



6 Months' Report 2003

The company in figures

	6 months 2003	6 months 2002
(figures in TEUR to IAS)		
Sales revenues	7,174	8,018
Gross performance	7,728	8,493
EBITDA ¹	-1,454	-2,929
EBIT ¹	-1,962	-3,768
Net income/loss	-1,943	-2,531
Earnings per share (in euro)	-0.45	-0.59
Employees ²	223	307

	30.06.2003	31.12.2002
Balance-sheet total	26,920	30,052
Equity capital ratio	79%	77 %
Liquid funds	13,405	15,852

¹ After interest income

² Full-time equivalent, average



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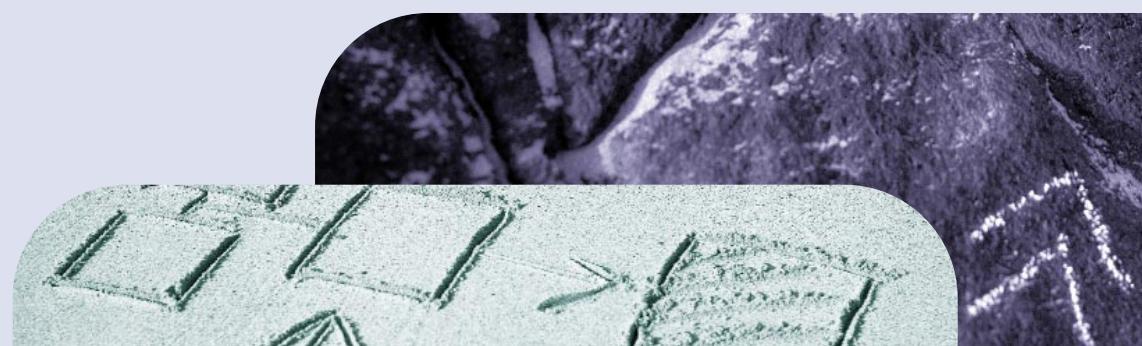
Course of business and position of the company

In the first six months of 2003 PRO DV Software AG posted a gross performance of 7.73 million euros, following on from 8.49 million euros in the comparative period for the previous year. Sales revenues were 7.17 (previous year: 8.02) million euros. This development essentially came about with the removal of shareholdings from the reporting unit in the past year.

The ongoing stagnation of the economy and the associated reservation towards awarding IT projects has impacted on the development of results at PRO DV. With the consistent cost management and, in particular, the streamlining of the shareholdings portfolio – a process initiated last year and through which loss-making areas have been identified and then removed from the group – it has been possible to bring about a turnaround in the development of results.

Thus in the first six months of the year the operating result (EBIT) improved by 48 per cent, from -3.77 million euros in 2002 to -1.96 million euros. Before depreciation (EBITDA) the result improved by 50 per cent, from -2.93 million euros to -1.45 million euros. The earnings per share rose from -0.59 euros in the first six months to -0.45 euros.

In spite of the measures initiated with regard to the operational costs, and in particular with respect to the shareholdings portfolio, the board of management found it necessary to analyse and utilise any further potential for savings. Although it was possible to stabilise capacity utilisation with new orders of 10.4 million euros and orders on hand of 9.66 million euros as of the balance-sheet date, which were attained thanks to the company's stronger focus on sales and on specific sectors of industry, with a view to the company's profitability it was nevertheless necessary to examine and amend the available capacities in the operational and, above all, administrative sectors. Thus, for instance, the organisational structures were further streamlined and previously independent areas amalgamated.





Despite the ongoing tense situation on the markets, the balance sheet situation at PRO DV is very good, with a balance-sheet total of 26.9 million euros and an equity ratio of 79.0 per cent. The cash and cash equivalents at the end of the reporting period amounted to 13.41 million euros, and were thus at virtually the same level as last year (13.51 million euros).

Taking into account the adjustments in the personnel capacities, the associated easing of the personnel expenses, as well as the forthcoming orders, the company expects the gross performance for 2003 to remain unchanged at 18.3 million euros with an operating result of (EBIT) of some -2.0 million euros.

