FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-02-13** | Period of Report: **2000-12-31**
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COMSHARE INC
CIK:**201513**| IRS No.: **381804887** | State of Incorp.:**MI** | Fiscal Year End: **0630**
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SIC: **7372** Prepackaged software

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

 X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ----- to -----.

COMMISSION FILE NUMBER 0-4096

COMSHARE, INCORPORATED
(Exact name of registrant as specified in its charter)

MICHIGAN	38-1804887
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

555 BRIARWOOD CIRCLE, ANN ARBOR, MICHIGAN 48108
(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (734) 994-4800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Yes   X   No
    -------   ------

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of DECEMBER 31, 2000.

CLASS OF COMMON STOCK	OUTSTANDING AT DECEMBER 31, 2000
$1.00 PAR VALUE	9,934,541 SHARES

COMSHARE, INCORPORATED

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PART I - FINANCIAL INFORMATION

</TABLE>

PART I. - FINANCIAL INFORMATION

ITEM 1. - FINANCIAL STATEMENTS

COMSHARE, INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited; in thousands, except per share data)

<TABLE>
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	THREE MONTHS ENDED DECEMBER 31, 2000	THREE MONTHS ENDED DECEMBER 31, 1999	SIX MONTHS ENDED DECEMBER 31, 2000	SIX MONTHS ENDED DECEMBER 31, 1999
<S>	<C>	<C>	<C>	<C>
REVENUE				
Software licenses	$ 5,308	$ 5,566	$ 10,011	$10,868
Software maintenance	5,899	6,006	11,740	11,754
Implementation, consulting and other services	3,618	3,451	8,517	6,907
TOTAL REVENUE	14,825	15,023	30,268	29,529
COSTS AND EXPENSES				
Selling and marketing	5,803	5,932	11,264	11,749
Cost of revenue and support	5,951	5,733	12,732	10,971
Internal research and product development	2,085	2,136	4,141	4,286

General and administrative	1,290	1,472	2,722	2,951
TOTAL COSTS AND EXPENSES	15,129	15,273	30,859	29,957
LOSS FROM OPERATIONS	(304)	(250)	(591)	(428)
OTHER INCOME (EXPENSE)				
Interest income	375	352	802	738
Interest expense	(2)	(22)	(4)	(44)
Exchange gain (loss)	(61)	10	(76)	(94)
TOTAL OTHER INCOME	312	340	722	600
INCOME BEFORE TAXES	8	90	131	172
Provision for income taxes	3	31	48	61
NET INCOME	$ 5	$ 59	$ 83	$ 111
SHARES USED IN BASIC EPS COMPUTATION	9,790	9,604	9,785	9,623
SHARES USED IN DILUTED EPS COMPUTATION	9,833	9,735	9,926	9,685
NET INCOME PER COMMON SHARE - BASIC EPS	$ 0.00	$ 0.01	$ 0.01	$ 0.01
NET INCOME PER COMMON SHARE - DILUTED EPS	$ 0.00	$ 0.01	$ 0.01	$ 0.01

</TABLE>

See accompanying notes to condensed consolidated financial statements.

COMSHARE, INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net income	$ 5	$ 59	$ 83	$ 111
Other comprehensive income (loss):				
Currency translation adjustment	276	(41)	(154)	(73)
COMPREHENSIVE INCOME (LOSS)	$281	$ 18	$ (71)	$ 38

</TABLE>

See accompanying notes to condensed consolidated financial statements.

COMSHARE, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE>
<CAPTION>

ASSETS	DECEMBER 31, 2000 (unaudited)	June 30, 2000 (audited)
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	$ 22,163	$ 29,506
Accounts receivable, net	19,578	17,328
Deferred income taxes	759	759
Prepaid expenses and other current assets	2,616	2,297
TOTAL CURRENT ASSETS	45,116	49,890
Property and equipment, at cost		
Computers & other equipment	8,195	8,508
Leasehold improvements	2,775	2,774
	10,970	11,282
Less - Accumulated depreciation	9,325	9,397
Property and equipment, net	1,645	1,885
Goodwill, net	1,012	1,047
Deferred income taxes	6,392	5,845
Other assets	1,422	1,479
TOTAL ASSETS	$ 55,587	$ 60,146

</TABLE>

See accompanying notes to condensed consolidated financial statements.

