



# 9 Months' Report 2004

## The Company in figures

(all figures in TEUR according to IAS/IFRS)

	9 months 2004	9 months 2003
Sales revenues	11,481	11,083
Gross performance	12,302	11,887
EBITDA <sup>1</sup>	-803	-1,408
EBIT <sup>1</sup>	-1,380	-2,138
Net income/loss	-1,408	-2,273
Earnings per share (in euro)	-0.33	-0.53
Employees <sup>2</sup>	205	219

	30.09.2004	31.12.2003
Balance sheet total	24,914	27,392
Equity capital ratio	79 %	77 %
Liquid assets	11,249	13,979

<sup>1</sup> After interest income

<sup>2</sup> Full-time equivalent, average



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## Business development and position of the Company

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During the first nine months of 2004 PRO DV Software AG succeeded in increasing its total output to 12.3 million euros, as compared with 11.9 million euros for the same period last year. The net loss on operations (EBIT) was reduced from 2.14 million euros to 1.38 million euros. This marked improvement in the result was achieved by a programme of resolute cost optimisation, plus other action taken with the objective of effecting PRO DV's turnaround as quickly as possible.

This included the hive-off of the unprofitable Industry Division on 30 September 2004. This was acquired in a management buy-out by the former divisional management and is continuing its business operations as a completely separate, newly-formed company. The Industry Division's net operating loss for the nine months to end September totalled 1.27 million euros, of which 0.59 million euros was incurred in the third quarter alone. This was more or less equivalent to total cumulative consolidated earnings as of 30 September. The charge against consolidated earnings in the third quarter will be the last time that this division adversely affects earnings.

Earnings per share improved from the figure of minus 0.53 euros in the first nine months of 2003 to minus 0.33 euros as of 30 September 2004. PRO DV is in good financial shape with a balance sheet total of 24.9 million euros and an equity ratio of 79%. Net liquid resources as of 30 September totalled 11.2 million euros.





Sales activities by all the company's divisions yielded incoming orders totalling 12.8 million euros over the nine-month period, of which 6.3 million euros were still outstanding at 30 September 2004.

Following the company's reorganisation the Management Board is expecting a breakeven for the fourth quarter. This means that the budgeted result for the full year remains unchanged at around minus 1 million euros.

Dortmund, November 2004

The Board of Management

Klaus Bullmann

Udo Bücher

Uwe Osterkamp

## PRO DV in figures

Consolidated balance sheet to IAS/IFRS

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Assets	Financial statement 30.09.2004 TEUR	Financial statement 31.12.2003 TEUR
Current assets		
Cash and Cash Equivalents	11,249	13,979
Short-term Investments/Marketable securities	-	-
Trade accounts receivable	2,311	2,378
Accounts receivable due from related parties	-	-
Inventories	1,081	752
Deferred tax asset	-	-
Prepaid expenses and other current assets	571	675
<b>Total current assets</b>	<b>15,212</b>	<b>17,784</b>
Non-current assets		
Property, plant and equipment	5,482	5,690
Intangible assets	212	264
Goodwill	984	1,000
Investments	-	-
Investments accounted for by the equity method	-	-
Notes receivable/loans	-	-
Deferred taxes	2,888	2,518
Other assets	136	136
<b>Total non-current assets</b>	<b>9,702</b>	<b>9,608</b>
<b>Total assets</b>	<b>24,914</b>	<b>27,392</b>

