	12 %
Industry (discontinued in 2004)	-	-	1.1	6 %
Group	12.6		16.8	

In 2005, proportionate order earnings from production orders were shown under sales for the first time. It is therefore not necessary to determine overall performance separately.

A comparison of the segments shows that the Financial Solutions Division has gained in substance. Since the establishment of the division in 2004, the share of turnover has doubled from 12% to the current 24%. The major reasons for this are primarily the expansion of the current client business with banks and savings and loans as well as the encouraging development of new client acquisition. For example, the Company was able to acquire the Postbank as a new account last year.

The weighting of the two segments Telco & Utilities and Government, on the other hand, has remained virtually constant. However, a decrease in existing business has been noted in both divisions. We are seeking to counter this trend by making investments in the development of new products. The delays in the orders from natural disaster protection meant that in 2005 it was not yet possible to realize the planned turnover in the Government Division. Nevertheless, we assume that this gap will be closed in the current fiscal year.



Staff Development

In 2005, an average staff of 181 (2004: 198) was employed in the PRO DV Group. This value is based on the full-time equivalent, i.e., part-time staff, vocational trainees and interns were taken into account proportionately.

Significant Events of the Fiscal Year

PRO DV entered a partnership in the sector of civil defence and natural disaster protection with ORACLE Deutschland GmbH in March. The cooperative venture covers the joint development and marketing of a solution for cross-organizational management of wide-area hazard situations. This comprehensively supports the operative and preventive work of crisis squads at the national, state and district levels and of relief organizations, with an orientation to practical application. Control centres, scheduling tools and simulation models as well as geodata records are integrated on a portal basis into a crossover decision support system. As a whole, the civil defence and natural disaster protection system is characterized by intuitive, error-tolerant operation as well as actor-specific presentation of information related to the relevant event.

As of 01/05/2005, PRO DV took over 100% of the Swiss geo-specialist GeoTask AG and added it to the list of consolidated companies. The product portfolio of GeoTask, headquarters in Basle, concentrates on geo-tools and metadata information systems. Customers such as the Swiss Postal Service, swisscom, the Swiss State Topography Office and the State Surveyor's Office Lower Saxony put their trust in products from GeoTask.

The g.business Suite from GeoTask expands PRO DV's offers by adding a product line for integrated, process-oriented networking of existing geodata and geographic information systems. The components, based on a modular structure in conformity with ISO and OGC standards, meet the most demanding requirements for modern infrastructures and create significant benefits by mapping a view centred on users and context.

In 2004, a suit related to the acquisition of the shares of concept software GmbH in 2000 was filed at the Regional Court Dortmund by Mr Carsten Gebhardt and Mr Ulrich Kretschmer against PRO DV Software AG. Additional explanatory comments on this situation will be found in the Notes.

Research and Development

In the past fiscal year, we invested engineer services of about 16 billable years (2004: 14 billable years) in development for the Group. A major share of these investments were in the continuous further development in the area of modern service-oriented technologies and platforms and the services and solu-



tions based on them, such as in the fields of natural disaster protection, geodata infrastructures, infrastructure management and financial management.

Profitability

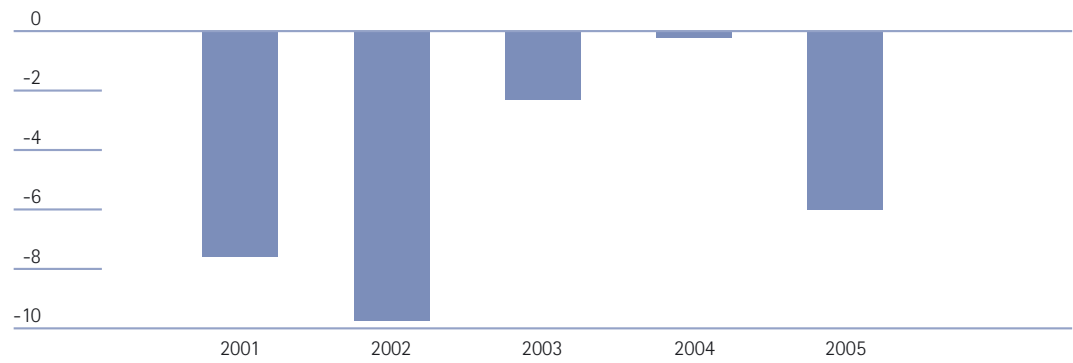
The operative result (EBIT) of the PRO DV Group in the past fiscal year amounted to -EUR5.8 million (2004: -EURO.1 million) after income from interest. The consolidated result was calculated at -EUR4.8 million (2004: -EURO.9 million). The result per share came to -EUR1.12 (2004: -EURO.21).

A significant reason for this development was the deployment of resources used to drive forward the topic of natural disaster protection at PRO DV. As early as the first half of 2005, we had to accept a result of EUR2.5 million as a consequence of this strategic decision. Since the development expenditures have not yet been countered by any earnings, the negative operative results increased further as of the end of the year.

In addition, a suit related to the acquisition of the shares of concept software GmbH was filed at the Regional Court Dortmund by Mr Carsten Gebhardt and Mr Ulrich Kretschmer against PRO DV Software AG. In 2005, this suit was changed from an affirmative action for a right into an action for performance, and on 11/01/2006 PRO DV was ordered to pay the amount of EURO.7 million to each of the former shareholders who brought the suit. Even though PRO DV will appeal this decision, it was necessary to create a provision in the amount of EUR1.5 million.



EBIT



Results According to Segments

Result in EURm

	2005	2004
Government	-3.1	-0.1
Telecommunications & Utilities	-1.6	-0.4
Financial Solutions	0.1	-0.1
Industry (discontinued in 2004)	-	-1.4



The results in the Government Division were significantly affected by investments in the field of the strategic topic of natural disaster protection. The available capacities were used for advance performance in development which will not affect the results until 2006 due to the postponement of an order. The situation is similar in the Telecommunications & Utilities Division. Investments in future developments were made here last year as well so that new products and services would maintain the Company's competitiveness on the market.

The results in our Financial Solutions Division have developed positively. Besides the good utilization of capacities in existing client business, the Division was further expanded by the acquisition of new accounts such as the Postbank.

Explanatory Comments on Results Structure

Personnel expenses in 2005 amounted to EUR12.0 million. In comparison with the previous year, the costs fell by 7%, a consequence of the slight drop in the size of staff and of the results-oriented compensation model. Expenditures for material and third-party services remained at a constant level in comparison with the previous year of EUR1.1 million. There were no write-offs on goodwill in 2005. The operating result before depreciation (EBITDA) amounted to -EUR5.2 million (2004: -EUR0.7 million).

Owing to the provision created in response to the decision in the litigation related to the concept software GmbH of EUR1.5 million, other operating expenses in 2005 rose to EUR5.5 million. This is an increase of slightly more than one million euros in comparison with 2004.

Financial Position

Principles of Financial Management

The financing of the PRO DV Group is handled centrally by the parent company. PRO DV Software AG thereby assumes the commitment of maintaining the liquidity of the Group companies. This is achieved especially by the provision of funds within the framework of the Group financial transactions. A financial equalization within the Group achieves a reduction of the volume of debt financing as well as an optimization of the cash and capital investments of the Group, positively affecting the financial result. Additional explanatory comments on receivables and liabilities can be found in the Notes.

A provision of EUR1.5 million was created to cover the liability from the litigation related to concept software GmbH.

Liquidity Analysis

The cash flow from operations in the past fiscal year came to -EUR4.4 million (2004: -EUR1.9 million). The cash flow from investment activity came to -EUR0.9 million (2004: EUR3.9 million), whereby the investment activities in 2004 were marked by the sale of tangible assets in the amount of EUR3.9 million. Due to the reduction of liabilities in fiscal year 2005, the cash flow from financing activities came to -EUR0.1 million.

Investments

In fiscal year 2004, we invested a total sum of EUR0.4 million (2004: EUR0.4 million). Of this amount, EUR0.2 million was spent on property, plant and equipment and EUR0.2 million on intangible fixed

assets. One focal point in the area of fixtures, fittings and equipment was the internal IT infrastructure. Maintaining this structure at a modern and secure level ensures the performance capability of our team. Moreover, an investment of EUR0.8 million was made in the acquisition of shares of GeoTask AG, Basle (Switzerland).

Assets and Liabilities

The balance sheet total of the PRO DV Group as of 31/12/2005 amounted to EUR22.2 million (2004: EUR25.9 million). As of the closing date, equity amounted to EUR15.3 million (2004: EUR20.1 million). This corresponds to an equity ratio of 69%. Based on capital subscribed of 4.3 million no-par shares issued to the bearer, the equity per share (book value) comes to EUR3.56.

As of the closing date, financial resources amounted to EUR10.5 million (2004: EUR15.9 million), whereby in 2004 the sale of tangible assets resulted in a one-time inflow of EUR3.9 million. When compared to the current liabilities of EUR5.3 million, the Group has a cash ratio of 1.99. The Group's outstanding liquidity basis is further underscored by an acid test ratio of 2.54 and a current ratio of 2.64.

Current assets as of 31/12/2005 amounted to EUR14.0 million (2004: EUR19.7 million), a ratio of 63% (2004: 76%) in relationship to total assets. In other words, more than half of the Company's assets are tied up only for the short term. This enables the Company to respond flexibly to changes in the market situation.

Supplementary Report

In the middle of February, the Federal Ministry of the Interior awarded the expected contract for the expansion of the civil defence and natural disaster protection system already in use by the Federal government to PRO DV. New functionalities will aid the relief forces in comprehensively visualizing and assessing wide-area hazard situations and in coordinating the necessary relief efforts across organizational boundaries. The order in the seven-digit figures in euros is comprised of services and to a major degree of licensed products which will immediately affect turnover and earnings. PRO DV has made substantial investments in the development of its own products in the past fiscal years, and this order, with its signal effect, is only the first fruit of these investments.

This large contract meant a successful start to the year 2006 for PRO DV. In view of the orders already received, the currently good utilization of our capacities and the further potential, we are optimistic for the current year. We have summarized additional details in the forecast report.

Otherwise, there have been no events of major significance within the Group since 31/12/2005.



Risk Report

Risk Policy

The PRO DV risk policy aims at increasing company value systematically and continuously and at achieving the middle-term financial targets. Reasonable, discernible and manageable risks are more likely to be taken and borne whenever they are related to the establishment and utilization of the success potential of the Group's core competencies and the opportunities inherent in the risks allow a reasonable increase in value to be expected. Risks which are not related to core processes are not taken. The aggregate of the scope of the risks may not as a whole exceed the existing risk coverage potential of PRO DV. Our conduct with respect to suppliers, customers and the Company is fair and responsible.

Risk Management System

The Management Board has issued Group-wide instructions to create the framework for systematic and efficient risk management, taking into account the provisions of the "Corporate Sector Supervision and Transparency Act" (KonTraG), thus exercising its overall responsibility to the Group. This risk management system supports the discovery of risk items, their optimization and the exploitation of opportunities. Operative management has direct accountability for the early recognition, control and communication of the risks, while the next-higher level in each case is responsible for controlling.

The people in charge of the segments report on the occurrence, status and major changes in significant risks within the scope of the risk management system and in the regular reporting. The risk reporting also includes information from the aforementioned responsible people to the Management Board every two weeks concerning the current risk position.

Essentially the risks involve project and costing risks from current fixed-price orders. As early as 1994, PRO DV introduced a quality management programme in accordance with ISO 9001 to improve internal processes. It has been continuously adapted to the latest developments ever since that time.

Risks of Information Security

In view of the at times in-depth integration of IT-supported business processes between the Group companies and with clients, suppliers and business partners, the risks related to information security in particular are increased. Consequently, there is a constant examination, adaptation and improvement of the information technologies in use to ensure secure handling of business processes. The measures for information security already in place are constantly being developed further so that the risks inherent in the IT-supported integration of the business processes are eliminated or at least limited.



Project Risk

Client projects and internal development projects are coordinated and managed at PRO DV by experienced project managers. Moreover, our project managers are supported in their tasks by a company-wide management and controlling system. Risks of default in projects are minimized at PRO DV by concluding agreements for advance payments with clients, especially for projects at fixed conditions. A risk of default for supply deliveries is avoided by our cooperation with large, well-known partners.

Fiscal Risks

PRO DV Software AG is responsible for the financial independence of the Group. In view of this accountability, an optimization of Group financing and a minimization of fiscal risks are pursued. Moreover, liquidity analyses and forecasts, updated monthly, are prepared for PRO DV Software AG and, in particular, for the subsidiaries as part of a continuous process.

Litigation Risks

Current litigation risks are described in more detail in the Notes.

Personnel Risks

The competence of the staff is a significant factor for the development of PRO DV and for the recognition and successful management of risks. To secure and strengthen this competence, PRO DV will continue to position itself as an attractive employer and strive to ensure the long-term loyalty of employee potential.

Risks of Future Development

Sales activities have been further intensified to ensure that capacity is always utilized to the full. We are continuing our strict cost management as well. These measures, in combination with the more favourable economic outlook and the consequent improvement of the market situation, will contribute to a further optimization of the profitability.

Furthermore, there are currently no further discernible risks which could lead to a long-term adverse effect on the assets, liabilities, financial position and profitability.

Forecast Report

Development of the Economic Environment

According to statements by the industry association BITKOM, business for software providers and IT service providers will be slightly better in 2006 than in the previous years. According to BITKOM estimates, the software market for system and application programs in 2006 will grow by about 5% to EUR16.1 billion. Turnover for IT services such as consulting, software implementation and IT outsourcing is also expected to rise by a good 4.5% to EUR29.2 billion.