Dortmund, August 2003

The Board of Management

A handwritten signature in black ink, appearing to read 'Klaus Bullmann'.

Klaus Bullmann

A handwritten signature in black ink, appearing to read 'Siegfried Wenzel'.

Siegfried Wenzel

PRO DV in figures

Consolidated balance sheet to IAS

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Assets	TEUR	TEUR
Current assets		
Cash and Cash Equivalents	13,405	15,852
Short-term Investments/Marketable securities	-	-
Trade accounts receivable	1,911	2,434
Accounts receivable due from related parties	-	-
Inventories	826	715
Deferred tax asset	-	-
Prepaid expenses and other current assets	712	723
Total current assets	16,854	19,724
Non-current assets		
Property, plant and equipment	6,010	6,199
Intangible assets	317	392
Goodwill	1,031	1,062
Investments	-	-
Investments accounted for by the equity method	-	-
Notes receivable/loans	-	-
Deferred taxes	2,708	2,675
Other assets	-	-
Total non-current assets	10,066	10,328
Total assets	26,920	30,052

6 Months 2003

Financial

statement

30.06.2003

31.12.2002

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Liabilities and shareholders' equity	TEUR	TEUR
Current liabilities		
Current portion of capital lease obligation	-	-
Short-term debt and current portion of long-term dept	66	66
Trade accounts payable	596	640
Accounts payable due to related parties	-	-
Advance payments received	131	427
Accrued expenses	1,772	2,183
Deferred revenues	-	-
Income tax payable	-	-
Deferred tax liability	-	-
Other current liabilities	664	1,073
Accrued income taxes	9	-
Total current liabilities	3,238	4,389
Non-current liabilities		
Long-term debt, less current portion	855	887
Capital lease obligations, less current portion	-	-
Deferred revenues	-	-
Deferred tax liability	722	746
Pension accrual	-	-
Deferrals	851	833
Total non-current liabilities	2,428	2,466
Minority interest	-	-
Shareholders' equity		
Share capital	4,300	4,300
Capital reserve	32,250	32,250
Treasury Stock	-	-
Retained Earnings/Accumulated deficit	-15,296	-13,353
Accumulated other comprehensive income/loss	-	-
Total shareholders' equity	21,254	23,197
Total liabilities and shareholders' equity	26,920	30,052

Consolidated income statement to IAS

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	2nd Quarter 2003 01.04.2003- 30.06.2003	2nd Quarter 2002 01.04.2002- 30.06.2002	6 Months 2003 01.01.2003- 30.06.2003	6 Months 2002 01.01.2002- 30.06.2002
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	TEUR	TEUR	TEUR	TEUR
Sales revenues	3,341	3,199	7,174	8,018
Other operating income	54	97	125	174
Changes in inventories of finished goods and work in progress	168	531	554	475
Production of own fixed assets capitalized	-	-	-	-
Cost of purchased materials and services	250	152	639	382
Personnel expenses	3,290	4,196	6,902	8,983
Depreciation	216	356	437	710
Amortization (and impairment) of goodwill	56	65	71	129
Other operating expenses	1,050	1,047	1,970	2,485
Operating income/loss	-1,299	-1,989	-2,166	-4,022
Interest income and expense	77	106	176	228
Income from investments and participations	-	-	-	-
Income/expense from investments accounted for by the equity method	-	-	-	-
Foreign currency exchange gains/losses	-	-	-	-
Other income/expense	-	-	-	-
Result before income taxes and minority interest	-1,222	-1,883	-1,990	-3,794
Income tax	-35	-648	-47	-1,207
Extraordinary income/expenses	-	-	-	-
Result before minority interest	-1,187	-1,235	-1,943	-2,587
Minority interest	-	-25	-	56
Net income/loss	-1,187	-1,260	-1,943	-2,531
Profit/loss brought forward			-13,363	-3,061
Retained earnings			-15,306	-5,592
Net income per share (basic/diluted)	-0.28	-0.29	-0.45	-0.59
Weighted average shares outstanding (basic/diluted)	4,300,000	4,300,000	4,300,000	4,300,000

