



9 Months' Report 2003

## The company in figures

	9 months 2003	9 months 2002
(figures in TEUR to IAS)		
Sales revenues	11,083	13,072
Gross performance	11,887	12,518
EBITDA <sup>1</sup>	-1,408	-3,919
EBIT <sup>1</sup>	-2,138	-7,370
Net income/loss	-2,273	-7,955
Earnings per share (Euro)	-0.53	-1.85
Employees <sup>2</sup>	219	297

	30.09.2003	31.12.2002
Balance sheet total	26,023	30,052
Equity ratio	80%	77 %
Liquid funds	11,934	15,852

<sup>1</sup> inc. interest income

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



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## Review of company's business and situation

PRO DV Software AG's gross performance during the first nine months of 2003 was EUR 11.89 million, as compared with EUR 12.52 million for the same period last year. Its sales revenues during the period was EUR 11.08 million, as compared with EUR 13.07 million over the same period last year.

PRO DV succeeded in achieving an output only slightly lower than last year's level despite the sluggish state of the economy and the consequent reluctance of potential customers to commission IT projects. The combined effect of continuation of the cost management programme and the measures introduced last year for identification and disposal of loss-making affiliated and associated companies helped to produce a turnaround in earnings.

Earnings from operations (EBIT) showed a sharp improvement in the third quarter with a minus of only EUR 0.176 million as compared with a minus of EUR 3.60 million for July-September 2002. The results for the third quarter of 2003 reflect for the first time the action taken to reduce personnel expenses which took effect at the end of the first half of the year. Earnings from operations (EBIT) for the first nine months improved by over 70 percent from a minus of EUR 7.37 million in 2002 to a minus of EUR 2.14 million in 2003. Earnings per share improved from minus EUR 1.85 to minus EUR 0.53.

The more clear-cut, sector-oriented sales approach now being adopted by the company helped to stabilise levels of capacity utilisation in the individual divisions. The total value of incoming orders was EUR 12.65 million and the value of the order book at closing date was EUR 6.85 million. The PRO DV balance sheet was healthy, showing a total of EUR 26.0 million and an equity ratio of 80.4 percent. Liquid funds at closing date totalled EUR 11.93 million. The higher cash outflow as compared with the same period last year is primarily attributable to a significant increase in inventories from EUR 0.83 million at 30 June 2003 to EUR 1.81 million at 30 September 2003. These relate to work being performed during the third quarter on a substantially larger number of projects for which payment will only be received from our customers at a later date.

Staff reductions will cut future personnel expenses and this, together with the stabilisation achieved in its business operations, encourages the company to stand by its earnings forecast. The Executive Board is still expecting earnings from operations (EBIT) for the full year 2003 to be around minus EUR 2.0 million.

Dortmund, November 2003

The Executive Board



Klaus Bullmann



Siegfried Wenzel

## PRO DV in figures

### Consolidated balance sheet to IAS

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Assets	TEUR	TEUR
<b>Current assets</b>		
Cash and Cash Equivalents	11,934	15,852
Short-term Investments/Marketable securities	-	-
Trade accounts receivable	1,943	2,434
Accounts receivable due from related parties	-	-
Inventories	1,809	715
Deferred tax asset	-	-
Prepaid expenses and other current assets	437	723
<b>Total current assets</b>	<b>16,123</b>	<b>19,724</b>
<b>Non-current assets</b>		
Property, plant and equipment	5,862	6,199
Intangible assets	309	392
Goodwill	1,016	1,062
Investments	-	-
Investments accounted for by the equity method	-	-
Notes receivable/loans	-	-
Deferred taxes	2,713	2,675
Other assets	-	-
<b>Total non-current assets</b>	<b>9,900</b>	<b>10,328</b>
<b>Total assets</b>	<b>26,023</b>	<b>30,052</b>