Business Outlook 2006

Just as BITKOM, we expect an upswing in the development of orders, turnover and earnings for the current year 2006. These expectations are borne out in particular by the first awarded contract from the Federal government in the area of natural disaster protection. Moreover, we regard this initial great success as a milestone and confirmation for our strategy of rigorously pursuing the topic of natural disaster protection.

Based on our sustained sales work in combination with our bundled know-how, we are confident that we will be able to convince additional clients of the benefits of our solution in this year. We are expecting additional contracts from the German states in the current fiscal year.

Moreover, we also expect growth from our portfolio in the field of service-oriented architectures and our geo solutions in 2006. We are realizing additional successes from invitations to tender offers for geo-portal solutions of the states. Our intensive preparations and the cooperation with our partners Oracle and SAP have secured an excellent position on the market for us.

In view of these general conditions, we predict a substantial increase in turnover and earnings in comparison with last year for fiscal year 2006. Based on all of these factors, we are confident that we will be able to achieve the turnaround in 2006 and expect a positive operating result for the current fiscal year.

Dortmund, 23 February 2006

The Management Board



Klaus Bullmann



Udo Bücher



Uwe Osterkamp



Annual Accounts

Contents

- 60 PRO DV in figures
- 66 Notes
- 95 Auditor's Opinion



PRO DV in figures

Consolidated balance sheet to IAS/IFRS

		Financial statement 31/12/2005 TEUR	Financial statement 31/12/2004 TEUR
Assets			
Non-current assets			
Property, plant and equipment	(9, 25)	3,066	3,215
Intangible assets	(10, 25)	658	175
Goodwill	(11, 26)	1,769	984
Investments	(12, 27)	3	3
Other financial assets	(13, 28)	10	-
Other non-financial assets	(14, 29)	160	184
Deferred taxes	(15, 30)	2,614	1,713
Total non-current assets		8,280	6,274
Current assets			
Inventories	(16, 31)	15	7
Receivables from construction contracts	(17, 32)	531	719
Trade accounts receivable	(13, 33)	2,343	2,792
Other financial assets	(13, 34)	65	48
Other non-financial assets	(14, 35)	411	157
Cash and Cash Equivalents	(13, 36)	10,506	15,895
Deferred expenses	(18, 37)	97	52
Total current assets		13,968	19,670
Total assets		22,248	25,944

		Financial statement 31/12/2005 TEUR	Financial statement 31/12/2004 TEUR
Liabilities and shareholders' equity			
Shareholders' equity	(19, 38)		
Share capital		4,300	4,300
Capital reserve		13,772	17,398
Retained Earnings		10	10
Differences from currency translation		-3	-
Accumulated deficit		-2,775	-1,592
Minority interest		-	-
Total shareholders' equity		15,304	20,116
Non-current liabilities			
Provisions for deferred taxes	(15, 39)	274	311
Other financial liabilities	(20, 40)	811	891
Deferred income	(21, 41)	576	617
Total non-current liabilities		1,661	1,819
Current liabilities			
Other provisions and accrued liabilities	(22, 42)	2,641	1,213
Trade accounts payable	(20, 43)	384	449
Liabilities from construction contracts	(23, 44)	289	282
Other financial liabilities	(20, 45)	745	710
Other non-financial liabilities	(24, 46)	1,139	1,132
Deferred income	(21, 47)	85	223
Total current liabilities		5,283	4,009
Total liabilities and shareholders' equity		22,248	25,944

**Consolidated income statement
to IAS/IFRS**

		4th Quarter 2005 01/10/2005- 31/12/2005 TEUR	4th Quarter 2004 01/10/2004- 31/12/2004 TEUR	Year 2005 01/01/2005- 31/12/2005 TEUR	Year 2004 01/01/2004- 31/12/2004 TEUR
Sales revenues	(49)	3,666	4,500	12,608	16,802
Other operating income	(51)	-7	1,873	588	2,120
Cost of purchased materials and services	(52)	-356	-472	-1,140	-1,165
Personnel expenses	(53)	-2,942	-3,029	-12,064	-12,907
Depreciation	(54)	-150	-179	-610	-741
Amortization (and impairment) of goodwill	(54)	-	-	-	-15
Other operating expenses	(55)	-2,653	-1,468	-5,517	-4,460
Interest income	(56)	56	61	339	272
EBIT		-2,386	1,286	-5,796	-94
Interest expense	(56)	-28	-53	-58	-85
EBT		-2,414	1,233	-5,854	-179
Income tax	(57)	786	-739	1,045	-735
Result before minority interest		-1,628	494	-4,809	-914
Minority interest	(58)	-	-	-	-
Net income/loss		-1,628	494	-4,809	-914
Loss brought forward	(38)			-1,592	-2,470
Withdrawal from capital reserve	(38)			3,626	1,792
Accumulated deficit				-2,775	-1,592
Net income per share (basic/diluted)	(59)	-0.38	0.11	-1.12	-0.21
Weighted average shares outstanding (basic/diluted)	(59)	4,300,000	4,300,000	4,300,000	4,300,000

Consolidated cash flow statement to IAS/IFRS

		Year 2005 01/01/2005- 31/12/2005 TEUR	Year 2004 01/01/2004- 31/12/2004 TEUR
Cash flows from operating activities			
Net loss before tax		-5,854	-179
Depreciation of property, plant, equipment and intangible assets	(54)	610	756
Changes in invalid payments		-3	-
Interest income	(56)	-339	-272
Interest expense	(56)	58	85
Operating profit before working capital changes		-5,528	390
- Gains and + Losses from disposal of fixed assets		2	-1,773
- Increase/+ Decrease non-current assets		14	-48
+ Increase/- Decrease non-current liabilities		-122	-212
		-106	-2,033
- Increase/+ Decrease current assets			
Inventories	(31)	-8	16
Receivables from construction contracts	(32)	319	10
Trade receivables	(33)	526	-413
Other assets	(34, 35, 37)	-220	248
+ Increase/- Decrease current liabilities			
Short term provisions and accrued liabilities	(42)	1,277	441
Trade payable	(43)	-325	149
Liabilities from construction contracts	(44)	-43	-995
Other liabilities	(45, 46, 47)	-304	242
		1,222	-302
Cash generated from operations		-4,412	-1,945
Interest paid	(56)	-58	-85
Taxes earned		73	146
Net cash used in operating activities		-4,397	-1,884
Cash flows from investing activities			
Proceeds from the disposal of fixed assets		-	3,947
Disposal of consolidated companies net of cash sold	(26)	-844	-
Payment for investments in fixed assets	(25)	-415	-353
Interest received	(56)	339	272
Net cash used in investing activities		-920	3,866
Cash flows from financing activities			
Cash repayments of credits	(40)	-822	-66
Cash payments of credits	(40)	750	-
Net cash used in financing activities		-72	-66
Net increase/decrease in cash and cash equivalents		-5,389	1,916
Cash and cash equivalents at beginning of period	(36)	15,895	13,979
Cash and cash equivalents at end of period	(36)	10,506	15,895

Cash and cash equivalents corresponds to balance sheet's cash and cash equivalents.

**Changes in fixed assets
for 2005 to IAS/IFRS**

Cost of acquisition

	01/01/2005	Additions through acquisitions	Additions	Disposals	31/12/2005
	TEUR	TEUR	TEUR	TEUR	TEUR
Tangible assets					
Lands and buildings	3,156	-	-	-	3,156
Other facilities, office furniture and equipment	3,223	24	243	266	3,224
Total tangible assets	6,379	24	243	266	6,380
Intangible assets					
Software and licences	1,026	507	172	7	1,698
Self-produced intangible assets	859	-	-	-	859
Total intangible assets	1,885	507	172	7	2,557
Goodwill	2,400	785	-	-	3,185
Financial investments	3	-	-	-	3
Total fixed assets	10,667	1,316	415	273	12,125

Depreciation				Book value	
01/01/2005	Additions	Disposals	31/12/2005	31/12/2005	31/12/2004
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
643	104	-	747	2,409	2,513
2,521	310	264	2,567	657	702
3,164	414	264	3,314	3,066	3,215
911	141	7	1,045	653	115
799	55	-	854	5	60
1,710	196	7	1,899	658	175
1,416	-	-	1,416	1,769	984
-	-	-	-	3	3
6,290	610	271	6,629	5,496	4,377

PRO DV Software AG

IAS/IFRS Notes to the Consolidated Annual Accounts as of 31/12/2005

A. Basic Principles and Methods

(1) General

The PRO DV Group is a corporate group with 5 subsidiaries and currently employing a staff of about 185, cf. (53).

Parent company of the Group is PRO DV Software AG; its headquarters are located at Hauert 6, 44227 Dortmund, Germany.

The objective of the Group is to offer to its clients holistic, process-oriented consulting services which cover the development of Internet-capable information systems, including system integration and maintenance of the solutions. The range of services includes training programmes for the staff as well as customer care services. Within the scope of its crossover consulting and integration services, the Company makes use of its own software components, either independent of or specific to industries, as well as standard software components of other producers. If required, customized solutions for the individual clients are developed and programmed during the project on the basis of these software components. All of the products developed by the Company can be used on the Internet and on intranets.

(2) IFRS Conformity

PRO DV Software AG has prepared these consolidated annual accounts in accordance with the provisions of the standards issued by the International Accounting Standards Board (IASB), London, and the IFRS (International Financial Reporting Standards) which were in force on the closing date. The IFRS as they are to be applied in the EU, the supplementary commercial law statutes stipulated by Section 315a HGB (Commercial Code) as well as the IFRS overall were taken into account for the preparation of the consolidated annual accounts. If and when the IAS (International Accounting Standard) issued by the predecessor organization of the IASB, the International Accounting Standards Committee (IASC), was valid on the closing date, said standard was applied. In the following Notes, the form IAS/IFRS will be used for general reference. Specific references will show the relevant standard, e.g., IAS 12 or IFRS 1.

The consolidated annual accounts comprise: consolidated balance sheet, consolidated income statement, capital flow statement and IAS/IFRS Notes, including statement of retained earnings. The consolidated annual accounts have been prepared in euros (EUR). If a degree of precision other than EUR is used, e.g., TEUR, it is shown in the appropriate designation of the dimensions.

(3) Balance Sheet Date

The balance sheet date for the companies covered by the consolidated annual accounts is in each case 31 December of each year. The reporting period covered in these annual accounts is the period from 01 January 2005 – 31 December 2005.

(4) Corporate Governance

The Management Board and the Supervisory Board submitted a declaration of conformity in the sense of the German Corporate Governance Codex (Section 161 HGB) on 10/11/2005 and have made the declaration accessible to shareholders on the Company's Web site.

(5) Date of publication

It is planned to release the annual accounts for publication on 24/03/2006. The release will be approved by the Management Board and the Supervisory Board.

(6) Consolidation Methods**Consolidated Companies**

All of the subsidiaries of the parent company are included in the consolidated annual accounts of PRO DV Software AG in accordance with the principles of IAS 27.

The consolidation therefore includes the following companies:

Name	Registered office	Shareholding	Life
PRO DV Financial Solutions GmbH ¹	Agrippastr. 45, 50676 Cologne Germany	80 %	01/01/05–31/12/05
pro dv online gmbh	Kapellenstr. 10, 85622 Feldkirchen Germany	100 %	01/01/05–31/12/05
Immobilienverwaltungs- gesellschaft Hauert 6 mbH & Co. KG	Hauert 6, 44227 Dortmund Germany	100 %	01/01/05–31/12/05
GeoTask GmbH	Hauert 6, 44227 Dortmund Germany	100 %	15/03/05–31/12/05
GeoTask AG Basle	Margaretenstr. 38, 4053 Basle Switzerland	100 %	10/05/05–31/12/05

¹PRO DV Software GmbH changed the company name to PRO DV Financial Solutions GmbH and moved its headquarters from Dresden, Manfred-von-Ardenne-Ring 15, to Cologne, Agrippastr. 45.

The following companies have not been included in the consolidation:

Name	Registered office	Number of Votes	Life
VR-Leasing Milvus GmbH & Co. Immobilien KG	Hauptstr. 131–137 65760 Eschborn, Germany	24 %	01/01/05–31/12/05

Changes in the Group

All of the shares of K & L Verwaltungsgesellschaft mbH were acquired by PRO DV Software AG on the basis of a purchase and conveyance contract dated 15/03/2005. The company was renamed Geo Task GmbH.

All of the shares of GeoTask AG were transferred to PRO DV Software AG, effective as of 01/05/2005, on the basis of a purchase and assignment contract dated 10/05/2005.

Consolidation Principles

The consolidated annual accounts cover PRO DV Software AG and the companies which it controls. Control normally exists if the Group, directly or indirectly, holds more than 50% of the voting rights in a company and can govern its financial and operating policies.

Debt is consolidated in accordance with IAS 27. Intragroup receivables and liabilities among the companies included in the consolidated annual accounts are set off against each other. Income and expenses are consolidated in accordance with IAS 27 by setting off intragroup income and expenses against each other.

Deferred taxes are to be recognized for consolidation measures affecting results to ensure a suitable statement of the taxes on income.

The purchase method of accounting is applied for acquired companies (IAS 22 previous or IFRS 3). Companies acquired during the fiscal year are included in the consolidated annual accounts as of the date of acquisition.

Companies which no longer meet the criteria of a subsidiary are excluded from the full consolidation (IAS 27.24). The point in time of the final consolidation is always determined by the date of the subsidiary's leaving the Group, i.e., the date on which the parent company loses control. The results of the final consolidation are calculated by contrasting the revenue from the sale with the disposal values of the assets and liabilities shown in the consolidated annual accounts.