Consolidated cash flow statement to IAS

6 Months 2003 6 Months 2002
 01.01.2003- 01.01.2002-
 30.06.2003 30.06.2002

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	TEUR	TEUR
Cash flows from operating activities		
Net income/loss before tax	-1,990	-3,738
Adjustments for:		
Minority Interest	-	-27
Depreciation and amortization:		
Property, plant, equipment and intangible assets	458	638
Production of own fixed assets capitalized	50	201
Interest income	-204	-254
Interest expense	28	26
Operating profit before working capital changes	-1,658	-3,154
Gains and Losses from disposal of fixed assets	1	-
Invalid payment loss from final consolidation	-	348
Invalid payment gain from final consolidation	-	-
Changes in inventories	-111	147
Changes in trade receivables	523	396
Changes in accounts receivable from associated companies	-	-
Changes in other assets	87	345
Changes in long-term liabilities and shareholders' equity	18	148
Changes in short-term provisions	-411	265
Changes in trade payable	-44	-296
Changes in payments on account for orders	-296	-190
Changes in other liabilities and shareholders' equity	-409	-532
Cash generated from operations	-2,300	-2,523
Interest paid	-28	-26
Taxes paid	-76	-
Net cash used in operating activities	-2,404	-2,549
Cash flows from investing activities		
Sale of subsidiaries net of cash sold	-	-307
Acquisition of subsidiaries net of cash acquired	-	-
Payment for investments in fixed assets	-214	-155
Interest received	204	254
Net cash used in investing activities	-10	-208
Cash flows from financing activities		
Cash repayments of amounts borrowed	-33	-32
Net cash used in financing activities	-33	-32
Net decrease in cash and cash equivalents	-2,447	-2,789
Cash and cash equivalents at beginning of period	15,852	16,296
Cash and cash equivalents at end of period	13,405	13,507

Consolidated segment statement to IAS

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		Division Telecommunication 30.06.2003	Division Retail & Banking 30.06.2002
1. By areas of competence		TEUR	TEUR
Sales revenues		2,436	2,055
Production of own fixed assets capitalized		-	-
Changes in inventories of finished goods and work in progress		330	197
Gross performance		2,766	2,252
Other operating income		42	27
Cost of purchased materials and services		141	31
Personnel expenses		2,101	2,354
Depreciation		76	95
Other operating expenses		724	462
Segment result		-234	-663
Non-attributable costs			
Depreciation administration			
Legal and consulting costs			
Amortization (and impairment) of goodwill			
Financial result			
Income tax			
Minority interest			
Net income/loss			
		Germany 30.06.2003	30.06.2002
2. By geographical markets		TEUR	TEUR
Gross performance		7,497	8,157

Capital development from 01.01. – 30.06 2003 to IAS

		Share capital	Capital reserve	Profit reserve	Accumulated deficit	Total
Date	Circumstances	TEUR	TEUR	TEUR	TEUR	TEUR
01.01.2003		4,300	32,250	10	-13,363	23,197
30.06.2003	Net loss	-	-	-	-1,943	-1,943
30.06.2003		4,300	32,250	10	-15,306	21,254

Division Utilities		Division Government		Division Industry		Other areas		Group	
30.06.2003	30.06.2002	30.06.2003	30.06.2002	30.06.2003	30.06.2002	30.06.2003	30.06.2002	30.06.2003	30.06.2002

	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	
	651	435	2,381	2,371	1,031	1,112	165	197	7,174	8,018
	-	-	-	-	-	-	-	-	-	-
	-23	100	334	584	-101	257	-	90	554	475
	628	535	2,715	2,955	930	1,369	165	287	7,728	8,493
	9	5	21	74	43	26	2	2	125	174
	77	26	215	3	96	76	27	86	639	382
	649	768	2,357	2,493	1,152	1,525	179	275	6,902	8,983
	17	103	116	182	95	208	15	17	329	710
	104	80	590	761	296	384	59	91	1,906	2,309
	-210	-437	-542	-410	-666	-798	-113	-180	-1,923	-3,717
									108	-
									64	176
									71	129
									176	228
									-47	-1,207
									-	56
									-1,943	-2,531

