

telecommunications  
utilities

competence in  
geo solutions

banking  
government

6 Months' Report 2005

## The Company in Figures

Figures shown in TEUR in accordance with IAS/IFRS

	6 months 2005	6 months 2004
Sales	5,762	7,207
Total operating performance	5,829	8,355
EBITDA <sup>1</sup>	-2,180	-157
EBIT <sup>1</sup>	-2,485	-548
Profit/Loss	-2,411	-567
Profit/loss per share (in EUR)	-0.56	-0.13
Staff <sup>2</sup>	179	203
	30.06.2005	31.12.2004
Balance sheet total	22,622	25,944
Equity ratio	78.3%	77.5 %
Liquid assets	11,435	15,895

<sup>1</sup> After interest income

<sup>2</sup> Full-time equivalent, mean value





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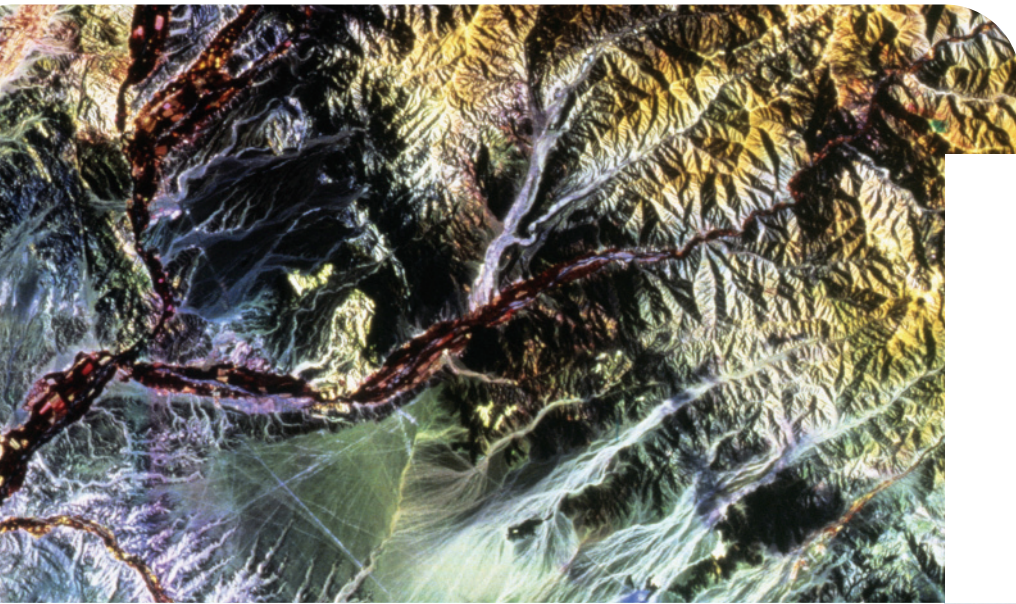


## Business Development and Position of the Company

During the first six months of 2005, PRO DV Software AG was able to realize total performance of 5.8 million euros. The major reason for the lower value of overall performance in comparison with the previous year (8.4 million euros) concerns the extensive preliminary performances in product development for natural disaster protection and the geo-portal solutions which have not been capitalized.

By making these investments in new components of our own design, we are furthering our development into a product provider. We see this as the logical path to counteract long-term the pressure on margins in project business. Furthermore, by taking over GeoTask AG we have specifically strengthened our geo-competence. This investment has increased the lead of PRO DV in technology, while at the same time expanding its product portfolio in the field of geo-solutions and portal applications.

Owing to the lower overall performance in comparison with the previous year, the operative result (EBIT) in the first half of 2005 came to -2.5 million euros as opposed to -0.5 million euros in the comparable period of the previous year. We expect, however, this situation to change for the better in the coming months and to have a positive effect on the development of earnings. The profit/loss per share in the 6-month period developed from -0.13 euro in 2004 to the current -0.56 euro.