(7) Currency Translation

The annual accounts of the consolidated companies abroad were translated into euros in accordance with the concept of the modified closing-date method. Assets and debts are translated at the mean exchange rate (= spot price) on the balance sheet date, while the income statement is translated at the annual mean exchange rates. Resultant translation differences are posted in shareholders' equity without effect on results. The goodwill resulting from the capital consolidation is carried forward at the historical acquisition values. The balance sheet exchange rate for the Swiss franc came to EURO.64305, the income statement mean rate came to EURO.64479.

(8) Reorganization of the Balance Sheet and Income Statement Structure

IAS 1 in the currently applicable revision is to be applied for the first time in the first reporting period of a fiscal year beginning on 01 January 2005. The new standard made an adjustment in the structure of the balance sheet and income statement necessary. It was possible to retain the presentation in short-term and long-term assets and in short-term and long-term debt as separate structural groups in the balance sheet.

All assets and liabilities which are due or must be realized within the next 12 months are deemed short-term (IAS 1). All of the comparison information of the previous year was adapted to the new structure in the accounts. Explanatory comments on the individual items can be found in Section C. A transition account shows in detail the changeover to the new balance sheet structure, cf. (48).

B. Methods of Accounting and Evaluation

Non-current Assets

(9) Tangible Assets

Items of plant, property and equipment are measured at cost of acquisition or manufacture, less subsequent depreciation, in accordance with IAS 16. Items are depreciated according to both the straight-line and the declining balance methods. Buildings are amortized over a useful life of 25 years, fixtures, fittings and equipment over a useful life of 3 – 13 years. Items of plant, property and equipment whose cost of acquisition does not exceed EUR410.00 in the year of their addition are always depreciated in full immediately. This does not apply to the initial furnishing of office space.

Financing expenses are not capitalized, but are recognized immediately as expenses at the time they are incurred.

Repair and maintenance costs are recorded as expenses at the time they are incurred. Expenditures for modernizations and significant improvements are capitalized.

Plant, property and equipment used on the basis of leasing agreements are capitalized and depreciated in accordance with IAS 17 if the criteria of "finance lease" are met. The objects currently leased (e.g., motor vehicles) do not meet these criteria and are consequently not capitalized.

Write-offs on tangible assets are contained in the item write-offs on tangible and intangible fixed assets in the income statement.

(10) Intangible Assets

Purchased Intangible Assets

Purchased intangible assets are to be measured at the cost of acquisition. They are regularly amortized according to their useful life by the straight-line method over a period of three to five years. Unscheduled write-offs were not taken.

Write-offs on intangible assets are contained in the item write-offs on tangible and intangible fixed assets in the income statement.

Software Development Costs

Software development costs are always recognized as expenses in the income statement for the year in which they are incurred. However, costs which are clearly attributable to a development and for which future economic benefits can probably be expected are capitalized as self-created intangible assets. No self-created intangible assets were capitalized in 2005. Self-created intangible assets recognized on the balance sheet from previous years are amortized in total over a useful life of 5 years.

(11) Goodwill

Goodwill represents the difference between the cost of acquisition for the purchase of the company and the acquired share of the fair value of the identifiable assets and liabilities on the date of acquisition.

According to IFRS 3, scheduled amortization of goodwill is no longer permitted. Instead, an impairment test is conducted. The result of the test was that no allowances were created for goodwill.

(12) Investments

Investments are capitalized at acquisition cost on the trade date. The subsequent valuation on the balance sheet date is performed by classifying investments in the category of financial assets available for sale. The valuation must always be made according to the attributable current value, provided that there is a market price for these assets. The financial investments made in PRO DV AG are not traded on an active market. Since the attributable current value cannot be determined precisely, the subsequent valuation is done at acquisition costs.

(13) Other Financial Assets

In the PRO DV Group, financial instruments are essentially classified under the category "Loans and receivables".

Inventories, trade receivables or construction contract receivables are valued at nominal value. Reasonable valuation allowances are created for any doubtful debt or receivables subject to discernible risks; uncollectible accounts are written off in full.

Cash and cash equivalents are classified in the category of "financial assets available for sale" and valued at the attributable current value corresponding to the nominal value with respect to liquid assets in euros.

For short-term receivables and liabilities, the net book values always correspond to the nominal amount or the repayment amount.

Purchases of financial assets usual on the market are generally included in the balance sheet on the trade day, i.e., the capitalization takes place on the day on which the financial asset is delivered to the company. The liability resulting from the acquisition is shown under the liabilities at the same time.

(14) Other Non-financial Assets

Receivables which are not based on a contract are by definition not finance instruments and are not covered by the scope of application of IAS 32 and IAS 39. The valuation of these assets is done at the value of the performance or, in the case of tax reimbursements, at the nominal value of the reimbursement. Interest is paid on long-term non-cash receivables over the performance period.

(15) Deferred Taxes

Reserves for deferred taxes, both for temporary differences and deferred tax credits from tax losses brought forward, were created in accordance with IAS 12. The deferred taxes were measured at a tax rate which is expected to apply to the period in which an asset is realized or a liability is settled. A charge of 40% was presumed as the future tax rate in Germany (for corporation tax, solidarity surcharge and trade tax). A tax rate of 24% was assumed for GeoTask AG (Switzerland). Temporary differences result primarily from the differences between the recognition of land and development costs on the balance sheets according to tax and commercial laws and from the percentage of completion method for the measurement of work in progress. In addition, consolidation entries affecting profit in the consolidated annual accounts are recorded to the extent that they lead to temporary differences. Deferred tax assets were created only to the extent that a corresponding taxable income is expected for the future.

Current Assets

(16) Inventories

The inventories shown are maintained for sale in the usual course of business. The valuation of inventories is done according to the acquisition cost principle, cf. IAS 2.

(17) Receivables from Construction Contracts

The receivables from construction contracts represent client contracts which have not been completed. According to IAS 11, construction contracts should, under certain circumstances, be recognized according to the percentage of completion method. Application of this method means that the contract revenues are shown as realization of profit in the income statement of the reporting period in which the work is done and proportionate to the stage of completion of contract activity. Revenues from fixed price contracts are recognized according to profit realization on the basis of the degree of completion. They are calculated according to the percentage of estimated total costs for each contract represented by the internal and external expenditures incurred as of the reporting date. To ensue clarity, the advance payments received from clients are shown separately from the receivables from construction contracts. In accordance with IAS 11.42 and following, construction contracts with a balance due from customers are shown as assets.

(18) Deferred Expenses

Assets are deferred as necessary to maintain the principle of accrual accounting (cf. IAS 1.25). They are shown as a separate item to aid understanding of the consolidated annual accounts.

Shareholders' Equity

(19) Equity Instruments

The equity of a company is calculated as the residual balance from assets less debts. It represents the balance sheet imaging of a contract between the issuer of an equity instrument and the holder of the same at the issuing company in that the holder's claim to the residual value equity is embodied.

Non-current Liabilities

(20) Other Financial Liabilities

Trade liabilities as well as other liabilities classified in the category Other financial liabilities are valued at the net book values, applying the effective interest method.

(21) Deferred Income

Debts are deferred as necessary to maintain the principle of accrual accounting, cf. IAS 1.25. They are shown as a separate item to aid understanding of the consolidated annual accounts.

Current Liabilities

(22) Other Provisions and Accrued Liabilities

Other provisions are created in the amount which, according to reasonable commercial judgement on the balance sheet date, is required to cover future payment obligations, discernible risks and uncertain liabilities of the Company. In accordance with IAS 37, the amount is allocated which, upon careful review of the circumstances, is shown to be most probable. If it was not possible to create a provision because one of the stipulated criteria was not met, the corresponding obligations are shown under possible debt.

(23) Liabilities from Construction Contracts

The liabilities from construction contracts do not represent financial liabilities because they will be settled by the performance of services.

(24) Other Non-financial Liabilities

Liabilities which are not based on a contract are by definition not finance instruments and are not covered by the scope of application of IAS 32. Non-financial liabilities are valued at the amount of the probable utilization or the performance amount.

C. Explanatory Comments on the Consolidated Balance Sheet

Non-current Assets

(25) Fixed Assets Movement

The detailed development of the fixed assets can be seen in the consolidated fixed assets movement. The acquisition of fixed assets by the acquisition of GeoTask AG is shown in a separate column of the fixed assets movement. The fixed assets movement is included as an exhibit to the consolidated annual accounts.

(26) Goodwill	2005 TEUR	2004 TEUR
PRO DV Software GmbH, Cologne (merged with PRO DV Software AG)	984	984
GeoTask AG	785	-
Goodwill	1,769	984

PRO DV acquired all of the stock, including full voting rights, to Geo Task GmbH by virtue of a contract dated 16/03/2005. No equity instruments were issued for the acquisition. The acquisition costs amounted to TEUR25. The assumed financial resources amounted to TEUR23 so that there was a liquidity outflow of TEUR2. The incidental acquisition costs were of no particular significance.

An impairment test was conducted for the goodwill resulting from the acquisition of the former PRO DV Software GmbH, Cologne. The basis was the orders already received and the planned receipt of orders. Based on these orders, a positive cash flow was predicted overall according to the current planning. An unscheduled write-off of the goodwill shown in the balance sheet was therefore not required.

PRO DV acquired all of the stock, including full voting rights, in GeoTask AG, headquarters in Basle (Switzerland), on the basis of a contract dated 10/05/2005. No equity instruments were issued for the acquisition. The incidental acquisition costs were of no particular significance. The goodwill shown contains future economic benefits from assets which for their part are not accessible for a separate measurement in the balance sheet. Essentially, these are the assumption of a qualified staff and synergy effects related to the assets shown in the balance sheet. The valuated amounts of each class of assets and debts at the point in time of acquisition are listed in the schedule below:

Determination of goodwill GeoTask AG	TEUR
Acquisition costs investment	844
Financial resources	2
Acquisition costs less assumed financial resources	842
Assets	
Tangible assets	24
Intangible Assets	507
Deferred tax assets	171
Other assets	220
Shareholders' equity and liabilities	
Provisions for deferred taxes	125
Other financial liabilities (long-term)	73
Other provisions and accrued liabilities	149
Other liabilities	518
Goodwill	785

(27) Investments

An interest in the amount of TEUR3 was recognized for the first time under the financial assets. This item refers to the interest in a limited partnership which acquired the part of the building sold in 2004. The interest is not to be included in the consolidated companies as no control is exercised, cf. 0. SIC-12 deals with the interest in a special purpose entity (the special purpose in this case is the performance of a leasing transaction). An entity of this nature is to be consolidated only if commercial consideration of the relationships shows that the affiliated company is controlled. In this case, commercial consideration (participation in the majority of opportunities and risks) does not reveal control, either through the interest held or indirectly through the lease.

The annual accounts as of 31/12/2004 show a balance sheet total of EUR4.008 million which results essentially from the capitalization of the part of the building and is financed in full by debt. Earnings from the leasing of the building will not be realized until calendar year 2005. The net loss for 2004 amounts to TEUR3.

(28) Other Financial Assets

	2005 TEUR	2004 TEUR
Other financial assets	10	-

A tenant loan to VR-Leasing MILVUS GmbH & Co. Immobilien KG is shown under the long-term financial assets. The term ends on 31/12/2014. The item is valued at cash value on the balance sheet date at a discount interest rate of 5.5%.

(29) Other Non-financial Assets

	2005 TEUR	2004 TEUR
Other non-financial assets	160	184

The disclosure includes a receivable for the performance of service and non-cash benefits. This performance will be carried out over a period of 12 years. Interest was paid to this extent. The assumed discount interest rate is 5.5%.

(30) Deferred Taxes

	TEUR	2005 Taxes TEUR	TEUR	2004 Taxes TEUR
Assessment differences, buildings	130	52	283	113
Accumulated deficit, brought forward, Germany	6,024	2,410	4,000	1,600
Accumulated deficit, brought forward, Switzerland	633	152		
Deferred Taxes		2,614		1,713

Deferred taxes as an asset are valued for accumulated deficits brought forward in Germany. Besides the accumulated deficits brought forward for the Financial Solutions GmbH and the effects on results from the reversal of existing temporary differences subject to tax, a valid tax set-off potential remains unchanged at EUR4 million for PRO DV Software AG, despite the loss situation in the reporting period, due to the positive result predictions, in particular those related to projects from the field of natural disaster protection.

Current Assets

(31) Inventories

	2005 TEUR	2004 TEUR
Inventories at beginning of fiscal year	7	24
Change in inventory	8	-17
Inventories at end of fiscal year	15	7

Merchandise is disclosed under this item. It is valued at acquisition costs.

(32) Receivables from Construction Contracts

	2005 TEUR	2004 TEUR
Construction contracts	1,502	1,817
Payments on account	-971	-1,098
Receivables from construction contracts	531	719

This item was disclosed under the inventories in the previous year.

Construction contracts with a balance due to the client are shown under the item Liabilities from construction contracts in the amount of TEUR289 (previous year: TEUR282), cf. (44). Devaluations on the attributable value are contained in the item Sales. These devaluations amounted to TEUR43 (previous year: TEUR18) on the balance sheet date. The risk of default is significantly limited by the contractual obligation of the client to effect payments according to project progress. The contract revenues from fixed-price projects recorded in the reporting period amount to EUR4.506 million (previous year: EUR6.978 million).

Determination of stage of completion:

2005	PRO DV Software AG	GeoTask AG	Joint Projects	Total
	TEUR	TEUR	TEUR	TEUR
Originally agreed contract revenues	2,357	771	453	3,581
Contract costs incurred as of reporting date	1,004	267	186	1,457
Contract costs until completion	1,307	214	96	1,617
Estimated total contract costs	2,311	481	282	3,074
Estimated profit	46	290	171	507
Stage of completion	43 %	56 %	66 %	47 %

Previous year:

2004	PRO DV Software AG	GeoTask AG	Joint Projects	Total
	TEUR	TEUR	TEUR	TEUR
Originally agreed contract revenues	3,013	-	324	3,337
Contract costs incurred as of reporting date	1,325	-	136	1,461
Contract costs until completion	1,248	-	66	1,314
Estimated total contract costs	2,573	-	202	2,775
Estimated profit	440	-	122	562
Stage of completion	52 %	-	67 %	53 %

(33) Trade Receivables

	2005 TEUR	2004 TEUR
Trade receivables	2,343	2,792

As all of the receivables are due within one year, the book value corresponds to the net book value. Valuation allowances were made in the appropriate scope.