COMSHARE, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

<TABLE>
<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY	DECEMBER 31, 2000 (unaudited)	June 30, 2000 (audited)
<S>	<C>	<C>
CURRENT LIABILITIES		
Accounts payable	$ 2,213	$ 2,252
Accrued liabilities:		
Payroll	709	2,240
Taxes	1,207	1,154
Other	4,775	6,583

Total accrued liabilities	6,691	9,977
Deferred revenue	11,183	12,178
TOTAL CURRENT LIABILITIES	20,087	24,407
Long-term debt	114	599
Other liabilities	4,170	4,249
SHAREHOLDERS' EQUITY		
Capital stock:		
Preferred stock, no par value; authorized 5,000,000 shares; none issued	-	-
Common stock, $1.00 par value; authorized 20,000,000 shares; outstanding 9,934,541 shares as of December 31, 2000 and 9,771,962 shares as of June 30, 2000	9,935	9,772
Capital contributed in excess of par value	39,024	38,790
Retained deficit	(7,724)	(7,807)
Accumulated other comprehensive income:		-
Pension liability, net of tax	(4,282)	(4,282)
Cumulative translation adjustment	(5,737)	(5,582)
TOTAL SHAREHOLDERS' EQUITY	31,216	30,891
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 55,587	$ 60,146

</TABLE>

See accompanying notes to condensed consolidated financial statements.

COMSHARE, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited; in thousands)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED DECEMBER 31,	
	2000	1999
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$ 83	$ 111
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	495	711
Changes in operating assets and liabilities:		
Accounts receivable	(2,346)	(1,996)
Prepaid expenses and other assets	(278)	(113)
Accounts payable	(24)	(2,223)
Accrued liabilities	(3,204)	(1,044)
Deferred revenue	(944)	(676)
Deferred income taxes	(547)	1,861
Other liabilities	(79)	(182)
NET CASH USED IN OPERATING ACTIVITIES	(6,844)	(3,551)
INVESTING ACTIVITIES		
Payments for property and equipment	(104)	(295)

Other	(138)	7
NET CASH USED IN INVESTING ACTIVITIES	(242)	(288)
FINANCING ACTIVITIES		
Net repayments under debt agreements, capital lease agreements and notes payable	(473)	(985)
Other	397	189
NET CASH USED IN FINANCING ACTIVITIES	(76)	(796)
Effect of exchange rate changes	(181)	(109)
NET DECREASE IN CASH	(7,343)	(4,744)
CASH AT BEGINNING OF PERIOD	29,506	32,212
CASH AT END OF PERIOD	$ 22,163	$ 27,468
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 4	$ 25
Cash paid for income taxes	$ 609	$ 297

</TABLE>

See accompanying notes to condensed consolidated financial statements.

COMSHARE, INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - GENERAL INFORMATION

The condensed consolidated financial statements included herein have been prepared by Comshare, Incorporated (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K. Certain amounts in the fiscal 2000 financial statements have been reclassified to conform with fiscal 2001 presentations.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring items, required to present fairly its consolidated statements of operations and the consolidated statements of comprehensive income for the three and six months ended December 31, 2000 and 1999, the consolidated balance sheets as of December 31, 2000 and the consolidated statements of cash flows for the six months ended December 31, 2000 and 1999.

The results of operations for the three and six months ended December 31, 2000 and 1999 are not necessarily indicative of the results to be expected in future quarters or the full fiscal year. The software industry is generally characterized by seasonal trends.

NOTE B - COMPUTER SOFTWARE

Product upgrades for the Company's products have been released regularly with an almost continuous product development cycle. Based on these continuous product life cycles, the time between establishing technological feasibility and general release to the public is very short. As a result, software costs qualifying for capitalization are not significant. Accordingly, the Company does not capitalize software development costs and does not anticipate capitalization of software costs in future periods.

NOTE C - BORROWINGS

The Company has a $10 million credit agreement which expires on September 30, 2002. Borrowings are secured by accounts receivable and the credit agreement contains covenants regarding, among other things, earnings leverage, net worth and payment of dividends. Under the terms of the credit agreement, the Company is not permitted to pay cash dividends on its common stock. Borrowings under this credit agreement were approximately $0.1 million and total available borrowings were $10 million at December 31, 2000. Borrowings available at any time are based on the lower of $10 million or a percentage of worldwide eligible accounts receivable and cash. At December 31, 2000, the interest rate on borrowings denominated in Japanese yen, which was used to hedge receivables, was 2.53%.

NOTE D - FINANCIAL INSTRUMENTS

The Company, at various times, enters into forward exchange contracts to hedge certain exposures related to identifiable foreign currency transactions that are relatively certain as to both timing and amount. Gains and losses on the forward contracts are recognized concurrently with the gains and losses from the underlying transactions. The forward exchange contracts used are classified as "held for purposes other than trading." The Company does not use any other types of derivative financial instruments to hedge such exposures, nor does it use derivatives for speculative purposes. At December 31, 2000 and June 30, 2000, the Company had forward foreign currency exchange contracts outstanding of approximately $3.9 million and $5.6 million (notional amounts), respectively, denominated in foreign currencies. The contracts outstanding at December 31, 2000 mature at various dates through April 12, 2001 and are intended to hedge various foreign currency commitments due from the Company's distributors. Due to the short-term nature of these financial instruments, the fair value of these contracts is not materially different than their notional amounts at December 31, 2000 and June 30, 2000. The Financial Accounting Standards Board has issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. As of December 31, 2000, the Company has adopted this statement and quantified the impact, determining that there was no material effect on the financial statements.

