

telecommunications

utilities

competence in

geo solutions

banking

government

3 Months' Report 2005

The Company in Figures

All figures in TEUR according to IAS/IFRS

	3 months 2005	3 months 2004
Sales revenues	2,780	3,592
Gross performance	2,865	4,176
EBITDA ¹	-956	118
EBIT ¹	-1,104	-86
Net income/loss	-1,070	-95
Earnings per share (in euro)	-0.25	-0.02
Employees ²	183	193

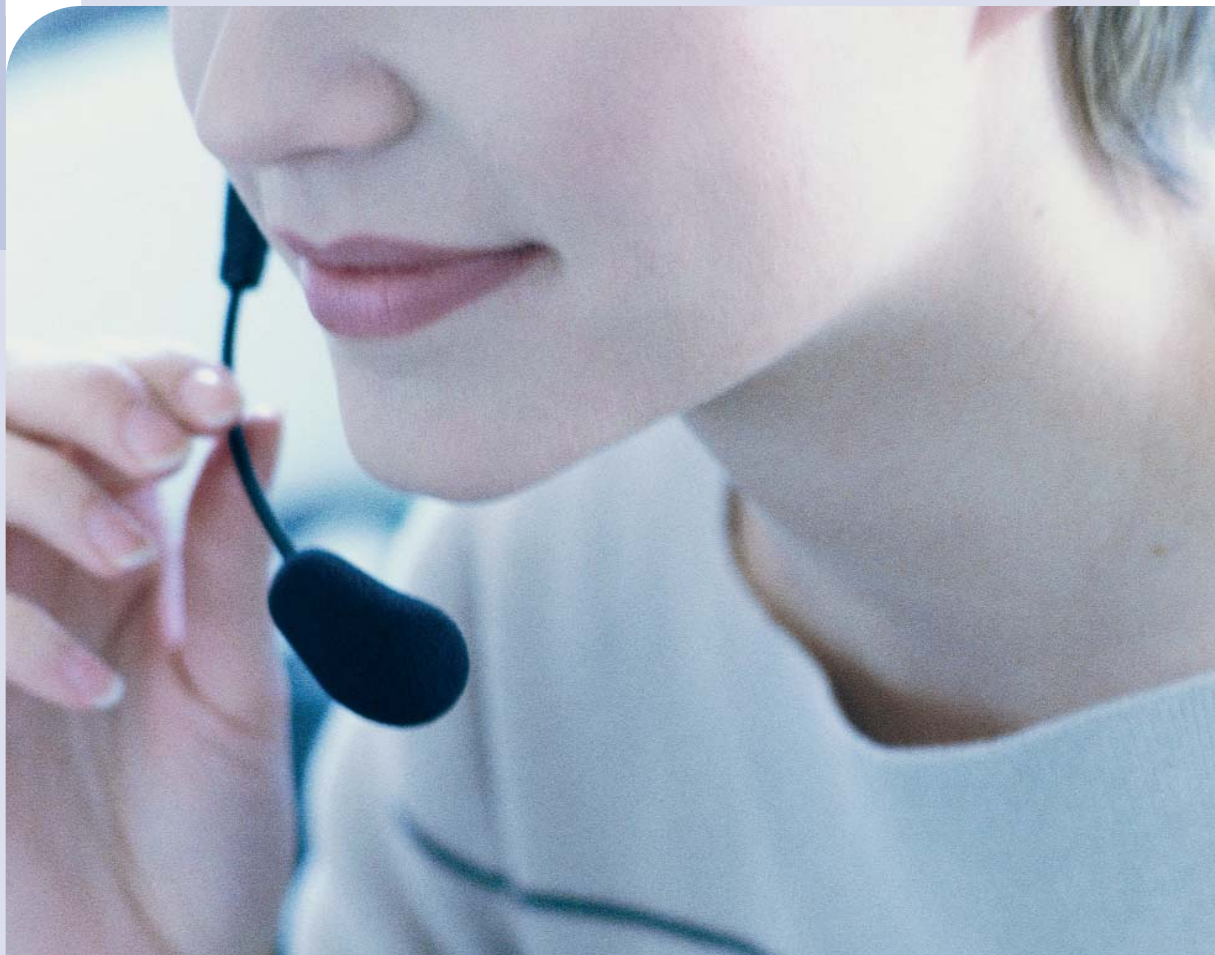
	31.03.2005	31.03.2004
Balance sheet total	23,923	25,944
Equity capital ratio	79.6%	77.5%
Liquid assets	14,388	15,895

¹ After interest income

² Full-time equivalent, average

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Business Development and Position of the Company

During the first three months of 2005, PRO DV Software AG was able to realize total performance of 2.9 million euros. The primary reason for the lower value of performance in comparison with the previous year (4.2 million euros) is to be seen in the advance services, especially in the areas of natural disaster protection and emissions protection, performed in the first quarter of 2005. There are projects for which the awarding of contacts by the clients is imminent in both of these sectors; consequently, it was not possible to include an evaluation of the services performed here.