(34) Other Financial Assets

	2005 TEUR	2004 TEUR
Interest due from banks	44	34
Other	21	14
Other financial assets	65	48

The Other financial assets are measured at nominal value.

(35) Other Non-financial Assets

	2005 TEUR	2004 TEUR
Claims from taxes	366	126
Claims from non-cash benefits	26	26
Other	19	5
Other non-financial assets	411	157

(36) Cash and Cash Equivalents

	2005 TEUR	2004 TEUR
Cash and cash equivalents	10,506	15,895

The average interest rate for time deposits was about 2.25 %. The liquidity shown in the capital flow statement includes cash on hand and cash in banks.

(37) Deferred Expenses

	2005 TEUR	2004 TEUR
Deferred expenses	97	52

This item concerns expenses which have been deferred in accordance with the principle of accrual accounting.

(38) Shareholders' Equity

Equity development

Date	Item	Share capital	Capital reserve	Retained earnings	Currency translation	Accumulated deficit	Minority interest	Total
		TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
01/01/2004		4,300	19,190	10	-	-2,470	-	21,030
31/12/2004	Group profit/loss	-	-	-	-	-914	-	-914
31/12/2004	Withdrawals from capital reserve	-	-1,792	-	-	1,792	-	-
31/12/2004		4,300	17,398	10	-	-1,592	-	20,116
31/12/2005	Group profit/loss	-	-	-	-	-4,809	-	-4,809
31/12/2005	Withdrawals from capital reserve	-	-3,626	-	-	3,626	-	-
31/12/2005	Other neutral changes	-	-	-	-3	-	-	-3
31/12/2005		4,300	13,772	10	-3	-2,775	-	15,304

Capital subscribed amounts to EUR4,300,000.

The share capital is distributed in 4,300,000 no-par shares.

Authorized capital of TEUR2,150 is available to the Company for further financing of the Group.

During the General Meeting on 31 May 2005, the contingent capital increase of up to EUR230,000 for the issue of up to 230,000 new no-par shares issued to the bearer as well as the authorization of the Management Board and Supervisory Board to issue subscription rights as resolved by the General Meeting on 11/02/2000 with respect to Point 10 and 11 of the agenda were revoked.

The share capital will be contingently raised by up to EUR430,000 (in words: four hundred thirty thousand euros) by the issue of up to 430,000 new no-par shares issued to the bearer (contingent capital). The contingent capital increase serves solely the issue of up to 430,000 subscription rights for employees of PRO DV Software AG or of the enterprises affiliated with the Company, for members of the Management Board at PRO DV Software AG and for members of the management of affiliated companies in accordance with the resolution of the General Meeting of 31 May 2005 (Stock Option Plan 2005), cf. (61).

The capital reserve comprises the premiums from the issue of shares. The amount of EUR3.626 million was withdrawn from the capital surplus to balance out the net loss of the parent company in 2005.

The retained earnings comprise solely legal reserves.

The item "Difference from currency translation" results from the translation of annual accounts of group companies in foreign currencies in accordance with the modified closing-date method, for which the foreign currency represents the functional currency. In accordance with IAS 21, currency differences are shown, without effect on results, in a separate item within the shareholders' equity.

In accordance with IAS 27 in conjunction with IAS 1, the shares of other shareholders are shown in the consolidated annual accounts as a separate item within the Group shareholders' equity.

Non-current Liabilities

(39) Provisions for Deferred Taxes

	TEUR	2005 Taxes TEUR	TEUR	2004 Taxes TEUR
Capitalized development costs	5	2	60	24
Elimination of lump-sum valuation allowances	11	4	12	5
Inventories (percentage of completion)	381	153	687	275
Effects from debt consolidation	27	11	18	7
Acquisition of licences GeoTask AG	433	104	-	-
Provisions for deferred taxes		274		311

(40) Other Financial Liabilities

	2005 TEUR	2004 TEUR
Banks (remaining term 1 – 5 years)	123	263
Banks (remaining term over 5 years)	604	493
Settlements (remaining term 1 – 5 years)	84	135
Other financial liabilities	811	891

The liabilities due to banks result from a loan at PRO DV Financial Solutions GmbH used to finance the real estate in Dresden.

(41) Deferred Income

	2005 TEUR	2004 TEUR
Deferred income (remaining term 1 – 5 years)	163	163
Deferred income (remaining term over 5 years)	413	454
Deferred income	576	617

The long-term deferred income item contains solely investment subsidies and investment grants. It is created for intangible assets, buildings and fixtures, fittings and equipment. The deferred income items will be reversed appropriate for the period according to the useful life of the assets for which subsidies were granted. Job guarantees were given in return for the subsidies, and if the guarantees cannot be maintained, these subsidies would possibly have to be repaid. As a precaution, a provision of TEUR50 was created for uncertainties with respect to the job guarantee.

Current Liabilities

(42) Other Provisions and Accrued Liabilities

	01/01/05	Purchase of subsidiary	Utilization	Reversal	Addition	31/12/05
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Annual report	82	-	82	-	85	85
Close-out expenses	104	-	104	-	120	120
Litigation expenses	94	-	85	-	180	189
Litigation risks	113	-	-	-	1.446	1.559
Warranties	409	58	85	-	141	523
Other	411	91	387	25	75	165
Other provisions and accrued liabilities	1.213	149	743	25	2.047	2.641

A provision for the costs of the Annual Report 2005 has been created.

The costs for the annual accounts include internal and external services.

A provision for litigation expenses was created for the court, attorney and assessor costs which are to be expected from the first instance in the litigation which is described below as well as for the litigation against the State of North Rhine-Westphalia in which the Company is the defendant, cf. (63).

As a precaution, the possible litigation risks of another action in which the official receiver for the former subsidiary concept software gmbh has sued PRO DV Software AG for payment of TEUR322 were included in the provisions. A total provision of TEUR135 (thereof TEUR15 for litigation expenses) has been created, cf. (63).

In 2004, a suit related to the acquisition of the shares of concept software GmbH in 2000 was filed at the Regional Court Dortmund by Mr Carsten Gebhardt and Mr Ulrich Kretschmer against PRO DV Software AG. During the oral hearing on 23/02/2005, the plaintiffs changed the suit, originally filed as an affirmative action for a right, into an action for performance and filed a motion to require PRO DV to transfer 220,100 shares of PRO DV Software AG stock to each of the two plaintiffs.

Alternatively, a motion was filed to determine that the Defendant, in the event that the owed stock transfer is not possible for legal reasons, shall ensure that the Plaintiffs enjoy a commercially equivalent position. According to the pleading of the plaintiffs, a commercially equivalent position would mean a

payment of at least TEUR713 to each of the two plaintiffs. On 11/01/2006, PRO DV was ordered to pay the amount of TEUR713 to each of the former shareholders who had filed the suit. PRO DV is of the opinion that the claims awarded by this decision are unfounded and will appeal this decision. As a precaution, a provision in the amount of EUR1.5 million (thereof TEUR74 for litigation expenses) has been created.

The provision for warranties is to be created to cover the obligation to perform cost-free subsequent work and work performed at no charge for reasons of fairness.

The other provisions have a term of less than one year for the most part.

(43) Trade Accounts Payable

	2005 TEUR	2004 TEUR
Trade accounts payable	384	449

Due to the short-term credit lines, the trade payables are shown at the repayment amounts in the balance sheet.

(44) Liabilities from Construction Contracts

	2005 TEUR	2004 TEUR
Liabilities from construction contracts	289	282

Construction contracts with balances owed to the client are disclosed under this item as liabilities, cf. (32).

(45) Other Financial Liabilities

	2005 TEUR	2004 TEUR
Banks	23	66
Personnel	478	461
Missing invoices	155	103
Other	89	80
Other financial liabilities	745	710

Due to the short-term credit lines of the liabilities, they are disclosed in the balance sheet at the repayment amounts.

(46) Other Non-financial Liabilities

	2005 TEUR	2004 TEUR
Taxes	449	570
Social security	364	354
Holiday leave	326	208
Other non-financial liabilities	1,139	1,132

Liabilities which are not based on contracts between companies or which are not settled by liquid funds or financial assets do not represent financial instruments and are classified as Other non-financial liabilities.

(47) Deferred Income

	2005 TEUR	2004 TEUR
Software service agreements	43	170
Investment subsidies and grants	42	53
Deferred income	85	223

The short-term deferred income item contains compensation received in advance for software service agreements as well as the short-term portion of investment subsidies and investment grants which have been received cf. (41).

(48) Transition Statement

IAS 1 in the currently applicable revision is to be applied for the first time in the first reporting period of a fiscal year beginning on 01 January 2005. The table below shows the transition of the balance sheet measurements as of 31/12/2004 from the previous to the current classification structure, cf. (8).

Assets		Balance sheet measurement (previous) TEUR	Reclassifi- cation TEUR	Balance sheet measurement (new) TEUR
Non-current Assets		6,274		6,274
Current Assets				
Cash		15,895		15,895
Trade receivables		2,792		2,792
Inventories		726		
	1) Receivables from construction contracts		-719	7
Deferred expenses and other assets		257		
	2) Other financial assets		-48	
	3) Other non-financial assets		-157	
	4) Deferred expenses		-52	-
Receivables from construction contracts		-		
	1) Inventories		719	719
Other financial assets		-		
	2) Deferred expenses and other assets		48	48
Other non-financial assets		-		
	3) Deferred expenses and other assets		157	157
Deferred expenses		-		
	4) Deferred expenses and other assets		52	52
Total		19,670	-	19,670

Shareholders' equity and liabilities

		Balance sheet measurement (previous) TEUR	Reclassifi- cation TEUR	Balance sheet measurement (new) TEUR
Non-current Liabilities				
Long-term loans		756		
	1) Other financial liabilities		-756	-
Provisions for deferred taxes		311		311
Provisions and accrued liabilities		135		
	2) Other financial liabilities		-135	-
Deferred income		617		617
Other financial liabilities		-		
	1) Long-term loans		756	
	2) Provisions and accrued liabilities		135	891
Total		1,819	-	1,819
Current Liabilities				
Short-term portion of long-term loans		66		
	1) Other financial liabilities		-66	-
Trade payables		449		449
Payments on account (= liabilities from construction contracts)		282		282
Provisions and accrued liabilities		2,040		
	2) Other financial liabilities		-539	
	3) Other non-financial liabilities		-288	1,213
Deferred income		223		223
Other liabilities		949		
	4) Other non-financial liabilities		-844	
	5) Other financial liabilities		-105	-
Other financial liabilities		-		
	1) Short-term portion of long-term loans		66	
	2) Provisions and accrued liabilities		539	
	5) Other liabilities		105	710
Other non-financial liabilities		-		
	3) Provisions and accrued liabilities		288	
	4) Other liabilities		844	1,132
Total		4,009	-	4,009

D. Explanatory Comments on the Income Statement

(49) Sales Revenues

	2005 TEUR	2004 TEUR
Construction contracts	4,506	6,978
Service contracts	5,677	6,409
Maintenance agreements	1,915	2,446
Other revenues	510	969
Sales revenues	12,608	16,802

In the standard product area, sales revenues are realized when the product is delivered; with respect to service contracts, it is realized when the service has been performed. Revenues from construction contracts are realized in the income statement according to the stage of completion, if a reliable estimate is possible (IAS 11). Turnover is shown less turnover tax and sales deductions as well as credit notes.

(50) Segment Report

As business in these sectors is structurally comparable, the divisions Telecommunications and Utilities have been merged into a single division. This has already been taken into account in the segment reporting. The values of the previous year have been adjusted accordingly. The Banking Division has been renamed Financial Solutions so that the offered services can be mapped more realistically.

Consolidated segment statement to IAS/IFRS

	Division	
	Telecommunications & Utilities	
	31/12/2005	31/12/2004
	TEUR	TEUR
1. By areas of competence		
Sales revenues	4,828	6,851
Other operating income	76	90
Cost of purchased materials and services	-249	-261
Personnel expenses	-4,591	-5,249
Depreciation	-194	-174
Other operating expenses	-1,490	-1,651
Segment result	-1,620	-394
Non-attributable costs/income:		
Other operating income		
Depreciation administration		
Other operating expenses		
Amortization (and impairment) of goodwill		
Financial result		
Income tax		
Net income/loss		
Other Information		
Segment assets	1,913	2,995
Non-attributable common assets		
Consolidated assets		
Segment liabilities	546	703
Non-attributable liabilities		
Consolidated liabilities		
Investments	107	100
Non-attributable investments		
Consolidated investments		

	Germany	
	31/12/2005	31/12/2004
	TEUR	TEUR
2. By geographical markets		
Sales revenues	12,172	16,326

Division Financial Solutions		Division Government		Division Industry		Group	
31/12/2005	31/12/2004	31/12/2005	31/12/2004	31/12/2005	31/12/2004	31/12/2005	31/12/2004
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
3,055	2,007	4,725	6,881	-	1,063	12,608	16,802
71	55	171	129	-	70	318	344
-151	-121	-740	-667	-	-116	-1,140	-1,165
-2,230	-1,506	-5,243	-4,741	-	-1,411	-12,064	-12,907
-72	-32	-247	-229	-	-133	-513	-568
-611	-454	-1,789	-1,509	-	-846	-3,890	-4,460
62	-51	-3,123	-136	-	-1,373	-4,681	-1,954
						270	1,776
						-97	-173
						-1,627	-
						-	-15
						281	187
						1,045	-735
						-4,809	-914
681	466	2,072	1,307	-	-	4,666	4,768
						17,582	21,176
						22,248	25,944
351	266	1,502	1,630	-	-	2,399	2,599
						4,545	3,229
						6,944	5,828
11	31	182	119	-	-	300	250
						115	103
						415	353

EU		Other countries		Group	
31/12/2005	31/12/2004	31/12/2005	31/12/2004	31/12/2005	31/12/2004
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
13	210	423	266	12,608	16,802

Designations and abbreviations in the segment report:

Telecommunications & Utility Division:

Systems for network planning and optimization, for performance improvement of complex data warehouses and for implementation of customer care applications into the infrastructure of telecommunications companies. Furthermore, geo-based systems for network management at utility companies and mobile solutions for service team dispatch. Integration solutions with geo-focus based on portal technology for IT harmonization and business process re-engineering.