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9 Months 2003

## Financial

statement

Liabilities and shareholders' equity	TEUR	TEUR
<b>Current liabilities</b>		
Current portion of capital lease obligation	-	-
Short-term debt and current portion of long-term dept	66	66
Trade accounts payable	324	640
Accounts payable due to related parties	-	-
Advance payments received	127	427
Accrued expenses	1,487	2,183
Deferred revenues	-	-
Income tax payable	-	-
Deferred tax liability	-	-
Other current liabilities	611	1,073
Accrued income taxes	14	-
<b>Total current liabilities</b>	<b>2,629</b>	<b>4,389</b>
<b>Non-current liabilities</b>		
Long-term debt, less current portion	825	887
Capital lease obligations, less current portion	-	-
Deferred revenues	-	-
Deferred tax liability	865	746
Pension accrual	-	-
Deferrals	780	833
<b>Total non-current liabilities</b>	<b>2,470</b>	<b>2,466</b>
<b>Minority interest</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity</b>		
Share capital	4,300	4,300
Capital reserve	32,250	32,250
Treasury Stock	-	-
Retained Earnings/Accumulated deficit	-15,626	-13,353
Accumulated other comprehensive income/loss	-	-
<b>Total shareholders' equity</b>	<b>20,924</b>	<b>23,197</b>
<b>Total liabilities and shareholders' equity</b>	<b>26,023</b>	<b>30,052</b>

## Consolidated income statement to IAS

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	3rd Quarter 2003 01.07.2003- 30.09.2003	3rd Quarter 2002 01.07.2002- 30.09.2002	9 Months 2003 01.01.2003- 30.09.2003	9 Months 2002 01.01.2002- 30.09.2002
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	TEUR	TEUR	TEUR	TEUR
Sales revenues	3,909	5,054	11,083	13,072
Other operating income	69	55	194	229
Changes in inventories of finished goods and work in progress	250	-1,029	804	-554
Production of own fixed assets capitalized	-	-	-	-
Cost of purchased materials and services	148	166	787	548
Personnel expenses	3,296	3,792	10,198	12,775
Depreciation	206	338	643	1,048
Amortization (and impairment) of goodwill	16	2,274	87	2,403
Other operating expenses	819	1,222	2,789	3,707
<b>Operating income/loss</b>	<b>-257</b>	<b>-3,712</b>	<b>-2,423</b>	<b>-7,734</b>
Interest income and expense	70	98	246	326
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>-187</b>	<b>-3,614</b>	<b>-2,177</b>	<b>-7,408</b>
Income tax	143	1,843	96	636
Extraordinary income/expenses	-	-	-	-
<b>Result before minority interest</b>	<b>-330</b>	<b>-5,457</b>	<b>-2,273</b>	<b>-8,044</b>
Minority interest	-	33	-	89
<b>Net income/loss</b>	<b>-330</b>	<b>-5,424</b>	<b>-2,273</b>	<b>-7,955</b>
Loss brought forward			-13,363	-3,061
Accumulated deficit			-15,636	-11,016
Net income per share (basic/diluted)	-0.08	-1.26	-0.53	-1.85
Weighted average shares outstanding (basic/diluted)	4,300,000	4,300,000	4,300,000	4,300,000

## Consolidated cash flow statement to IAS

9 Months 2003 9 Months 2002  
 01.01.2003- 01.01.2002-  
 30.09.2003 30.09.2002

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	TEUR	TEUR
<b>Cash flows from operating activities</b>		
Net income/loss before tax	-2,177	-7,319
Adjustments for:		
Minority interest	-	-61
Depreciation and amortization:		
Property, plant, equipment and intangible assets	656	3,149
Production of own fixed assets capitalized	74	302
Interest income	-285	-364
Interest expense	39	38
<b>Operating profit before working capital changes</b>	<b>-1,693</b>	<b>-4,255</b>
Gains and Losses from disposal of fixed assets	1	4
Invalid payment loss from final consolidation	-	348
Invalid payment gain from final consolidation	-	-
Changes in inventories	-1,094	1,005
Changes in trade receivables	491	327
Changes in accounts receivable from associated companies	-	-
Changes in other assets	84	448
Changes in long-term liabilities and shareholders' equity	-53	155
Changes in short-term provisions	-696	690
Changes in trade payable	-316	-410
Changes in payments on account for orders	-300	-190
Changes in other liabilities and shareholders' equity	-462	-410
<b>Cash generated from operations</b>	<b>-4,038</b>	<b>-2,288</b>
Interest paid	-39	-38
Taxes repaid	201	-
<b>Net cash used in operating activities</b>	<b>-3,876</b>	<b>-2,326</b>
<b>Cash flows from investing activities</b>		
Sale of subsidiaries net of cash sold	-	-307
Acquisition of subsidiaries net of cash acquired	-	-
Payment for investments in fixed assets	-265	-200
Interest received	285	364
<b>Net cash used in investing activities</b>	<b>20</b>	<b>-143</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>-3,918</b>	<b>-2,531</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>15,852</b>	<b>16,296</b>
<b>Cash and cash equivalents at end of period</b>	<b>11,934</b>	<b>13,765</b>