This development of overall performance led to an operative result (EBIT) of -1.1 million euros for the first quarter as opposed to -0.1 million euros in the comparable period of the previous year. We presume that this situation will change for the better in the coming months and have a positive effect on the development of earnings. The profit/loss per share in the first quarter developed from -0.02 euro in 2004 to the current -0.25 euro.

The balance sheet total of 23.9 million euros and an equity ratio of 80% mean that PRO DV continues to maintain a good balance sheet situation. Cash and cash equivalents at the end of the reporting period amounted to 14.4 million euros.





Sales activities in all of the divisions produced incoming orders as of 31.03.2005 in the amount of 4.2 million euros. Order backlog as of the closing date of the quarter amounted to 6.6 million euros.

Assuming that the order backlog is decreased, we expect an increase in total performance for the second quarter and, as a consequence, an improvement in the results. Based on these prospects and the additional opportunities for inorganic growth, PRO DV continues its path to a turnaround.

Dortmund, May 2005

The Board of Management

A handwritten signature in black ink, appearing to be 'KB', written over a white background.

Klaus Bullmann

A handwritten signature in black ink, appearing to be 'Udo Bücher', written over a white background.

Udo Bücher

A handwritten signature in black ink, appearing to be 'Uwe Osterkamp', written over a white background.

Uwe Osterkamp



PRO DV in figures

Consolidated balance sheet to IAS/IFRS

3 Months 2005
31.03.2005Financial
statement
31.12.2004

	TEUR	TEUR
Assets		
Current assets		
Cash and Cash Equivalents	14,388	15,895
Trade accounts receivable	1,866	2,792
Inventories	809	726
Prepaid expenses and other current assets	644	257
Total current assets	17,707	19,670
Non-current assets		
Property, plant and equipment	3,154	3,215
Intangible assets	154	175
Goodwill	984	984
Investments	3	3
Deferred taxes	1,737	1,713
Other assets	184	184
Total non-current assets	6,216	6,274
Total assets	23,923	25,944

	3 Months 2005 31.03.2005	Financial statement 31.12.2004
	TEUR	TEUR
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt and current portion of long-term dept	66	66
Trade accounts payable	425	449
Advance payments received	176	282
Accrued expenses	1,683	2,040
Deferred revenues	266	223
Other current liabilities	516	949
Total current liabilities	3,132	4,009
Non-current liabilities		
Long-term debt, less current portion	727	756
Deferred tax liability	291	311
Accrued expenses	120	135
Deferrals	607	617
Total non-current liabilities	1,745	1,819
Minority interest	-	-
Shareholders' equity		
Share capital	4,300	4,300
Capital reserve	17,398	17,398
Retained Earnings/Accumulated deficit	-2,652	-1,582
Total shareholders' equity	19,046	20,116
Total liabilities and shareholders' equity	23,923	25,944

**Consolidated income statement
to IAS/IFRS**

	1st Quarter 2005 01.01.2005- 31.03.2005 TEUR	1st Quarter 2004 01.01.2004- 31.03.2004 TEUR	3 Months 2005 01.01.2005- 31.03.2005 TEUR	3 Months 2004 01.01.2004- 31.03.2004 TEUR
Sales revenues	2,780	3,592	2,780	3,592
Other operating income	273	104	273	104
Changes in inventories of finished goods and work in progress	85	584	85	584
Cost of purchased materials and services	220	189	220	189
Personnel expenses	2,972	3,226	2,972	3,226
Depreciation	148	189	148	189
Amortization (and impairment) of goodwill	-	15	-	15
Other operating expenses	987	826	987	826
Operating income/loss	-1,189	-165	-1,189	-165
Interest income and expense	75	68	75	68
Result before income taxes and minority interest	1,114	-97	-1,114	-97
Income tax	-44	-2	-44	-2
Result before minority interest	-1,070	-95	-1,070	-95
Minority interest	-	-	-	-
Net income/loss	-1,070	-95	-1,070	-95
Loss brought forward			-1,592	-2,470
Accumulated deficit			-2,662	-2,565
Net income per share (basic/diluted)	-0.25	-0.02	-0.25	-0.02
Weighted average shares outstanding (basic/diluted)	4,300,000	4,300,000	4,300,000	4,300,000