As of 30.06.2005, orders totalling 7.0 million euros had been received. Order backlog as of the closing date amounted to 6.1 million euros. The balance sheet total of 22.6 million euros and an equity ratio of 78 % 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 11.4 million euros.

We expect a significant improvement in earnings in the coming quarters owing to the general agreements for the use of the new products now being negotiated in combination with the currently rising utilization of capacity. Operative earnings of -0.5 million euros are expected for the second half of the year, based on the long-term revenue prospects from product business now starting up.

Dortmund, July 2005

The Management Board

Klaus Bullmann

Udo Bücher

Uwe Osterkamp



## PRO DV in figures

## Consolidated balance sheet to IAS/IFRS

	6 Months 2005	Financial statement
	30.06.2005	31.12.2004
	TEUR	TEUR
<b>Assets</b>		
<b>Current assets</b>		
Cash and Cash Equivalents	11,435	15,895
Trade accounts receivable	2,017	2,792
Inventories	879	726
Prepaid expenses and other current assets	705	257
<b>Total current assets</b>	<b>15,036</b>	<b>19,670</b>
<b>Non-current assets</b>		
Property, plant and equipment	3,100	3,215
Intangible assets	616	175
Goodwill	1,769	984
Investments	3	3
Deferred taxes	1,914	1,713
Other assets	184	184
<b>Total non-current assets</b>	<b>7,586</b>	<b>6,274</b>
<b>Total assets</b>	<b>22,622</b>	<b>25,944</b>

	6 Months 2005 30.06.2005 TEUR	Financial statement 31.12.2004 TEUR
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Short-term debt and current portion of long-term dept	66	66
Trade accounts payable	189	449
Advance payments received	200	282
Accrued expenses	1,883	2,040
Deferrals	284	223
Other current liabilities	490	949
<b>Total current liabilities</b>	<b>3,112</b>	<b>4,009</b>
<b>Non-current liabilities</b>		
Long-term debt, less current portion	723	756
Deferred tax liability	381	311
Accrued expenses	105	135
Deferrals	596	617
<b>Total non-current liabilities</b>	<b>1,805</b>	<b>1,819</b>
<b>Minority interest</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity</b>		
Share capital	4,300	4,300
Capital reserve	17,398	17,398
Retained Earnings/Accumulated deficit	-3,993	-1,582
<b>Total shareholders' equity</b>	<b>17,705</b>	<b>20,116</b>
<b>Total liabilities and shareholders' equity</b>	<b>22,622</b>	<b>25,944</b>



**Consolidated income statement  
to IAS/IFRS**

	2nd Quarter 2005 01.04.2005- 30.06.2005 TEUR	2nd Quarter 2004 01.04.2004- 30.06.2004 TEUR	6 Months 2005 01.01.2005- 30.06.2005 TEUR	6 Months 2004 01.01.2004- 30.06.2004 TEUR
Sales revenues	2,982	3,615	5,762	7,207
Other operating income	270	107	543	211
Changes in inventories of finished goods and work in progress	-18	564	67	1,148
Cost of purchased materials and services	398	277	618	466
Personnel expenses	3,173	3,443	6,145	6,669
Depreciation	157	187	305	376
Amortization (and impairment) of goodwill	-	-	-	15
Other operating expenses	990	908	1,977	1,734
<b>Operating income/loss</b>	<b>-1,484</b>	<b>-529</b>	<b>-2,673</b>	<b>-694</b>
Interest income and expense	93	56	168	124
<b>Result before income taxes and minority interest</b>	<b>-1,391</b>	<b>-473</b>	<b>-2,505</b>	<b>-570</b>
Income tax	-50	-1	-94	-3
<b>Result before minority interest</b>	<b>-1,341</b>	<b>-472</b>	<b>-2,411</b>	<b>-567</b>
Minority interest	-	-	-	-
<b>Net income/loss</b>	<b>-1,341</b>	<b>-472</b>	<b>-2,411</b>	<b>-567</b>
Loss brought forward			-1,592	-2,470
Accumulated deficit			-4,003	-3,037
Net income per share (basic/diluted)	-0.31	-0.11	-0.56	-0.13
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