**Consolidated segment statement**  
**By Divisions to IAS**

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	Division Telecommunications 30.09.2003	Division Retail & Banking 30.09.2002	Division Telecommunications 30.09.2003	Division Retail & Banking 30.09.2002
<b>1. By areas of competence</b>				
Sales revenues	3,581	3,799	730	2,292
Production of own fixed assets capitalized	-	-	-	-
Changes in inventories of finished goods and work in progress	516	-241	12	-797
<b>Gross performance</b>	<b>4,097</b>	<b>3,558</b>	<b>742</b>	<b>1,495</b>
Other operating income	42	37	9	46
Cost of purchased materials and services	157	73	103	98
Personnel expenses	3,147	3,335	618	2,103
Depreciation	117	147	16	139
Other operating expenses	934	716	160	989
<b>Segment result</b>	<b>-216</b>	<b>-676</b>	<b>-146</b>	<b>-1,788</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>				
<b>Germany</b>				
	30.09.2003		30.09.2002	
<b>2. By geographical markets</b>				
<b>Gross performance</b>	<b>11,463</b>		<b>12,185</b>	

**Capital development from 01.01. – 30.09 2003 to IAS**

Date	Circumstances	Share capital	Capital reserve	Profit reserve	Accumulated deficit	Total
		TEUR	TEUR	TEUR	TEUR	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>

Division Utilities		Division Government		Division Industry		Other areas		Group	
30.09.2003	30.09.2002	30.09.2003	30.09.2002	30.09.2003	30.09.2002	30.09.2003	30.09.2002	30.09.2003	30.09.2002
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
946	940	3,913	3,806	1,608	1,850	305	385	11,083	13,072
-	-	-	-	-	-	-	-	-	-
-46	-249	423	784	-101	-51	-	-	804	-554
<b>900</b>	<b>691</b>	<b>4,336</b>	<b>4,590</b>	<b>1,507</b>	<b>1,799</b>	<b>305</b>	<b>385</b>	<b>11,887</b>	<b>12,518</b>
9	4	48	101	74	37	12	4	194	229
86	39	362	180	68	55	11	103	787	548
1,012	1,046	3,503	3,746	1,648	2,148	270	397	10,198	12,775
27	29	186	408	144	299	18	26	508	1,048
148	98	903	1,003	472	566	96	131	2,713	3,503
<b>-364</b>	<b>-517</b>	<b>-570</b>	<b>-646</b>	<b>-751</b>	<b>-1,232</b>	<b>-78</b>	<b>-268</b>	<b>-2,125</b>	<b>-5,127</b>
								135	-
								76	204
								87	2,403
								246	326
								96	636
								-	89
								<b>-2,273</b>	<b>-7,955</b>

EU		Other countries		Group	
30.09.2003	30.09.2002	30.09.2003	30.09.2002	30.09.2003	30.09.2002
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
<b>411</b>	<b>89</b>	<b>13</b>	<b>244</b>	<b>11,887</b>	<b>12,518</b>

#### Capital development from 01.01. – 30.09.2002 to IAS

Date	Circumstances	Share capital		Capital reserve		Profit reserve	Accumulated deficit	Total
		TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
01.01.2002		4,300		32,250		10	-3,061	33,499
30.09.2002	Net loss	-		-		-	-7,955	-7,955
<b>30.09.2002</b>		<b>4,300</b>		<b>32,250</b>		<b>10</b>	<b>-11,016</b>	<b>25,544</b>

## Notes

### > Market situation

Marked reluctance to engage in capital expenditure continued to depress the markets served by PRO DV over the last nine months. This trend was underlined by customers' decisions to cut budgets and to put planned investments in IT infrastructure and IT solutions on hold for the time being. The predicted economic revival has so far failed to materialise and this has tended to damp down companies' readiness to invest in IT projects.