Consolidated cash flow statement to IAS/IFRS

	3 Months 2005 01.01.2005- 31.03.2005 TEUR	3 Months 2004 01.01.2004- 31.03.2004 TEUR
Cash flows from operating activities		
Net income/loss before tax	-1,114	-97
Depreciation and amortization:		
Property, plant, equipment and intangible assets	127	183
Production of own fixed assets capitalized	21	21
Interest income	-85	-79
Interest expense	10	11
Operating profit before working capital changes	-1,041	39
Changes in long-term liabilities and shareholders' equity	-25	-21
Gains and Losses from disposal of fixed assets	-	-
Invalid payment gain from final consolidation	-	-
	-25	-21
Changes in:		
Inventories	-83	-182
Trade receivables	926	252
Other assets	-360	64
Short term provisions	-359	-156
Trade payable	-24	-116
Payments on account for orders	-106	-708
Other liabilities and shareholders' equity	-390	-253
	-396	-1,099
Cash generated from operations	-1,462	-1,081
Interest paid	-10	-11
Taxes paid	-23	95
Net cash used in operating activities	-1,495	-997
Cash flows from investing activities		
Proceeds from the disposal of fixed assets	-	-
Disposal of consolidated companies net of cash sold	-2	-
Payment for investments in fixed assets	-66	-90
Interest received	85	79
Net cash used in investing activities	17	-11
Cash flows from financing activities		
Cash repayments of amounts borrowed	-29	-29
Net cash used in financing activities	-29	-29
Net decrease in cash and cash equivalents	-1,507	-1,037
Cash and cash equivalents at beginning of period	15,895	13,979
Cash and cash equivalents at end of period	14,388	12,942

Consolidated segment statement to IAS/IFRS

	Division Telecommunications		Division Retail & Banking	
	31.03.2005	31.03.2004	31.03.2005	31.03.2004
	TEUR	TEUR	TEUR	TEUR
1. By areas of competence				
Sales revenues	782	1,045	916	166
Production of own fixed assets capitalized	-	-	-	-
Changes in inventories of finished goods and work in progress	184	294	-221	25
Gross performance	966	1,339	695	191
Other operating income	40	32	-	3
Cost of purchased materials and services	101	18	30	8
Personnel expenses	887	1,002	493	209
Depreciation	28	26	15	2
Other operating expenses	268	291	139	45
Segment result	-278	34	18	-70
Non-attributable costs				
Other operating income				
Depreciation administration				
Amortization (and impairment) of goodwill				
Financial result				
Income tax				
Net income/loss				

	Germany	
	31.03.2005	31.03.2004
	TEUR	TEUR
2. By geographical markets		
Gross performance	2,805	4,087

Capital development from 01.01. – 31.03.2005 to IAS/IFRS

Date	Circumstances	Share capital TEUR	Capital reserve TEUR	Profit reserve TEUR	Accumulated deficit TEUR	Total TEUR
01.01.2005		4,300	17,398	10	-1,592	20,116
31.03.2005	Net loss	-	-	-	-1,070	-1,070
31.03.2005		4,300	17,398	10	-2,662	19,046

Division Utilities		Division Government		Division Industry		Other areas		Group	
31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
246	366	836	1,666	-	349	-	-	2,780	3,592
-	-	-	-	-	-	-	-	-	-
-59	-2	181	313	-	-46	-	-	85	584
187	364	1,017	1,979	-	303	-	-	2,865	4,176
16	4	176	28	-	37	-	-	232	104
9	6	80	122	-	35	-	-	220	189
331	316	1,261	1,243	-	456	-	-	2,972	3,226
14	7	64	47	-	40	-	-	121	122
166	59	414	260	-	171	-	-	987	826
-317	-20	-626	335	-	-362	-	-	-1,203	-83
								41	-
								27	67
								-	15
								75	68
								-44	-2
								-1,070	-95

EU		Other countries		Group	
31.03.2005	31.03.2004	31.03.2005	31.03.2004	31.03.2005	31.03.2004
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
7	28	53	61	2,865	4,176