	6 Months 2005 01.01.2005- 30.06.2005 TEUR	6 Months 2004 01.01.2004- 30.06.2004 TEUR
<b>Cash flows from operating activities</b>		
Net income/loss before tax	-2,505	-570
Depreciation and amortization:		
Property, plant, equipment and intangible assets	264	350
Production of own fixed assets capitalized	41	41
Changes in invalid payment	-	-
Interest income	-188	-146
Interest expense	20	22
<b>Operating profit before working capital changes</b>	<b>-2,368</b>	<b>-303</b>
Changes in long-term liabilities and shareholders' equity	-51	-52
Gains and Losses from disposal of fixed assets	-	-
Invalid payment gain from final consolidation	-	-
	-51	-52
Changes in:		
Inventories	-22	-87
Trade receivables	852	243
Other assets	-384	-75
Short term provisions	-398	-95
Trade payable	-571	35
Payments on account for orders	-132	-1,060
Other liabilities and shareholders' equity	-538	-296
	-1,193	-1,335
<b>Cash generated from operations</b>	<b>-3,612</b>	<b>-1,690</b>
Interest paid	-20	-22
Taxes paid	-39	90
<b>Net cash used in operating activities</b>	<b>-3,671</b>	<b>-1,622</b>
<b>Cash flows from investing activities</b>		
Proceeds from the disposal of fixed assets	-	-
Disposal of consolidated companies net of cash acquired	-844	-
Payment for investments in fixed assets	-100	-217
Interest received	188	146
<b>Net cash used in investing activities</b>	<b>-756</b>	<b>-71</b>
<b>Cash flows from financing activities</b>		
Cash repayments of amounts borrowed	-33	-33
<b>Net cash used in financing activities</b>	<b>-33</b>	<b>-33</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-4,460</b>	<b>-1,726</b>
Cash and cash equivalents at beginning of period	15,895	13,979
<b>Cash and cash equivalents at end of period</b>	<b>11,435</b>	<b>12,253</b>

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

## Consolidated segment statement to IAS/IFRS

	Division Telecommunications		Division Retail & Banking	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
	TEUR	TEUR	TEUR	TEUR
<b>1. By areas of competence</b>				
Sales revenues	1,954	2,324	1,475	550
Production of own fixed assets capitalized	-	-	-	-
Changes in inventories of finished goods and work in progress	84	486	-172	243
<b>Gross performance</b>	<b>2,038</b>	<b>2,810</b>	<b>1,303</b>	<b>793</b>
Other operating income	41	35	-	34
Cost of purchased materials and services	164	50	76	73
Personnel expenses	1,743	2,058	1,052	601
Depreciation	59	49	32	5
Other operating expenses	580	536	282	201
<b>Segment result</b>	<b>-467</b>	<b>152</b>	<b>-139</b>	<b>-53</b>
<b>Non-attributable items</b>				
Other operating income				
Depreciation administration				
Amortization (and impairment) of goodwill				
Financial result				
Income tax				
<b>Net income/loss</b>				

	Germany	
	30.06.2005	30.06.2004
	TEUR	TEUR
<b>2. By geographical markets</b>		
<b>Gross performance</b>	<b>5,700</b>	<b>8,112</b>

## Capital development from 01.01. – 30.06 2005 to IAS/IFRS

Date	Circumstances	Share capital TEUR	Capital reserve TEUR	Currency conversion	Profit reserve TEUR	Accumulated deficit TEUR	Total TEUR
01.01.2005		4,300	17,398	-	10	-1,592	20,116
30.06.2005	Net loss	-	-	-	-	-2,411	-2,411
30.06.2005	Other non-operating changes	-	-	-	-	-	-
<b>30.06.2005</b>		<b>4,300</b>	<b>17,398</b>	<b>-</b>	<b>10</b>	<b>-4,003</b>	<b>17,705</b>