### > Transactions of special importance

A cooperation agreement was signed on 15 September 2003 between PRO DV and AED-SICAD Aktiengesellschaft of Bonn, Europe's leading supplier of GIS standard applications. The object of this agreement is the joint development and marketing of a software solutions package for national and international utility companies and to further develop the range of integration and service functions.

One of the primary objectives of this cooperation arrangement is the integration of the jointly developed services into the mySAP Enterprise Portal. This will create significant competitive advantages by giving the applications a unique degree of modularity and ease of integration. The use of SAP portal technology and the development of solutions based on the standard technology used by ESRI, the GIS world market leader, will combine to give the utility companies a better guarantee of security of their investment and will enable better mapping of essential business processes of users in the environment served by the utilities.

PRO DV and T-Mobile Deutschland GmbH of Bonn, Germany's largest provider of mobile telephone services, signed a master agreement in August covering IT services worth several million Euro. The agreement guarantees PRO DV firm revenues of EUR 4.5 million for consulting and programming services during the period up to mid-2004.

Like many other large corporations, T-Mobile is anxious to optimise its processes by reducing the number of its suppliers. For this reason, it carried out detailed commercial and quality-assurance analyses of PRO DV before signing the agreement. The results were favourable and PRO DV is now a member of the small group defined by T-Mobile as its strategic suppliers. This was confirmed in the master agreement which guarantees orders for PRO DV from the German Telekom subsidiary until well into the coming year.

### > Transactions of special importance following the period under review

At the time of stock exchange listing in March 2000, roughly 55 percent of the PRO DV shares were placed in a pool in which the company's founders Joachim Beck, Klaus Bullmann and Siegfried Wenzel are among the members. All members of the pool then agreed a voluntary moratorium on sale of their shares for a 4-year period ending in March 2004.

In giving this undertaking, the existing shareholders went far beyond the German Stock Exchange's minimum requirement of a six months' moratorium from date of listing. In October 2003, the same group of shareholders unanimously and voluntarily agreed to extend the moratorium by six months to 1 November 2004. This extension underlines their unconditional confidence in PRO DV and guarantees private and institutional investors a stable shareholder structure.

### > Research and development

Engineering work equivalent to a total of approximately 4.8 worker years was invested in the further development of solutions and services during the first nine months of this financial





year. Product developments initiated during this period have not been treated as own work capitalised.

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#### > Capital expenditure

Expenditure on tangible and intangible fixed assets totalled TEUR 225 during the period under review.

#### > Deferred taxation

Deferred taxation assets for corporation tax and trade tax reductions from losses carried forward are shown at the amount capitalised in the balance sheet at 31 December 2002.

#### > Accounting and valuation methods

The accounting, valuation and calculation methods used in the accounts as of 30 September 2003 are the same as those used in the annual accounts as of 31 December 2002. The present quarterly report has been prepared in accordance with International Accounting Standards.

#### > Number of employees

The mean number of persons employed by PRO DV Software AG and its subsidiaries as of 30 September 2003 was 219. This figure is calculated as the equivalent of full-time employees, i.e. the working hours of part-time employees, apprentices and trainees have been totalled and expressed as the equivalent number of full-time employees.