Capital development from 01.01. – 31.03.2004 to IAS/IFRS

Date	Circumstances	Share capital TEUR	Capital reserve TEUR	Profit reserve TEUR	Accumulated deficit TEUR	Total TEUR
01.01.2004		4,300	19,191	10	-2,470	21,031
31.03.2004	Net loss	-	-	-	-95	-95
31.03.2004		4,300	19,191	10	-2,565	20,936

Notes

Economic Development

In the current market situation in Germany, clients were still reluctant to undertake investments; however, there has been an ongoing break-up of the investment backlog that had built up in the past over a period of several months. Apparently there has been a change in the thought process of companies seeking 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.

The lack of relief in the keen competition kept pressure on prices in the reporting period. The market for information technology once again proved to be a buyer's market from a structural viewpoint as well. On the clients' side, purchasers exploited the strength of their negotiating position. 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. PRO DV's clients come from telecommunications and government as well as from the banking and utilities sectors.

Events of Particular Significance

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 danger situations. This comprehensively supports the operating and preventive work of crisis squads at the national, state and district levels and of aid 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.

After successfully serving for three years, Mr Knud Norden, Dr.-Ing. has resigned as member of the Supervisory Board of PRO DV Software AG. Under his leadership as Supervisory Board chairperson, a comprehensive process of change was initiated at PRO DV; as part of this process, the holdings portfolio was significantly concentrated and the orientation of the Company was more tightly focused. The Company wishes to thank Dr Norden for the work he has done and for his contributions to the further development of the Company.

Professor Rolf Windmüller, Dr.-Ing., has been appointed as a new member of the Supervisory Board. Prof Dr Windmüller, who served on the PRO DV Supervisory Board in the time from 1997 to 2002, has also been elected as the Supervisory Board chairperson.

Events of Particular Significance after the Close of the Reporting Period

As a partner of many years' standing for the Federal Employment Agency in Nuremberg (BA), PRO DV has been awarded follow-up contracts within the scope of the reorganization of the information technology at the BA. Completion of the project is planned for the end of 2006 and has a total volume of

70 billable months. The focus is on the restructuring of the previous employment agencies into service-oriented, efficient customer centres. In this context, PRO DV will provide the consultation services, together with the specific requirements analysis, for projects regarding computer-aided provision of services and the project and quality management.

Research and Development

During the first three months of the business year, engineering services totalling 3.9 billable years were invested in the further development of our solutions and services. Product developments which commenced during this period were not capitalized as home-grown assets.

Investments

The investments in intangible assets and tangible assets amounted to TEUR 66 during the reporting period.

Methods of Accounting and Evaluation

The quarterly closing as of 31.03.2005 has been prepared using the same accounting, evaluation and calculation methods as for the annual accounts as of 31.12.2004. This quarterly report has been prepared in conformity with the International Accounting Standards/International Financial Reporting Standards.

Staff

As of 31.03.2005, a staff of 183 as a mean value was employed at PRO DV Software AG and its subsidiaries. This value is based on the full-time equivalent, i.e., part-time staff, vocational trainees and interns were taken into account proportionately as was the interest ratio in the subsidiaries.

Shareholders' Equity

The Company has at its disposal contingent capital of TEUR 230 from the issue of shares issued to the bearer with a proportionate value of the share capital of EUR 1.00 per share for the granting of subscription rights to staff members and Management Board members of PRO DV Software AG.

Stock Held by Officers and Directors

The number of PRO DV shares held by the members of the Management Board and Supervisory Board as of 31.03.2005 remains unchanged as shown below.

	Stock held 31.03.2005	Stock held 31.12.2004	Subscription rights 31.03.2005	Subscription rights 31.12.2004
Management Board				
Klaus Bullmann	491.225	491.225	10.000	10.000
Udo Bücher	0	0	0	0
Uwe Osterkamp	28.730	28.730	10.000	10.000
Supervisory Board				
Dr.-Ing. Knud Norden ¹	0	0	0	0
Michael Petmecky	0	0	0	0
Siegfried Wenzel	491.225	491.225	10.000	10.000
Prof. Dr.-Ing. Rolf Windmüller ²	0	0	0	0

¹ until 05.03.2005

² since 07.03.2005



Please do not hesitate to get in touch should you require more information.

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<http://www.prodv.de>

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Nuremberg

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