Financial Solutions Division:

Added-value solutions for cash and document management, export business processing and for activities involved in assessments of loan risks for banks and savings and loans.

Government Division:

Development of Internet-supported and geo-based solutions for public administrations in handling tasks such as natural disaster management, consumer protection, emissions protection or process control in forestry.

(51) Other Operating Income

	2005 TEUR	2004 TEUR
Income from the utilization of warranty provisions	85	206
Reversal of the deferred item for investment subsidies and grants	52	112
Rents	43	-
Reimbursement of VAT (previous year)	126	-
Profit from the sale of part of building	-	1,776
Other	282	26
Other operating income	588	2,120

(52) Cost of Purchased Materials and Services

	2005 TEUR	2004 TEUR
Cost of materials	296	310
Expenditures for purchased services	844	855
Cost of purchased materials and services	1,140	1,165

This item includes purchased third-party licences intended for further sale as well as third-party services related to client projects.

(53) Personnel Expenses

	2005 TEUR	2004 TEUR
Wages and salaries	10,095	10,762
Benefits upon termination of the employment relationship	143	98
Social security	1,679	1,864
Contribution-oriented compensation	147	183
Personnel expenses	12,064	12,907

At the end of the reporting period, the Group employed a staff of 192 (previous year 194), excluding Management Board members. Part-time employees and temporary employees were included according to the actual number of people (per capita). The year average for staff, considering full-time equivalents and the proportion and duration from the affiliated companies, came to 181 in the reporting period (previous year 198), excluding Management Board members.

(54) Depreciation, Amortization (and Impairment) of Goodwill

	2005 TEUR	2004 TEUR
Tangible and intangible fixed assets	610	741
Goodwill	-	15
Depreciation, amortization (and impairment) of goodwill	610	756

No unscheduled write-offs were taken in the fiscal year.

(55) Other Operating Expenses

	2005 TEUR	2004 TEUR
Expenses for litigation expenses and risks	1,500	-
Rent and lease expenses	801	546
Expenditures for warranties	141	356
Other	3,075	3,558
Other operating expenses	5,517	4,460

The Other operating expenses include expenditures for the allocation to the provisions for litigation expenses and risks in the amount of EUR1.5 million. The creation of the provisions was necessary as a precaution because on 10/01/2006 the Regional Court Dortmund ordered PRO DV AG to pay about EUR1.426 million to Mr Carsten Gebhardt and Mr Ulrich Kretschmer. PRO DV AG will appeal this decision, cf. (42).

(56) Financial Result

	2005 TEUR	2004 TEUR
Interest income	269	272
Interest on tax reimbursements	70	-
Interest paid to banks	-43	-43
Interest expenditures	-15	-42
Financial result	281	187

(57) Income Tax

	2005 TEUR	%	2004 TEUR	%
Earnings before taxes on income	-5,854		-179	
Nominal taxes	-2,341	40.0	-72	40.0
Depreciation on goodwill	-	-	6	-3.4
Non-measurement or valuation allowance tax deficits, carried forward	1,440	-24.6	935	-521.2
Non-deductible expenditures	11	-0.2	9	-5.2
Tax-free income	-4	0.1	-6	3.2
Deviation of local taxes from deferred Group tax rate	1	0.0	-	-
Tax reimbursements from previous years	-153	2.6	-	-
Other	1	0.0	-137	77.3
Actual tax expenses	-1,045	17.9	735	-409.3

Due to current circumstances, there was an average tax burden of 0% for fiscal year 2005. The transition from the nominal taxes (40%) to the actual tax expenses (17.9 %) is shown in the above table.

(58) Minority Interests

The results from minority interests come exclusively from PRO DV Financial Solutions GmbH, Cologne. Where losses of a consolidated subsidiary applicable to the minority exceed the minority interest in the equity of the relevant subsidiary, the excess is charged to the majority interest in the Group equity, unless the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary in question subsequently reports profits, all such profits are attributed to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(59) Net Income per Share

The basic and the diluted net income per share came to -EUR1.12 (previous year: -EUR0.21). The counter used to calculate the basic and the diluted net income is the net loss of -EUR4.809 million (previous year -TEUR914). The weighted average of the number of ordinary shares which was used as the denominator in the calculation of the basic and the diluted net income was 4,300,000.

E. Other Information

(60) Research and Development

In the past fiscal year, engineering services of 16.0 billable years (previous year: 14.0) were invested, corresponding to EUR1.441 million (previous year: EUR1.193 million). A major share of these investments were in the continuous further development in the area of modern service-oriented technologies and platforms and the services and solutions based on them, such as in the fields of natural disaster protection, geodata infrastructures, infrastructure management and financial management.

(61) Stock Option Plan

The PRO DV Software AG General Meeting decided on 31/05/2005 to terminate the option programme of 2000 which had lapsed in the previous year and, at the same time, to initiate a new stock option plan.

For this purpose, the share capital will be contingently raised by up to EUR430,000 by the issue of up to 430,000 new no-par shares issued to the bearer. The group of entitled subscribers includes the members of the Company's Management Board, the members of the management of companies affiliated with the Company and the employees of the Company and its affiliated companies. In total, a maximum of 430,000 subscription rights will be issued for these groups collectively.

A total of 180,000 subscription rights are allocated to the employees of the Company and its affiliated companies, a total of 180,000 subscription rights to the Management Board members and a total of 70,000 subscription rights to members of the management of companies affiliated with the Company.

The subscription rights can be issued within a period of four weeks after the Company's Ordinary General Meeting or after the announcement of annual accounts or semi-annual accounts by the Management Board. A waiting period of at least two years has been set for each issued tranche in order to generate a long-term incentive effect. 40% of a tranche may be exercised at the earliest two years, another 30% three years and the remaining 30% four years after the issue, in each case within four weeks after the Annual General Meeting.

Any exercise, however, is subject to the restriction that the PRO DV stock at the time of any exercise must have realized a growth in price of at least 10% in comparison with the point in time of the issue of the subscription rights. This provision enhances the stock option plan by an additional value-oriented component.

As of the balance sheet date, the company had not issued any subscription rights to the above-mentioned people; no corresponding personnel expenses have therefore been recorded.

(62) Other Financial Obligations

There are other financial obligations for leasing agreements and for leases on property.

There are leases for rented office space of the business premises with terms of up to 57 months. There are leasing agreements primarily for the motor vehicles used with terms of 3 years.

As of 31/12/2005, the Company held 19% of the area of the building Hauert 6 in its fixed assets. The remaining 81% of the area of the building has been leased from VR-Leasing MILVUS GmbH & Co. Immobilien KG, Eschborn, since 01/01/2005. The obligation, including administrative expenses, for the next 14 years amounts to EUR4.804 million, whereby the obligation includes the accumulation of a tenant loan of TEUR480. Upon the lapse of 10 years of the lease (31/12/2014), there is an option to buy back the land at the book value, applying the tenant loan in the amount of TEUR497. There is a right of first refusal to the benefit of the lessee for the leasing object as of 31/12/2019 if the option is not exercised.

	2005 TEUR	2004 TEUR
Leases	728	242
Building leasing	4,324	4,646
Tenant loan	480	497
Other leasing agreements	403	529
Rent and leasing agreements	5,935	5,914

Remaining terms	2005 TEUR	2004 TEUR
up to 1 year	791	658
1 to 5 years	2,035	1,808
more than 5 years	3,109	3,448
Rent and leasing agreements	5,935	5,914

(63) Contingent Liabilities and Receivables

The Company is currently involved in litigation in which it finds itself in the role of the defendant and faced with a claim of EUR1.8 million in the suit. In this legal dispute, the State of North Rhine-Westphalia has asserted warranty rights from a software development contract and is seeking annulment of the contract. However, the contractual partner of the plaintiff, the State of North Rhine-Westphalia, was not the defendant, but rather the company Olivetti, in the meantime bankrupt, which engaged the defendant as a subcontractor.

The claim of the suit is based on a warranty agreement concluded with PRO DV, according to which the latter was supposed to perform certain warranty work in return for payment of EUR12,782.30. The question as to whether PRO DV assumed in full the warranty obligations of the company Olivetti is of decisive importance for the suit. According to an indemnification declaration by Mssrs Joachim Beck, Klaus Bullmann, Heinz Leonhardt and Siegfried Wenzel, these gentlemen will indemnify and hold harmless in the internal relationship PRO DV for any amount exceeding EUR12,782.30 which may result from a claim by the State of North Rhine-Westphalia from a final legal decision or from a settlement concluded with the agreement of the aforementioned persons, so that the risk of a claim by the State of North Rhine-Westphalia is limited to this amount. Any costs which may be incurred for the proceedings must be borne by the Company and are covered by the creation of a provision. In the first instance, the decision ordered PRO DV to make payment of EUR1.801 million, plus interest. PRO DV has appealed the decision, cf. (42).

The official receiver of the former subsidiary concept software gmbh has sued PRO DV Software AG for payment of TEUR322. The suit is regarded as unfounded in many points from a legal standpoint, cf. (42). As a precaution, a provision of TEUR120 has been created for the litigation risk.

(64) Auditor's Fee

	2005 TEUR	2004 TEUR
Audit	64	64
Other confirmation or valuation services	25	19
Tax accountant services	17	14
Other services	23	13
Auditor's Fee	129	110

(65) Relationships to Related Persons

The Management Board members, Supervisory Board members and related persons hold a total of 33.86% of the shares.

Mr Siegfried W. Wenzel, Dipl.-Ing., Supervisory Board members, has been active as a consultant for the PRO DV Group since 01/01/2004. In 2005, he submitted bills for services in the amount of TEUR70 (previous year: TEUR69).

Mr Udo Bücher and Mr Uwe Osterkamp, executive officers of PRO DV Software AG, each hold 10% of the stock in PRO DV Financial Solutions GmbH; PRO DV Software AG holds 80% of the interest in this company.

Members of the Management Board of the parent company are Mr Klaus Bullmann, Dipl.-Ing., Mr Udo Bücher and Mr Uwe Osterkamp, Dipl.-Ing.

The compensation of the members of the Board of Management in 2005 was distributed as follows:

	Current payments	Compensation in kind, car	Variable compensation	Total
Klaus Bullmann	TEUR 194 (previous year TEUR 176)	TEUR 10 (previous year TEUR 9)	TEUR 0 (previous year TEUR 0)	TEUR 204 (previous year TEUR 185)
Udo Bücher	TEUR 166 (previous year TEUR 155)	TEUR 9 (previous year TEUR 8)	TEUR 27 (previous year TEUR 24)	TEUR 202 (previous year TEUR 187)
Uwe Osterkamp	TEUR 169 (previous year TEUR 155)	TEUR 15 (previous year TEUR 14)	TEUR 27 (previous year TEUR 24)	TEUR 211 (previous year TEUR 193)

Supervisory Board

During calendar year 2005, the Supervisory Board of PRO DV Software AG comprised the following members:

Professor Rolf Windmüller, Dr.-Ing., Ennepetal (Chairperson since 31/05/2005)

Consultant for Energy Business

Seats on other Supervisory Boards: PSI AG, Berlin,

SAG Netz- und Energietechnik GmbH, Langen

Supervisory Board compensation: TEUR7.1

Mr Siegfried W. Wenzel (Vice-Chairperson), Herten

Corporate Consultant

No other Supervisory Board seats

Supervisory Board compensation: TEUR7.5

Reimbursement for expenses: TEUR0.4

Mr Michael Petmecky, Dortmund

Management Board SIGNAL IDUNA Versicherungsgruppe

Seats on other Supervisory Boards: has programm service AG, Hamburg

VDG-Versicherungswirtschaftlicher Datendienst GmbH, Icking

Supervisory Board compensation: TEUR7.5

Knud Norden, Dr.-Ing. (Chairperson until 31/05/2005), Dortmund

Management Board, IT Division, RWE Systems AG

Seats on other Supervisory Boards: RWE Systems Applications GmbH, Eschborn (Chairperson)

Networkers AG, Hagen (Chairperson)

Supervisory Board compensation: TEUR9.5

Dortmund, 23 February 2006

The Management Board



Klaus Bullmann



Udo Bücher



Uwe Osterkamp

Auditor's Opinion

We have audited the consolidated financial statements prepared by the PRO DV Software AG, Dortmund, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) (Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 01 March 2006

AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

S. Denk
Wirtschaftsprüfer
(German Public Auditor)

ppa. A. Haas
Wirtschaftsprüfer
(German Public Auditor)

Glossary

Balanced Scorecard

Comprehensive key figure and management system which is strictly oriented to the corporate strategy.

Competence Center

Operative corporate area which supplements the industry-focused divisions through its bundled specialist knowledge (thematic or technological).