#### > Equity capital

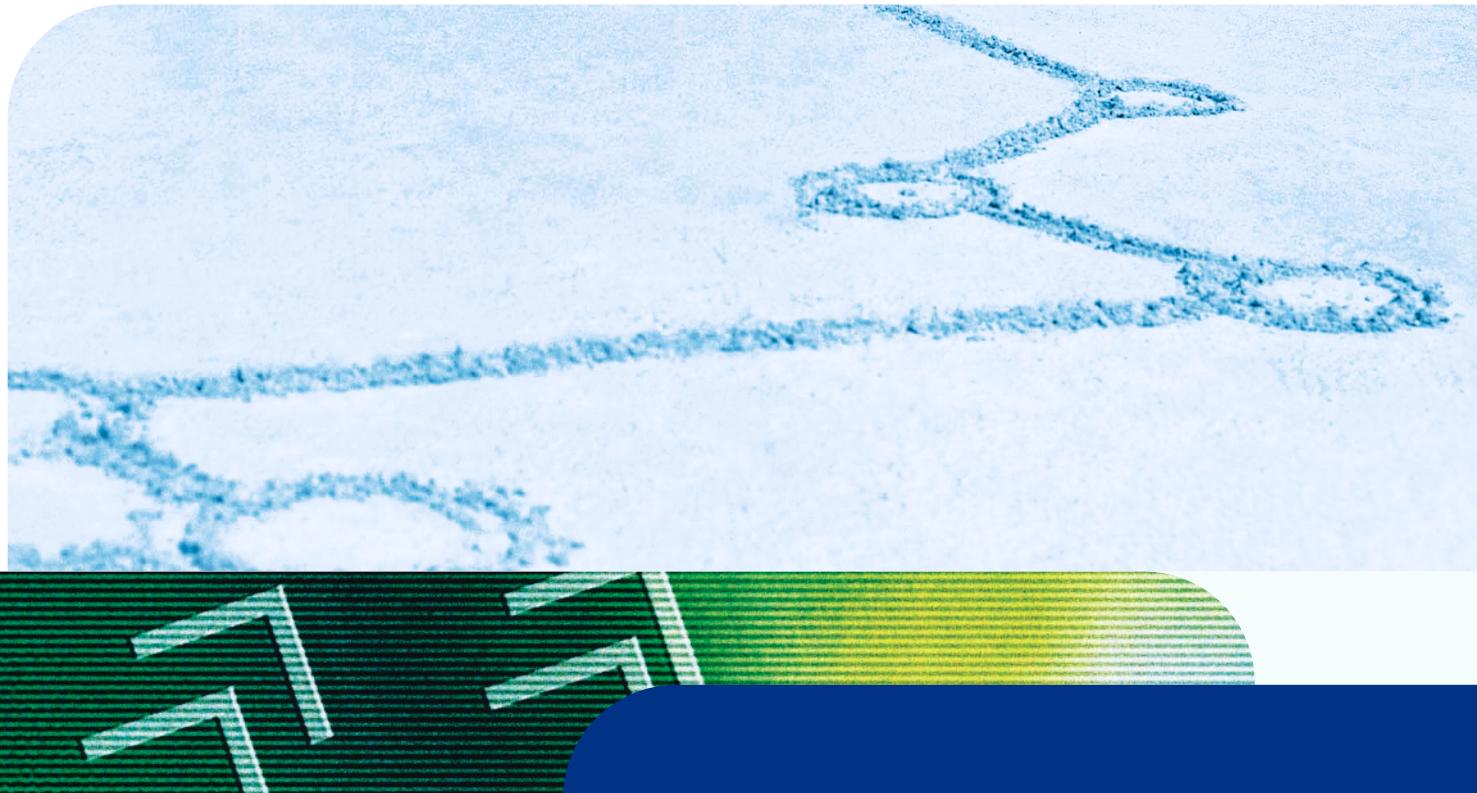
The company can call up conditional share capital of TEUR 230 by issuing bearer shares, each with a nominal value of EUR 1.00, to fulfil subscription rights of employees and executive directors of PRO DV Software AG.

#### > Directors' shareholdings

The number of PRO DV shares held by members of the company's Executive and Supervisory Boards on 30 September 2003 remains unchanged as listed in the following table.

	Shares held	Shares held	Subscription rights	Subscription rights
	30.09.2003	31.12.2002	30.09.2003	31.12.2002
<b>Executive Board</b>				
Klaus Bullmann	491,225	491,225	10,000	10,000
Siegfried Wenzel	491,225	491,225	10,000	10,000
<b>Supervisory Board</b>				
Dr.-Ing. Knud Norden	0	0	0	0
Dr. Harald Obendiek	0	0	0	0
Michael Petmecky	0	0	0	0





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