Liabilities and shareholders' equity	Financial statement 30.09.2004 TEUR	Financial statement 31.12.2003 TEUR
Current liabilities		
Current portion of capital lease obligation	-	-
Short-term debt and current portion of long-term dept	66	66
Trade accounts payable	246	297
Accounts payable due to related parties	-	-
Advance payments received	129	1,277
Accrued expenses	1,751	1,599
Deferred revenues	-	-
Income tax payable	-	-
Deferred tax liability	-	-
Other current liabilities	588	931
Accrued income taxes	41	23
<b>Total current liabilities</b>	<b>2,821</b>	<b>4,193</b>
Non-current liabilities		
Long-term debt, less current portion	760	822
Capital lease obligations, less current portion	-	-
Deferred revenues	-	-
Deferred tax liability	729	381
Pension accrual	-	-
Accrued expenses	138	183
Deferrals	843	782
<b>Total non-current liabilities</b>	<b>2,470</b>	<b>2,168</b>
<b>Minority interest</b>	<b>-</b>	<b>-</b>
Shareholders' equity		
Share capital	4,300	4,300
Capital reserve	19,191	19,191
Treasury Stock	-	-
Retained Earnings/Accumulated deficit	-3,868	-2,460
Accumulated other comprehensive income/loss	-	-
<b>Total shareholders' equity</b>	<b>19,623</b>	<b>21,031</b>
<b>Total liabilities and shareholders' equity</b>	<b>24,914</b>	<b>27,392</b>

## Consolidated income statement to IAS/IFRS

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	3rd Quarter 2004 01.07.2004- 30.09.2004 TEUR	3rd Quarter 2003 01.07.2003- 30.09.2003 TEUR	9 Months 2004 01.01.2004- 30.09.2004 TEUR	9 Months 2003 01.01.2003- 30.09.2003 TEUR
Sales revenues	4,274	3,909	11,481	11,083
Other operating income	36	69	247	194
Changes in inventories of finished goods and work in progress	-327	250	821	804
Production of own fixed assets capitalized	-	-	-	-
Cost of purchased materials and services	227	148	693	787
Personnel expenses	3,209	3,296	9,878	10,198
Depreciation	186	206	562	643
Amortization (and impairment) of goodwill	-	16	15	87
Other operating expenses	1,258	819	2,992	2,789
<b>Operating income/loss</b>	<b>-897</b>	<b>-257</b>	<b>-1,591</b>	<b>-2,423</b>
Interest income and expense	55	70	179	246
Income from investments and participations	-	-	-	-
Income/expense from investments accounted for by the equity method	-	-	-	-
Foreign currency exchange gains/losses	-	-	-	-
Other income/expense	-	-	-	-
<b>Result before income taxes and minority interest</b>	<b>-842</b>	<b>-187</b>	<b>-1,412</b>	<b>-2,177</b>
Income tax	-1	143	-4	96
Extraordinary income/expenses	-	-	-	-
<b>Result before minority interest</b>	<b>-841</b>	<b>-330</b>	<b>-1,408</b>	<b>-2,273</b>
Minority interest	-	-	-	-
<b>Net income/loss</b>	<b>-841</b>	<b>-330</b>	<b>-1,408</b>	<b>-2,273</b>
Loss brought forward			-2,470	-13,363
Accumulated deficit			-3,878	-15,636
Net income per share (basic/diluted)	-0.20	-0.08	-0.33	-0.53
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

	9 Months 2004 01.01.2004- 30.09.2004 TEUR	9 Months 2003 01.01.2003- 30.09.2003 TEUR
<b>Cash flows from operating activities</b>		
Net income/loss before tax	-1,412	-2,177
Adjustments for:		
Minority Interest	-	-
Depreciation and amortization:		
Property, plant, equipment and intangible assets	515	656
Production of own fixed assets capitalized	62	74
Interest income	-211	-285
Interest expense	32	39
<b>Operating profit before working capital changes</b>	<b>-1,014</b>	<b>-1,693</b>
Changes in long-term liabilities and shareholders' equity	16	-53
Gains and Losses from disposal of fixed assets	1	1
Changes in long-term assets	-	-
	17	-52
Changes in:		
Inventories	-329	-1,094
Trade receivables	67	491
Other assets	33	84
Short-term provisions	152	-696
Trade payable	-51	-316
Payments on account for orders	-1,148	-300
Other liabilities and shareholders' equity	-343	-462
	-1,619	-2,293
<b>Cash generated from operations</b>	<b>-2,616</b>	<b>-4,038</b>
Interest paid	-32	-39
Taxes paid	71	201
<b>Net cash used in operating activities</b>	<b>-2,577</b>	<b>-3,876</b>
<b>Cash flows from investing activities</b>		
Disposal of consolidated companies net of cash sold	-	-
Acquisition of subsidiaries net of cash acquired	-	-
Payment for investments in fixed assets	-302	-265
Interest received	211	285
<b>Net cash used in investing activities</b>	<b>-91</b>	<b>20</b>
<b>Cash flows from financing activities</b>		
Cash repayments of amounts borrowed	-62	-62
<b>Net cash used in financing activities</b>	<b>-62</b>	<b>-62</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-2,730</b>	<b>-3,918</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>13,979</b>	<b>15,852</b>
<b>Cash and cash equivalents at end of period</b>	<b>11,249</b>	<b>11,934</b>