Data Warehousing

Intelligent use of databases for effective data storage and fast provision of large quantities of information.

Division

Operative corporate area, consisting of sales and solution development, which focuses its expertise exclusively on a single industry.

EBIT

Earnings before interest and taxes on earnings.

EBITDA

Earnings before interest and taxes on earnings, depreciation and amortization.

GPS

Global Positioning System: satellite-supported positioning such as that used in vehicle navigation systems.

GSM

Global System for Mobil Communications: Common standard for digital wireless services in Germany, generally used by all national network operators.

Intranet

Network within a company which is inaccessible to outside users.

PDA

Personal Digital Assistant: portable small computer.

SOA

Service-oriented Architecture: An architecture built around a collection of reusable components with well-defined interfaces.

UMTS

Universal Mobile Telecommunications System: digital wireless services standard of the future with high transmission speeds, allowing the reproduction of pictures and films on mobile terminals.

Workflow

Chain of work procedures within a business process.



Finance Calendar

29 March 2006	Annual Report	
30 May 2006	Annual General Meeting	Casino Hohensyburg, Dortmund
15 August 2006	Semi-annual Report	
27-29 November 2006	Analysts conference	Deutsches Eigenkapitalforum, Frankfurt am Main



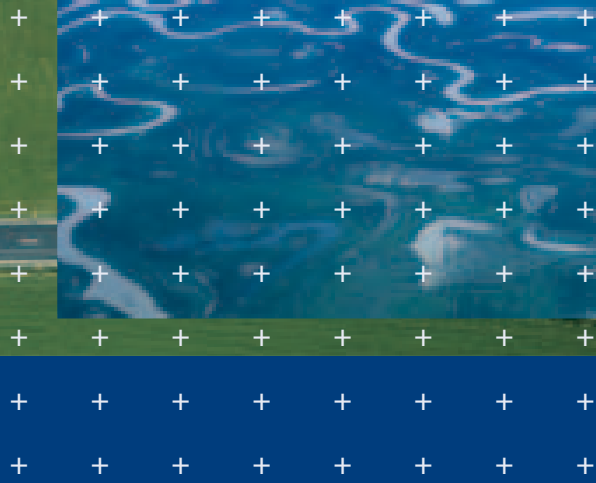
Masthead

Word processing: black-point communications gmbh, Hagen

Design: zdo zimmermann design office, Düsseldorf

Foto: corbis, gettyimages

Printer: Druckerei Brökelschen, Dortmund



PRO DV Software AG
 Hauert 6
 44227 Dortmund
 Tel.: +49 231 9792-0
 Fax: +49 231 9792-200

Investor Relations
 E-Mail: ir@prodv.de
 Tel: +49 231 9792-341
 Fax: +49 231 9792-200

Information about
 PRO DV Software AG
 on the Internet:
<http://www.prodv.de>



architects of geo solutions

Annual Report 2005
Report in Accordance with HGB

Contents

03	Management Report
10	Annual Accounts in Accordance with HGB
10	Balance Sheet
12	Income Statement
13	Notes to the Accounts
23	Auditors' Opinion
24	Fixed Assets Movement in Accordance with HGB

Management Report for Fiscal Year 2005

Business and General Conditions

The year 2005, just as the years before, proved to be a year of challenges for midsize IT companies. The environment continues to be difficult and demanding for companies fighting to survive on the market. We were faced with continued reservation on the part of our clients to make major investments. Over the course of the year, however, there were indications of a slight break-up of the investment backlog which had built up in the past. Nevertheless, it was not possible to acquire orders in the volume which was initially expected. During the past fiscal year, orders for new projects with a total volume of EUR10.9 million were placed (2004: EUR16.6 million).

The order backlog for fixed-price projects as of 31/12/2005 amounted to EUR1.8 million (2004: EUR1.6 million). In addition, maintenance projects and other time and material projects in the amount of EUR2.8 million were ordered so that the order backlog for the entire Group totalled EUR4.6 million.

Economic Environment

It appears that a change in the way of thinking has begun in the demand for IT services and products. There is a recognizable tendency for companies to consider once again their use of IT from a strategic viewpoint. Consequently, IT is no longer seen as only a cost factor. Clients have learned from their experience in recent years when it comes to their requirements. They have become more demanding and goal-oriented. Universal applications are no longer at the centre of their attention. On the contrary, companies are now looking for concrete solutions to their specific problems. IT support is in demand for individual, customer-related processes – with the fastest possible ROI. As a consequence, knowledge of their clients' business processes is becoming increasingly important for providers.

In such a situation, providers who know their clients exactly will have good opportunities. Furthermore, it is necessary to combine software and services in such a way that projects can be carried out quickly and at low cost. It is of no minor significance for providers to have their own processes and cost structures so well under control that they can compete against low-price offers by giving high quality at fair prices.

Current Market Development

The lack of relief in the keen competition kept pressure on prices in 2005. On the client side, purchasers are aware of their negotiating position and were able to exploit the competitive situation to their advantage. IT providers must adapt to this situation today. PRO DV recognized this fact some time ago and responded accordingly: we take aim at the most important industries in Germany with our services. Besides telecommunications providers and utilities, public administration as well as financial service providers and banks are among the PRO DV clients.

Business for software providers and IT service providers, who profit from higher expenditures of companies for the modernization of their IT infrastructure, has improved in the last two years according to the Federal Association for IT Industry, Telecommunications and New Media (BITKOM). According to BITKOM surveys, the software market for system and application programs in 2005 amounted to about EUR16.1 billion. Turnover for IT services such as consulting, software implementation and IT outsourcing came to EUR27.9 billion nationwide in 2005.

Our growth potential on the IT services market is substantial for the future as well: with its share of 21.2%, the German IT market – ahead of Great Britain (20.5%) and France (14.9%) – is positioned as the most important one in western Europe. Globally speaking, Europe has a total volume of EUR293 billion, making it the second-largest IT market in the world (world market share 30%) – immediately after the USA with 32% (source: EITO).

Overview of the Course of Business

In fiscal year 2005, PRO DV Software AG realized total operating performance of EUR11.9 million (2004: EUR16.3 million) with sales of EUR12.0 million (2004: EUR17.2 million). This drop in comparison with the previous year is essentially a consequence of two factors. The IT market has continued to be one of caution, and this, in combination with the ongoing keenly competitive situation has prevented PRO DV from being able to demand the prices on the market which were possible some years ago. Moreover, a greater share of resources has been bound up with R&D expenditures and the further development of our solutions in the field of natural disaster protection.

After being set off against payments on account, the work in progress amounted to EURO.3 million (2004: EURO.3 million). No development performance was capitalized.

Staff Development

As of 31/12/2005, PRO DV Software AG employed an average staff of 141 (2004: 163). This value is based on the full-time equivalent, i.e., part-time staff, vocational trainees and interns were taken into account proportionately.

Significant Events of the Fiscal Year

PRO DV entered a partnership in the sector of civil defence and natural disaster protection with ORACLE Deutschland GmbH in March. The cooperative venture covers the joint development and marketing of a solution for cross-organizational management of wide-area hazard situations. This comprehensively supports the operative and preventive work of crisis squads at the national, state and district levels and of relief organizations, with an orientation to practical application.

Control centres, scheduling tools and simulation models as well as geodata records are integrated on a portal basis into a crossover decision support system. As a whole, the civil defence and natural disaster protection system is characterized by intuitive, error-tolerant operation as well as actor-specific presentation of information related to the relevant event.

According to the contract dated 10/05/2005, PRO DV took over 100% of the Swiss geo-specialist GeoTask AG. The product portfolio of GeoTask, headquarters in Basle, concentrates on geo-tools and metadata information systems. Customers such as the Swiss Postal Service, swisscom, the Swiss State Topography Office and the State Surveyor's Office Lower Saxony put their trust in products from GeoTask.

The g.business Suite from GeoTask expands PRO DV's offers by adding a product line for integrated, process-oriented networking of existing geodata and geographic information systems. The components, based on a modular structure in conformity with ISO and OGC standards, meet the most demanding requirements for modern infrastructures and create significant benefits by mapping a view centred on users and context.

In 2004, a suit related to the acquisition of the shares of concept software GmbH in 2000 was filed at the Regional Court Dortmund by Mr Carsten Gebhardt and Mr Ulrich Kretschmer against PRO DV Software AG. Additional explanatory comments on this situation will be found in the Notes.

Research and Development

In the past fiscal year, we invested engineer services of 13.1 billable years (2004: 8.7 billable years) in development for the Group. A major share of these investments was in the continuous further development in the area of modern service-oriented technologies and platforms and the services and solutions based on them, such as in the fields of natural disaster protection, geodata infrastructures and infrastructure management.

Profitability

Earnings from ordinary business operations within PRO DV Software AG amounted to EUR3.6 million in fiscal year 2005 (2004: EUR1.8 million). A significant reason for this development was the deployment of resources used to drive forward the topic of natural disaster protection at PRO DV. As early as the first half of 2005, we had to accept a result of EUR2.5 million as a consequence of this strategic decision. Since the development expenditures have not yet been countered by any earnings, the negative operative results increased further as of the end of the year.

In addition, a suit related to the acquisition of the shares of concept software GmbH was filed at the Regional Court Dortmund by Mr Carsten Gebhardt and Mr Ulrich Kretschmer against PRO DV Software AG. In 2005, this suit was changed from an affirmative action for a right into an action for performance, and on 11/01/2006 PRO DV was ordered to pay the amount of EUR0.7 million to each of the former shareholders who brought the suit. Even though PRO DV will appeal this decision, it was necessary to create a provision in the amount of EUR1.5 million.

Explanatory Comments on Results Structure

Personnel expenses in 2005 amounted to EUR9.5 million. In comparison with the previous year, the costs fell by 12%, a consequence of the slight drop in the size of staff and of the results-oriented compensation model. Expenditures for material and third-party services at EUR3.0 million remained at a constant level in comparison with the previous year.

The allocation to provisions as a consequence of the decision handed down in the litigation related to concept software GmbH in the amount of EUR1.426 million led to extraordinary expenditures of the same amount.

Financial Position

Investments

In fiscal year 2005, we invested a total sum of EUR0.4 million (2004: EUR0.3 million). Of this amount, EUR0.2 million was spent on property, plant and equipment and EUR0.2 million on intangible fixed assets. One focal point in the area of fixtures, fittings and equipment was the internal IT infrastructure. Maintaining this structure at a modern and secure level ensures the performance capability of our team. Moreover, an investment of EUR0.8 million was made in the acquisition of shares of GeoTask AG, Basle (Switzerland).

Assets and Liabilities

The balance sheet total of the PRO DV Group as of 31/12/2005 amounted to EUR18.2 million (2004: EUR21.3 million). As of the closing date, equity amounted to EUR13.5 million (2004: EUR17.1 million). This corresponds to an equity ratio of 74%. As of the closing date, financial resources amounted to EUR10.1 million (2004: EUR11.3 million).

As of 31/12/2005, current assets amounted to EUR15.5 million (2004: EUR15.0 million). In comparison to total assets, there is a current asset ratio of 85%. This means that more than half of the assets are tied up only short-term, allowing the Company to respond flexibly to changes in the market situation.

Supplementary Report

In the middle of February, the Federal Ministry of the Interior awarded the expected contract for the expansion of the civil defence and natural disaster protection system already in use by the Federal government to PRO DV. New functionalities will aid the relief forces in visualizing and assessing wide-area hazard situations and in coordinating the necessary relief efforts across organizational boundaries. The order in the seven-digit figures in euros is comprised of services and to a major degree of licensed products which will immediately affect turnover and earnings. PRO DV has made substantial investments in the development of its own products in the past fiscal years, and this order, with its signal effect, is only the first fruit of these investments.

This large contract meant a successful start to the year 2006 for PRO DV. In view of the orders already received, the currently good utilization of our capacities and the further potential, we are optimistic for the current year. We have summarized additional details in the forecast report.

Otherwise, there have been no events of major significance within the Group since 31/12/2005.

Risk Report

Risk Policy

The PRO DV risk policy aims at increasing company value systematically and continuously and at achieving the middle-term financial targets. Reasonable, discernible and manageable risks are more likely to be taken and borne whenever they are related to the establishment and utilization of the success potential of the Company's core competencies and the opportunities inherent in the risks allow a reasonable increase in value to be expected. Risks which are not related to core processes are not taken. The aggregate of the scope of the risks may not as a whole exceed the existing risk coverage potential of PRO DV. Our conduct with respect to suppliers, customers and the Company is fair and responsible.

Risk Management System

The Management Board has issued instructions to create the framework for systematic and efficient risk management, taking into account the provisions of the "Corporate Sector Supervision and Transparency Act" (KonTraG), thus exercising its overall responsibility. This risk management system supports the discovery of risk items, their optimization and the exploitation of opportunities. Operative management has direct accountability for the early recognition, control and communication of the risks, while the next-higher level in each case is responsible for controlling.

The people in charge of the segments report on the occurrence, status and major changes in significant risks within the scope of the risk management system and in the regular reporting. The risk reporting also includes information from the aforementioned responsible people to the Management Board every two weeks concerning the current risk position.

Essentially the risks involve project and costing risks from current fixed-price orders. As early as 1994, PRO DV introduced a quality management programme in accordance with ISO 9001 to improve internal processes. It has been continuously adapted to the latest developments ever since that time.

Risks of Information Security

In view of the at times in-depth integration of IT-supported business processes between the Group companies as well as with clients, suppliers and business partners, the risks related to information security in particular are increased. Consequently, there is a constant examination, adaptation and improvement of the information technologies in use to ensure secure handling of business processes. The measures for information security already in place are constantly being developed further so that the risks inherent in the IT-supported integration of the business processes are eliminated or at least limited.