Division Utilities		Division Government		Division Industry		Group	
30.06.2005	30.06.2004	30.06.2005	30.06.2004	30.06.2005	30.06.2004	30.06.2005	30.06.2004
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
429	616	1,904	2,959	-	758	5,762	7,207
-	-	-	-	-	-	-	-
-23	-51	178	484	-	-14	67	1,148
<b>406</b>	<b>565</b>	<b>2,082</b>	<b>3,443</b>	<b>-</b>	<b>744</b>	<b>5,829</b>	<b>8,355</b>
17	7	275	80	-	55	333	211
29	9	349	267	-	67	618	466
638	623	2,712	2,431	-	956	6,145	6,669
31	15	132	95	-	78	254	242
288	124	827	501	-	372	1,977	1,734
<b>-563</b>	<b>-199</b>	<b>-1,663</b>	<b>229</b>	<b>-</b>	<b>-674</b>	<b>-2,832</b>	<b>-545</b>
						210	-
						51	134
						-	15
						168	124
						-94	-3
						<b>-2,411</b>	<b>-567</b>

EU		Other countries		Group	
30.06.2005	30.06.2004	30.06.2005	30.06.2004	30.06.2005	30.06.2004
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
<b>9</b>	<b>166</b>	<b>120</b>	<b>77</b>	<b>5,829</b>	<b>8,355</b>

#### Capital development from 01.01. – 30.06.2004 to IAS/IFRS

Date	Circumstances	Share capital TEUR	Capital reserve TEUR	Currency conversion	Profit reserve TEUR	Accumulated deficit TEUR	Total TEUR
01.01.2004		4,300	19,191	-	10	-2,470	21,031
30.06.2004	Net loss	-	-	-	-	-567	-567
<b>30.06.2004</b>		<b>4,300</b>	<b>19,191</b>	<b>-</b>	<b>10</b>	<b>-3,037</b>	<b>20,464</b>

## 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 over a period of several months of the investment backlog that had built up in the past. 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 make their decisions about the use of IT from a strategic viewpoint again. 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, standardized 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

As of 10.05.2005, PRO DV has taken 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 modelling a view centred on users and context.

As a partner of many years' standing for the Federal Employment Agency in Nuremberg (BA), PRO DV was awarded follow-up contracts in April as part of 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.

### Events of Particular Significance after the Close of the Reporting Period

There have been no events of particular significance within the Company since 30.06.2005.



### Research and Development

During the first six months of the business year, engineering services totalling about 9.0 billable years were invested in the further development of our solutions and services. These product developments were not capitalized as home-grown assets.

### Investments

The investments in intangible and tangible assets amounted to TEUR 100 during the reporting period. In addition, TEUR 844 was invested in holdings in other companies.

### Methods of Accounting and Evaluation

The quarterly closing as of 30.06.2005 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 30.06.2005, a staff of 179 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.

### Shareholders' equity

The Company has at its disposal contingent capital of TEUR 430 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 30.06.2005 remains unchanged as shown below.

	Stock held 30.06.2005	Stock held 31.12.2004	Subscription rights 30.06.2005	Subscription rights 31.12.2004
<b>Management Board</b>				
Klaus Bullmann	491.225	491.225	0	10.000
Udo Bücher	0	0	0	0
Uwe Osterkamp	28.730	28.730	0	10.000
<b>Supervisory Board</b>				
Michael Petmecky	0	0	0	0
Siegfried Wenzel	491.225	491.225	0	10.000
Professor Rolf Windmüller, Dr.-Ing.	0	0	0	0



If you have any questions,  
please do not hesitate to  
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