## Consolidated segment statement

By divisions from 01.01. – 30.09.2004 to IAS/IFRS

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	Division Telecommunications		Division Retail & Banking	
	30.09.2004	30.09.2003	30.09.2004	30.09.2003
	TEUR	TEUR	TEUR	TEUR
<b>1. By areas of competence</b>				
Sales revenues	3,684	3,581	1,195	730
Production of own fixed assets capitalized	-	-	-	-
Changes in inventories of finished goods and work in progress	365	516	219	12
<b>Gross performance</b>	<b>4,049</b>	<b>4,097</b>	<b>1,414</b>	<b>742</b>
Other operating income	42	42	39	9
Cost of purchased materials and services	98	157	90	103
Personnel expenses	2,987	3,147	1,037	618
Depreciation	74	117	9	16
Other operating expenses	858	934	320	160
<b>Segment result</b>	<b>74</b>	<b>-216</b>	<b>-3</b>	<b>-146</b>
<b>Non-attributable costs</b>				
Depreciation administration				
Legal and consulting costs				
Amortization (and impairment) of goodwill				
Financial result				
Income tax				
Minority interest				
<b>Net income/loss</b>				

	Germany	
	30.09.2004	30.09.2003
	TEUR	TEUR
<b>2. By geographical markets</b>		
<b>Gross performance</b>	<b>11,899</b>	<b>11,463</b>

## Capital development from 01.01. – 30.09.2004 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
30.09.2004	Net loss	-	-	-	-1,408	-1,408
<b>30.09.2004</b>		<b>4,300</b>	<b>19,191</b>	<b>10</b>	<b>-3,878</b>	<b>19,623</b>

	Division Utilities		Division Government		Division Industry		Other areas		Group	
	30.09.2004	30.09.2003	30.09.2004	30.09.2003	30.09.2004	30.09.2003	30.09.2004	30.09.2003	30.09.2004	30.09.2003
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
	954	946	4,287	3,913	1,361	1,608	-	305	11,481	11,083
	-	-	-	-	-	-	-	-	-	-
	-27	-46	604	423	-340	-101	-	-	821	804
	<b>927</b>	<b>900</b>	<b>4,891</b>	<b>4,336</b>	<b>1,021</b>	<b>1,507</b>	<b>-</b>	<b>305</b>	<b>12,302</b>	<b>11,887</b>
	10	9	90	48	66	74	-	12	247	194
	26	86	406	362	73	68	-	11	693	787
	914	1,012	3,581	3,503	1,395	1,648	-	270	9,878	10,198
	23	27	140	186	116	144	-	18	362	508
	236	148	773	903	805	472	-	96	2,992	2,713
	<b>-262</b>	<b>-364</b>	<b>81</b>	<b>-570</b>	<b>-1,266</b>	<b>-751</b>	<b>-</b>	<b>-78</b>	<b>-1,376</b>	<b>-2,125</b>
									200	135
									-	76
									15	87
									179	246
									-4	96
									-	-
									<b>-1,408</b>	<b>-2,273</b>

	EU		Other Countries		Group	
	30.09.2004	30.09.2003	30.09.2004	30.09.2003	30.09.2004	30.09.2003
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
	<b>180</b>	<b>411</b>	<b>223</b>	<b>13</b>	<b>12,302</b>	<b>11,887</b>

#### Capital development from 01.01. – 30.09 2003 to IAS/IFRS

Date	Circumstances	Share capital TEUR	Capital reserve TEUR	Profit reserve TEUR	Accumulated deficit TEUR	Total TEUR
01.01.2003		4,300	32,250	10	-13,363	23,197
30.09.2003	Net loss	-	-	-	-2,273	-2,273
<b>30.09.2003</b>		<b>4,300</b>	<b>32,250</b>	<b>10</b>	<b>-15,636</b>	<b>20,924</b>

## Appendix

### > Economic development

The markets in which PRO DV operates continued to suffer from a reluctance to undertake capital expenditure in recent months. This was particularly evident from the budget cuts and postponement of already planned investments in IT infrastructure and IT solutions made by several customers.