Project Risk

Client projects and internal development projects are coordinated and managed at PRO DV by experienced project managers. Moreover, our project managers are supported in their tasks by a company-wide management and controlling system. Risks of default in projects are minimized at PRO DV by concluding agreements for advance payments with clients, especially for projects at fixed conditions. A risk of default for supply deliveries is avoided by our cooperation with large, well-known partners.

Litigation Risks

Current litigation risks are described in more detail in the Notes.

Personnel Risks

The competence of the staff is a significant factor for the development of PRO DV and for the recognition and successful management of risks. To secure and strengthen this competence, PRO DV will continue to position itself as an attractive employer and strive to ensure the long-term loyalty of employee potential.

Risks of Future Development

Sales activities have been further intensified to ensure that capacity is always utilized to the full. We are continuing our strict cost management as well. These measures, in combination with the more favourable economic outlook and the consequent improvement of the market situation, will contribute to a further optimization of the profitability.

Furthermore, there are currently no further discernible risks which could lead to a long-term adverse effect on the assets, liabilities, financial position and profitability.

Prediction Report

Development of the Economic Environment

According to statements by the industry association BITKOM, business for software providers and IT service providers will be slightly better in 2006 than in the previous years. According to BITKOM estimates, the software market for system and application programs in 2006 will grow by about 5% to EUR16.1 billion. Turnover for IT services such as consulting, software implementation and IT outsourcing is also expected to rise by a good 4.5% to EUR29.2 billion.

Business Outlook 2006

Just as BITKOM, we expect an upswing in the development of orders, turnover and earnings for the current year 2006. These expectations are borne out in particular by the first awarded contract from the Federal government in the area of natural disaster protection. Moreover, we regard this initial great success as a milestone and confirmation for our strategy of rigorously pursuing the topic of natural disaster protection.

Based on our sustained sales work in combination with our bundled know-how, we are confident that we will be able to convince additional clients of the benefits of our solution in this year. We are expecting additional contracts from the German states in the current fiscal year.

Moreover, we also expect growth from our portfolio in the field of service-oriented architectures and our geo solutions in 2006. We are realizing additional successes from invitations to tender offers for geo-portal solutions of the states. Our intensive preparations and the cooperation with our partners Oracle and SAP have secured an excellent position on the market for us.

In view of these general conditions, we predict a substantial increase in turnover and earnings in comparison with last year for fiscal year 2006. Based on all of these factors, we are confident that we will be able to achieve the turnaround in 2006 and expect a positive operating result for the current fiscal year.

Dortmund, 22 February 2006

The Management Board



Klaus Bullmann



Udo Bücher



Uwe Osterkamp

PRO DV in Figures

Balance Sheet in Accordance with HGB

	Financial statement 31/12/2005 TEUR	Financial statement 31/12/2004 TEUR
Assets		
A. Fixed assets		
I. Intangible assets		
Franchises, trademarks, patents, licences and similar rights	201	101
II. Tangible assets		
Other equipment, fixtures, fittings and equipment	544	608
III. Investments		
1. Shares in affiliated companies	1,930	5,660
2. Other loans	10	-
	1,940	5,660
	2,685	6,369
B. Current assets		
I. Inventories		
1. Work in progress	1,097	1,211
2. Goods	15	7
3. Payments on account	-798	-876
	314	342
II. Receivables and other assets		
1. Accounts receivable from trading	1,787	2,769
2. Accounts due from affiliated companies	2,645	135
3. Other assets	606	363
thereof with a remaining term of more than one year TEUR190 (previous year TEUR184)	5,038	3,267
III. Cash on hand and cash in banks	10,053	11,268
	15,405	14,877
C. Prepaid expenses	86	51
	18,176	21,297

	Financial statement 31/12/2005 TEUR	Financial statement 31/12/2004 TEUR
Shareholders' equity and liabilities		
A. Shareholders' equity		
I. Capital subscribed		
Contingent capital TEUR430 (previous year TEUR230)	4,300	4,300
II. Capital surplus	9,189	12,815
III. Earnings reserves:		
Legal reserve	10	10
IV. Balance sheet earnings	-	-
	13,499	17,125
B. Special reserves for investment subsidy	33	51
C. Provisions and accrued liabilities		
Other provisions and accrued liabilities	3,308	1,896
D. Liabilities		
1. Advance payments received on account of orders	380	505
2. Trade accounts payable	271	414
3. Accounts due to affiliated companies	71	339
4. Other liabilities	594	797
thereof for taxes: TEUR344 (previous year TEUR472)		
thereof for social security: TEUR199 (previous year TEUR238)		
	1,316	2,055
E. Deferred income	20	170
	18,176	21,297

**Income Statement
in Accordance with HGB**

		01/01/2005- 31/12/2005		01/01/2004- 31/12/2004
	TEUR	TEUR	TEUR	TEUR
1. Sales		11,965		17,188
2. Decrease/Increase in work in progress		-114		-846
Total operating performance		11,851		16,342
3. Other operating income		621		386
		12,472		16,728
4. Cost of materials:				
a. Expenditures for purchased goods	303		328	
b. Expenditures for purchased services	2,745	3,048	2,787	3,115
Gross profit		9,424		13,613
5. Personnel expenses:				
a. Wages and salaries	8,060		9,147	
b. Social security, pension and other benefit costs	1,473		1,722	
thereof for pensions: TEUR124 (previous year TEUR157)				
6. Depreciation and amortization costs and other write-offs on intangible assets, and plant and equipment	335		382	
7. Other operating expenses	3,534	13,402	4,383	15,634
		-3,978		-2,021
8. Income from investments	17		-	
thereof due from affiliated companies: TEUR17 (previous year TEUR0)				
9. Other interest and similar income	361		309	
thereof due from affiliated companies: TEUR77 (previous year TEUR48)				
10. Interest and similar expenses	20		44	
Financial result		358		265
11. Profit/loss from ordinary business operations		-3,620		-1,756
12. Extraordinary income	1,294		-	
13. Extraordinary expenses	1,426		-	
Extraordinary result		-132		-
		-3,752		-1,756
14. Taxes on income	-153			
15. Other taxes	27	-126	36	36
16. Net loss		-3,626		-1,792
17. Withdrawal from capital surplus		3,626		1,792
18. Balance sheet earnings		-		-

Notes for Fiscal Year 2005

1. General Information

The Company is registered under the name PRO DV Software Aktiengesellschaft in the Commercial Register of the Local Court of Dortmund, Number HRB 12 956.

In the course of the initial public offering in March 2000, the Company was listed on the Frankfurt Stock Exchange. The Company has been listed in the newly created Prime Standard since January 2003. Since 01 January 2006, the Company has been listed in the General Standard.

The annual accounts as of 31 December 2005 have been prepared in accordance with the regulations of the Commercial Code regarding accounting in stock capital companies and the supplementary regulations of the Company Law.

1.1 Methods of Accounting and Evaluation

The methods of accounting and evaluation are the same as used in the previous year.

Intangible items of the fixed assets have been measured at cost of acquisition less scheduled straight-line depreciation. The depreciation was determined according to the presumed useful life of the assets.

Tangible asset items were measured at cost of acquisition or manufacture and – to the extent depreciable – less the scheduled depreciation. The depreciation was determined according to the presumed useful life of the assets. Depreciation in the fiscal year was essentially calculated according to the straight-line method. Low-value assets were written off in full in the year of their acquisition. The fixed assets movement is shown in a separate analysis of fixed assets movement included as an exhibit to the Notes.

Scheduled depreciation is based on the following terms of useful life:

Software and licences	5 years
Other tangible assets	3 to 13 years

Financial assets were measured at the cost of acquisition. If required, extraordinary depreciation was taken on financial assets.

Work in progress has been measured at cost of manufacture, which includes, in addition to production costs, necessary production overhead costs, proportionate share of administrative overhead costs and special direct costs of production. If a loss is expected, the work in progress is measured regressively. In these cases, the work in progress is valued taking into account the costs yet to be incurred on the basis of a loss-free valuation.

If the production orders result in a credit balance with respect to clients, payments on account were openly deducted from the inventories in their nominal value for the reporting period. Payments on account are shown as liabilities to the extent that they exceed the valuation of the pertinent production order.

Accounts receivable and other assets with a remaining term of up to one year are measured at nominal value in the balance sheet. If the remaining term is greater than one year, the receivable is discounted to its cash value. Individual provisions and lump-sum allowances were created for discernible risks.

The capital subscribed is measured at the nominal amount.

Separate items for investment subsidies are measured at nominal value in the balance sheet. They are reversed corresponding to the useful life of the subsidized assets.

The provisions have been measured in line with commercial viewpoints and take into account the doubtful liabilities and risks discernible at the time of preparation of the balance sheet.

The liabilities have been measured at the repayment amount.

Accounts receivable from and payable to associated companies are shown separately.

In contrast to the previous year, the trade receivables and payables in the relationships to affiliated companies were balanced against one another. It was decided to balance these accounts against one another because the trade receivables and payables can be largely set off against one another. The corresponding values of the previous year, if balanced against one another, would be as shown below:

Balance sheet item	Disclosure 2004 EUR	Adjustment EUR	Adjusted disclosure EUR
Accounts due from affiliated companies	135,283.90	-135,283.90	0.00
Accounts due to affiliated companies	339,856.61	-135,283.90	204,572.71

1.2 Principles of Currency Translation

The shares in affiliated companies are measured at the historical acquisition exchange rate.

Receivables and payables in foreign currencies are translated at the exchange rate on the day of the business transaction. As a simplification measure, receivables and payables in Swiss francs are translated at the official mean exchange rate at the beginning of the relevant month.

Losses from changes in exchange rates are taken into account by revaluation on the balance sheet date.

2. Explanatory Comments on the Individual Items of the Balance Sheet

The following compares the assets and liabilities of fiscal year 2005 with those of the previous year.

2.1 Fixed Assets

The development of the single items of fixed assets, together with the pertinent depreciation, can be seen in the fixed assets movement which is included as an exhibit to the Notes.

We would like to highlight the new acquisition of the software Navision Financials 4.0 as a major addition in the area of the intangible assets. This software will be written off over a period of five years; the current book value as of 31/12/2005 amounts to TEUR62.

Affiliated companies	Registered office	Amount of holding	Equity EUR	Result 2005 EUR
PRO DV Financial Solutions GmbH*	Cologne	80 %	-964,748.19	328,646.44
pro dv online gmbh	Munich	100 %	4,441.51	-1,093.43
Immobilienverwaltungs-gesellschaft				
Hauert 6 mbH & Co. KG	Dortmund	100 %	50,000.00	59,694.79
GeoTask AG	Basle	100 %	-1,131,988.71 (-1,760,355.65 SFR)	-628,118.05 (-982,785.29 SFR)
GeoTask GmbH	Dortmund	100 %	20,989.18	-934.17

Exchange rate Swiss francs: TEUR1 = 1.5551 SFR

* Previously PRO DV Software GmbH, Dresden; renaming and relocation of registered office occurred in 2005

All of the shares of GeoTask AG were transferred to PRO DV Software AG, effective as of 01/05/2005, on the basis of a purchase and assignment contract regarding the shares of GeoTask AG dated 10/05/2005.

All of the shares of K & L Verwaltungsgesellschaft mbH were transferred to PRO DV Software AG on the basis of a purchase and conveyance contract dated 15/03/2005. At the same time, the company was renamed GeoTask GmbH.

2.2 Inventories

Work in progress includes projects which have been started in the segments Telecommunications, Utilities, Government, and Banking, of which the pertinent payments on account (TEUR798) have been openly deducted as soon as there is a credit balance with respect to the client. Payments on account are shown as liabilities to the extent that they exceed the valuation of the pertinent production order (TEUR380).

2.3 Receivables and Other Assets

Receivables due from affiliated companies refer primarily to the balanced trade receivables and payables in the relationships to PRO DV Financial Solutions GmbH, Cologne, and GeoTask AG, Basle, and the loans granted to the affiliated companies. Owing to the positive development of results at PRO DV Financial Solutions GmbH, Cologne, the itemized valuation allowance (TEUR1,294) was reversed in fiscal year 2005.

The other assets comprise primarily claims against the Tax Office, in particular the input tax from the IPO and interest (TEUR156), reduced receivables from non-cash claims (TEUR186), partial tax payment on interest and solidarity surcharge for 2005 (TEUR82) and 2004 (TEUR94), deferred interest income (TEUR44), payments on account (TEUR19) and other receivables (TEUR25).

Accounts receivable in the amount of TEUR190 have a remaining term of more than one year.

2.4 Cash on Hand and Cash in Banks

This item essentially contains disclosure of time deposits (TEUR9,914) and giro accounts (TEUR139).

2.5 Prepaid Expenses

Contributions, fees and performance remunerations paid in advance are shown under this item. In 2005, the rent expenses from the property lease with VR Leasing Milvus GmbH & Co. KG had to be linearized for the first time and thus deferred.

2.6 Shareholders' Equity and Special Items

Capital subscribed amounts to TEUR4,300,000.

Authorized capital of EUR2.15 million is available to the Company on 31/12/2005 for further financing of the firm.

The share capital is distributed in 4,300,000 no-par shares. In 2001, 100,000 no-par shares were subscribed from the authorized capital.

The contingent capital increase of up to TEUR230,000 for the issue of up to 230,000 new no-par shares issued to the bearer resolved by the General Meeting on 11/02/2000 with respect to Points 10 and 11 of the agenda has been annulled in full. The authorization granted to Management Board and Supervisory Board for the issue of subscription rights resolved by the General Meeting on 11/02/2000 with respect to Points 10 and 11 of the agenda has been withdrawn.