EU		Other countries		Group	
30.06.2003	30.06.2002	30.06.2003	30.06.2002	30.06.2003	30.06.2002
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
217	76	14	260	7,728	8,493

Capital development from 01.01. – 30.06.2002 to IAS

		Share capital	Capital reserve	Profit reserve	Accumulated deficit	Total
Date	Circumstances	TEUR	TEUR	TEUR	TEUR	TEUR
01.01.2002		4,300	32,250	10	-3,061	33,499
30.06.2002	Net loss	-	-	-	-2,531	-2,531
30.06.2002		4,300	32,250	10	-5,592	30,968



Appendix

> Economic development

The markets addressed by PRO DV have continued to be characterised by cautious investment in recent months. This is seen above all in the fact that investments already planned for IT infrastructure and IT solutions have been cancelled and that customers have cut their budgets. The predicted economic recovery and the associated increase in investment activity for IT projects has not yet been seen to the extent forecast.

> Events of particular significance

On 27 May 2003 PRO DV and SAP AG, Walldorf, concluded a co-operation agreement on the development of specific application possibilities for the SAP technology. The focus is on the mySAP enterprise portal, the goal of which is to allow individual access to specialist applications for differing user groups thanks to the use of SAP portal technology. To this end PRO DV will link the technical application with the portal, whereby special interfaces will allow the specialist technical application to be „viewed“. PRO DV's own specialist application WinKKS has already been certified by SAP, and under the co-operation agreement in a pilot project together with SAP it is planned to establish a portal with a major utilities company.

> Events of particular significance after the end of the reporting period

After the end of the reporting period PRO DV was commissioned with two major projects within the space of only a few weeks. The German Labour Office (Bundesanstalt für Arbeit) in Nuremberg again awarded PRO DV an extensive consulting and implementation project with a volume of over a million euros. The subject matter of the project is consulting and support for the state agency in the further development of its existing internet and intranet solutions. The main focus of the project is on the enhancement of the current solutions with a view to the „BundOnline 2005“ initiative, through which the German government is pursuing its objective of making all the possible online governmental administrative services available in an electronic form by 2005.

A second major order, likewise with a total volume of over one million euros, has been placed with PRO DV by the Office for Agricultural Structure in the federal state of Lower Saxony. The company is to create, among other things, a geographical information system (GIS) for the efficient processing and administration of agricultural subsidies in Lower Saxony.



> Research and development

In the first six months of the financial year engineering services of ca. 4.7 man years were invested in the further development of our 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 reporting period amounted to TEUR 174.

> Deferred taxes

Capitalised deferred taxes as part of the tax loss carryforward for corporation tax and trade earnings tax have been stated at the capitalised sum from 31.12.2002.

> Accounting and valuation methods

The accounting, valuation and calculation methods used for the quarterly statements as of 30.06.2003 were the same as those used for the annual financial statements as of 31.12.2002. This quarterly report has been prepared in compliance with International Accounting Standards.

> Number of employees

As of 30.06.2003 an average of 223 staff were employed with PRO DV Software AG and its subsidiaries. This figure is based on the full-time equivalent, i.e. in calculating the figure part-time staff, trainees and interns have been taken into consideration on a pro rata basis.

> Equity capital

The company may avail of contingent capital of TEUR 230 through the issue of bearer shares with an arithmetical share in the capital stock of EUR 1 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 members of the Board of Management and Supervisory Board as of 30.06.2003 has remained unchanged and is as follows.

	Shares held	Shares held	Subscription rights	Subscription rights
	30.06.2003	31.12.2002	30.06.2003	31.12.2002
Board of Management				
Klaus Bullmann	491,225	491,225	10,000	10,000
Siegfried Wenzel	491,225	491,225	10,000	10,000
Supervisory Board				
Dr.-Ing. Knud Norden	0	0	0	0
Dr. Harald Obendiek	0	0	0	0
Michael Petmecky	0	0	0	0





In the event of any queries
we will be pleased to help.

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