### > Events of particular significance

Karstadt Immobilien AG & Co. KG was acquired as a new customer in August. KarstadtQuelle AG's real estate management company has entrusted PRO DV with the development and implementation of a geo-based solution for location analysis and expansion planning. The new IT system will enable active and efficient asset management of the company's extensive and valuable real estate portfolio consisting primarily of retail space, logistics centres and offices, and will also be capable of evaluating buildings and sites for development of new locations. It will use a geographic information system to evaluate background data on the economic, competitive and socio-demographic situation and will then coordinate these with internal Karstadt data and use digital cards to visualise the results.

The unprofitable Industry Division was hived off on 30 September 2004 with the objective of effecting PRO DV's turnaround as quickly as possible. The drain caused by this division on consolidated earnings in the third quarter will be the last time that this division adversely affects results.

### > Events of particular significance after the end of the period under review

The Federal German Office for Cartography and Geodesy (BKG) is pressing ahead with the GeoPortal.Bund project commissioned by the Federal German Ministry of the Interior (BMI) for the creation of a pioneering geo-data infrastructure at national level. This project is being coordinated by IMAGI, an inter-ministerial committee for application of geo-information ([www.imagi.de](http://www.imagi.de)). It will pool the geo-information collected by various government authorities and other public institutions and create a central point from which this information will be accessible to government offices, the business and scientific worlds and the population as a whole. Geo-data are defined as all data relating to geographic areas which are of importance for regional planning, regional utility and disposal systems, the construction industry, civil defence and disaster control services, and also for environmental management and nature preservation. For example, geographic information is used, either directly or indirectly, in roughly half of all branches of the economy.

In October, PRO DV received the order for the creation of this highly sophisticated geo-data portal from the Federal German Office for Cartography and Geodesy. PRO DV will be the general contractor in a joint project with the Swiss company GeoTask. The key tasks will be to provide an internet-based, barrier-free, interoperable geo-data search engine and to make available geo web services based on Open Geospatial Consortium (OGC) standards.

### > Research and development

In the first six months of the financial year, approx. 10 man-years in engineering services were invested in the further development of the company's solutions and services. Product developments which commenced in this period were not capitalised as self-constructed assets.

### > Investments

Investments in intangible fixed assets and fixed assets in the period under review amounted to TEUR 302.

### > Accounting and valuation methods

The accounting, valuation, and calculation methods used for the quarterly statements as of 30 September 2004 were the same as those used for the annual financial statements as of 31 December 2003. This quarterly report has been prepared in compliance with international accounting standards/international financial reporting standards.

### > Number of employees

As at 30 September 2004, an average of 205 staff were employed at PRO DV Software AG and its subsidiaries. This figure is based on the full-time equivalent, i.e. part-time staff, trainees, and interns have been taken into consideration on a pro rata basis.

### > Equity

The company has access to a contingent capital of 230,000 euros through the issue of bearer shares with an arithmetical share in the capital stock of 1 euro each in order to grant subscription rights to employees and members of the Board of Management of PRO DV Software AG.

### > Directors' Holdings

The number of shares held by the members of the Board of Management and Supervisory Board as of 30 September 2004 has remained unchanged and is as follows:

	Shares held 30.09.2004	Shares held 31.12.2003	Subscription rights 30.09.2004	Subscription rights 31.12.2003
<b>Board of management</b>				
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
<b>Supervisory board</b>				
Dr.-Ing. Knud Norden	0	0	0	0
Michael Petmecky	0	0	0	0
Siegfried Wenzel	491.225	491.225	10.000	10.000



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

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