The share capital will be contingently raised by up to TEUR430,000 (in words: four hundred thirty thousand euros) by the issue of up to 430,000 new no-par shares issued to the bearer (contingent capital). The contingent capital increase serves solely the issue of up to 430,000 subscription rights for

employees of PRO DV Software AG or of the enterprises affiliated with the Company, for members of the Management Board at PRO DV Software AG and for members of the management of affiliated companies in accordance with the resolution of the General Meeting of 31 May 2005 (stock option plan 2005). The conditional increase in capital will be undertaken only to the extent that the holders of subscription rights choose to exercise said rights. The new shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the subscription rights. Shares which are issued after the closing of a fiscal year, but before the Ordinary General Meeting which passes a resolution regarding the appropriation of the retained earnings, will participate in profits from the beginning of the past fiscal year.

2.6.1 Shareholders' Equity Movement for the Period from 1 January to 31 December 2005

The complete shareholders' equity developed as shown below:

	Capital subscribed EUR	Capital surplus EUR	Earnings reserves EUR	Balance sheet earnings EUR	Total EUR
As of 31/12/2004	4,300,000.00	12,814,856.44	9,780.37	0.00	17,124,636.81
Net loss	0.00	-3,626,229.89	0.00	0.00	-3,626,229.89
As of 31/12/2005	4,300,000.00	9,188,626.55	9,780.37	0.00	13,498,406.92

2.6.2 Special Reserves for Investment Subsidy

Special reserves for investment subsidy in the amount of TEUR33 are shown in accordance with Section 281 HGB. The special reserves are reversed appropriate for the period corresponding to the useful life of the assets for which subsidies were granted. During the reporting period, TEUR18 were reversed effective on earnings. Job guarantees were given in return for the subsidies. If it is not possible to carry through on these guarantees, there may be a demand for repayment of the subsidies.

2.7 Other Provisions and Accrued Liabilities

The other provisions have essentially been created for warranties (TEUR485), residual holiday leave due to staff (TEUR249), internal and external costs for the annual accounts and audits (TEUR92), costs of the annual report (TEUR85), contributions to employers' liability insurance association (TEUR36), unsettled bills (TEUR109), imminent losses from pending transactions (TEUR12), staff commissions (TEUR226), maintenance (TEUR85), litigation risk and damages (TEUR1,748), settlements (TEUR159) and other (TEUR23).

In 2004, a suit related to the acquisition of the shares of concept software GmbH in 2000 was filed at the Regional Court Dortmund by Mr Carsten Gebhardt and Mr Ulrich Kretschmer against PRO DV Software AG. During the oral hearing on 23/02/2005, the plaintiffs changed the suit, originally filed as an affirmative action for a right, into an action for performance and filed a motion to require PRO DV to transfer 220,100 shares of PRO DV Software AG stock to each of the two plaintiffs. Alternatively, a motion was filed "to determine that the Defendant, in the event that the stock transfer owed in accordance

with the operative provisions of Item 1 is not possible for legal reasons, shall ensure that the Plaintiffs enjoy a commercially equivalent position." According to the pleading of the plaintiffs, a commercially equivalent position would mean a payment of at least TEUR713 to each of the two plaintiffs. On 11/01/2006, PRO DV was ordered to pay the amount of EURO.7 million to each of the former shareholders who had filed the suit. PRO DV is of the opinion that the claims awarded by this decision are unfounded and will appeal this decision. Although the opponents claims from the court decision are deemed to be unjustified, this provision has been created in the full amount as a precaution and is contained in the provision for litigation expenses/litigation risks).

2.8 Liabilities

Liabilities due to affiliated companies refer to the balance of the receivables and payables due to pro dv online gmbh and the Immobilienverwaltungsgesellschaft Hauert 6 GmbH & Co. KG.

The other liabilities include liabilities of TEUR344 for taxes and TEUR199 for social insurance.

All of the liabilities have a residual term of up to one year.

2.9 Deferred Income

The short-term deferred income essentially contains advance payments received for software maintenance agreements.

3. Explanatory Comments on the Individual Items of the Income Statement

3.1 Sales

The sales during the fiscal year can be categorized as shown below:

According to activity	TEUR
Revenue from software developments	8,885
Revenue from the sale of licences	512
Revenue from maintenance	1,715
Revenue from the sale of merchandise	13
Revenue from the sale of services	840
Sales	11,965

All of the sales revenues, with the exception of an amount of TEUR60 (third countries) and an amount of TEUR13 (EU), were realized in Germany.

3.2 Other Operating Income

Other operating income includes income from affiliated companies of TEUR237. Furthermore, there is income from the reversal of the special provision for investment subsidy of TEUR18 (cf. No. 2.6.2) and damage compensation and insurance benefits of TEUR4.

Reimbursement for input tax relating to other periods from the costs of the IPO in 2000 is shown in the amount of TEUR126. A decision of the European Court of Justice means that the input tax, which was previously not recognized, may now be deducted, resulting in income of the same amount.

Income from the reversal of provisions amount to TEUR120. In detail: equalization levy TEUR7, missing invoices TEUR17, employers' liability insurance association TEUR4, annual report TEUR16, and warranties TEUR76. Moreover, TEUR90 concern the consumption of provisions for imminent losses from orders.

3.3 Other Operating Expenses

The following fees were paid to the auditor and are shown under other operating expenses:

	TEUR
Expenses for annual accounts and audit 2005	64
Other confirmation or valuation services	25
Tax accountant services	17
Other services 2005	23
Total	129

3.4 Interest

Interest income includes payments from affiliated companies in the amount of TEUR77 and payments on tax reimbursements in the amount of TEUR70.

Interest payment include the discounting of interest on receivables and the addition of accrued interest on provisions.

3.5 Research and Development

The expenditures for research and development in the fiscal year amounted to 18,292 billable hours or about TEUR1,174. This corresponds to an increase of 50%.

A major share of these investments were in the continuous further development in the area of modern service-oriented technologies and platforms and the services and solutions based on them, such as in the fields of natural disaster protection, geodata infrastructures and infrastructure management.

3.6 Extraordinary Result

Owing to the clearly positive development of business in 2005 and a favourable prediction for fiscal year 2006, receivables of TEUR1,294 due from PRO DV Financial Solutions GmbH, which had already been written off, were written up again and are contained as income in the extraordinary result.

In addition, TEUR1,426 from the allocation to provisions for litigation expenses and risks are shown here as expenses. This figure is related to the imminent damages from the suit Gebhardt/Kretschmer against PRO DV Software AG (cf. 2.7)

3.7 Reimbursed Taxes on Income

Reimbursed taxes from previous years are disclosed here: In detail, these taxes are trade tax TEUR143, corporate income tax TEUR9 and solidarity surcharge TEUR1.

3.8 Other Taxes

The other taxes include TEUR14 real estate taxes and TEUR13 motor vehicle taxes.

4. Officers and Directors

4.1 Management Board

Members of the Management Board of PRO DV Software AG are:

Mr Klaus Bullmann, Dipl.-Ing. (Spokesperson)
Mr Udo Bücher
Mr Uwe Osterkamp, Dipl.-Inform.

Total remuneration for the Management Board for the entire year 2005 came to TEUR620 (previous year TEUR570).

4.2 Supervisory Board

During calendar year 2005, the Supervisory Board of PRO DV Software AG comprised the following members:

Professor Rolf Windmüller, Dr.-Ing., Ennepetal (Chairperson since 31/05/2005)
Consultant to the Energy Industry
Seats on other Supervisory Boards
PSI AG, Berlin,
SAG Netz- und Energietechnik GmbH, Langen

Mr Siegfried W. Wenzel (Vice-Chairperson), Herten
Corporate consultant
No other Supervisory Board seats held

Mr Michael Petmecky, Dortmund
Management Board SIGNAL IDUNA Versicherungsgruppe
Other Supervisory Board seats held:
has programm service AG, Hamburg, and
VDG-Versicherungswirtschaftlicher Datendienst GmbH, Icking

Knud Norden, Dr.-Ing. (Chairperson until 31/05/2005), Dortmund
Management Board Division IT RWE Systems AG
Other Supervisory Board seats held:
RWE Systems Applications GmbH, Eschborn (Chairperson), and
Networkers AG, Hagen (Chairperson)

Total compensation for the Supervisory Board for Supervisory Board activities for the entire year 2005 came to TEUR32 (previous year TEUR24.5). Moreover, Mr Siegfried Wenzel received TEUR70 for as payment for consulting services.

4.3 Corporate Governance

The Management Board and the Supervisory Board submitted a declaration of conformity in the sense of the German Corporate Governance Codex (Section 161 AktG) on 10 November 2005 and have made the declaration accessible to shareholders on the Company's Web site.

5. Other Financial Obligations

The Company has rental obligations due to affiliated companies for the property at Hauert 6 totalling TEUR109 (following year TEUR54) for 19% of the area of the building Hauert 6. The remaining 81% of the area of the building has been leased from VR-Leasing Milvus GmbH & Co. Immobilien KG, Eschborn, since 01/01/2005. The obligation for the next 14 years amounts to TEUR4,804 (following year TEUR339), whereby the obligation includes the accumulation of a tenant loan of TEUR480. There is an option to buy back the property at book value, setting off the tenant loan, after a period of 10 years.

Obligations from leases in the amount of TEUR151 (following year TEUR48) exist for business offices.

As of the balance sheet date, there were liabilities from leasing agreements of TEUR336 (following year TEUR192).

There is joint and several liability with the Immobilienverwaltungsgesellschaft Hauert 6 mbH & Co. KG with regard to the special item for investment subsidies of TEUR203 which is to be reversed due to the sale of the building Hauert 6.

6. Size of Staff

The size of the staff in number of persons developed as follows during the fiscal year:

Staff	Quarter I 31/03/2005	Quarter II 30/06/2005	Quarter III 30/09/2005	Quarter IV 31/12/2005	Annual average
Executives (excluding Management Board)	14	12	11	11	12
Other full-time employees	135	122	115	123	124
Part-time employees	16	12	11	7	12
Total	165	146	137	141	148

The annual average of the number of employees, taking into account full-time equivalents, was 144.

7. Appropriation of Earnings

In conformity with the resolution of the Management Board of 22/02/2006, the net loss of TEUR3,626 will be covered by a corresponding withdrawal from the capital surplus.

PRO DV Software AG

Dortmund, February 2006



Klaus Bullmann



Udo Bücher



Uwe Osterkamp

Auditor's Opinion

We have audited the annual financial statements, together with the bookkeeping system and the management report of the Company PRO DV Software AG, Dortmund, for the business year from January 1, 2005 to December 31, 2005. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions in the articles of incorporation agreement are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Chartered Accountants (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Munich, 01 March 2006

AWT Horwath GmbH
Wirtschaftsprüfungsgesellschaft

S. Denk	ppa. A. Haas
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

**Fixed Assets Movement for Fiscal Year 2005
in Accordance with HGB**

At historical cost

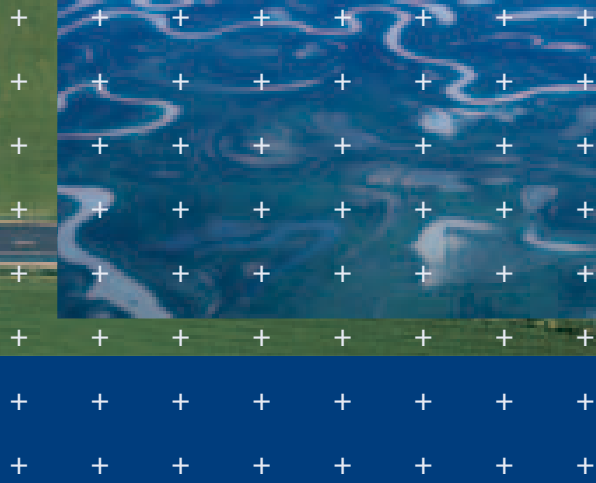
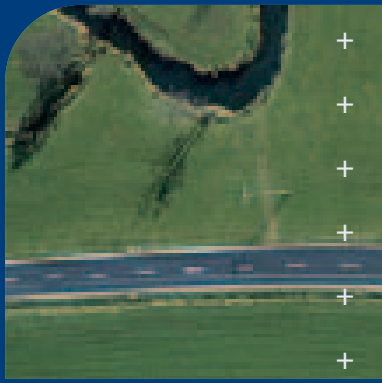
	01/01/2005 TEUR	Additions TEUR	Disposals TEUR	31/12/2005 TEUR
I. Intangible assets				
Franchises, trademarks, patents, licences and similar rights	711	164	7	868
II. Tangible assets				
Other equipment, fixtures, fittings and equipment	2,592	208	265	2,535
III. Investments				
1. Shares in affiliated companies	8,615	870	4,600	4,885
2. Other loans	-	10	-	10
	8,615	880	4,600	4,895
	11,918	1,252	4,872	8,298

Accumulated depreciation

Book value

Depreciation,
amortization
and other
write-offs

	01/01/2005 TEUR	Additions TEUR	Disposals TEUR	31/12/2005 TEUR	31/12/2005 TEUR	31/12/2004 TEUR	2005 TEUR
	610	64	7	667	201	101	64
	1,984	271	264	1,991	544	608	271
	2,955	-	-	2,955	1,930	5,660	-
	-	-	-	-	10	-	-
	2,955	-	-	2,955	1,940	5,660	-
	5,549	335	271	5,613	2,685	6,369	335



PRO DV Software AG
 Hauert 6
 44227 Dortmund
 Tel.: +49 231 9792-0
 Fax: +49 231 9792-200

Investor Relations
 E-Mail: ir@prodv.de
 Tel: +49 231 9792-341
 Fax: +49 231 9792-200

Information about
 PRO DV Software AG
 on the Internet:
<http://www.prodv.de>