NOTE E - SEGMENT REPORTING

The Company has only one reportable segment - the development, marketing and support of financial analytic applications software for management planning and control. Revenue is derived from the licensing of software and the provision of related services, that include product implementation, consulting, training and support.

No single customer accounted for more than 10% of the Company's total revenue in the three and six months ended December 31, 2000 and 1999. In addition, the Company is not dependent on any single customer or group of customers. Geographic segment information is as follows:

<TABLE>

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	THREE MONTHS ENDED DECEMBER 31, 2000	THREE MONTHS ENDED DECEMBER 31, 1999	SIX MONTHS ENDED DECEMBER 31, 2000	SIX MONTHS ENDED DECEMBER 31, 1999
<S>	<C>	<C>	<C>	<C>
REVENUE FROM EXTERNAL CUSTOMERS:				
United States	$ 8,025	$ 7,711	$ 16,886	$ 15,212
United Kingdom	3,082	3,058	6,001	6,251
Other countries	3,718	4,254	7,381	8,066
TOTAL REVENUE	$ 14,825	$ 15,023	$ 30,268	$ 29,529
OPERATING INCOME (LOSS):				
United States	$ (1,806)	$ (497)	$ (1,558)	$ (1,617)
United Kingdom	1,705	726	1,552	1,790
Other countries	2,390	2,489	4,651	5,100
TOTAL OPERATING INCOME	2,289	2,718	4,645	5,273
Unallocated expenses	(2,281)	(2,628)	(4,514)	(5,101)
INCOME BEFORE TAXES	$ 8	$ 90	$ 131	$ 172

<CAPTION>

	December 31, 2000	June 30, 2000
<S>	<C>	<C>
IDENTIFIABLE ASSETS:		
United States	$ 47,020	$ 48,237
United Kingdom and other countries	8,567	11,909
TOTAL IDENTIFIABLE ASSETS	$ 55,587	$ 60,146

</TABLE>

Unallocated expenses consist of general corporate expenses, internal research and product development expenses, interest expense and interest income.

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis sets forth information for the three and six months ended December 31, 2000 compared to the three and six months ended December 31, 1999. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated, certain financial data as a percentage of total revenue.

<TABLE>
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THREE MONTHS ENDED SIX MONTHS ENDED

	DECEMBER 31, 2000	DECEMBER 31, 1999	DECEMBER 31, 2000	DECEMBER 31, 1999
<S>	<C>	<C>	<C>	<C>
REVENUE				
Software licenses	35.8 %	37.0 %	33.1 %	36.8 %
Software maintenance	39.8	40.0	38.8	39.8
Implementation, consulting and other services	24.4	23.0	28.1	23.4
TOTAL REVENUE	100.0	100.0	100.0	100.0
COSTS AND EXPENSES				
Selling and marketing	39.2	39.5	37.2	39.8
Cost of revenue and support	40.1	38.2	42.1	37.2
Internal research and product development	14.1	14.2	13.7	14.5
General and administrative	8.7	9.8	9.0	10.0
TOTAL COSTS AND EXPENSES	102.1	101.7	102.0	101.5
LOSS FROM OPERATIONS	(2.1)	(1.7)	(2.0)	(1.5)
OTHER INCOME (EXPENSE)				
Interest income	2.5	2.3	2.7	2.5
Interest expense	-	(0.1)	-	(0.1)
Exchange gain (loss)	(0.4)	0.1	(0.2)	(0.3)
TOTAL OTHER INCOME	2.1	2.3	2.5	2.1
INCOME BEFORE TAXES	(0.0)	0.6	0.5	0.6
Provision for income taxes	0.0	0.2	0.2	0.2
NET INCOME	(0.0) %	0.4 %	0.3 %	0.4 %

</TABLE>

REVENUE

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31, 2000	THREE MONTHS ENDED DECEMBER 31, 1999	PERCENT CHANGE	SIX MONTHS ENDED DECEMBER 31, 2000	SIX MONTHS ENDED DECEMBER 31, 1999	PERCENT CHANGE
	(in thousands)			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
MPC REVENUE						
Software licenses	$ 3,740	$ 2,935	27.4 %	$ 6,604	$ 6,020	9.7 %
Software maintenance	2,388	1,893	26.1	4,478	3,629	23.4
Implementation, consulting and other services	3,395	3,015	12.6	7,795	6,104	27.7
TOTAL MPC REVENUE	$ 9,523	$ 7,843	21.4 %	$ 18,877	$ 15,753	19.8 %
LEGACY REVENUE						
Software licenses	$ 1,568	$ 2,631	(40.4) %	$ 3,407	$ 4,848	(29.7)%
Software maintenance	3,511	4,113	(14.6)	7,262	$ 8,125	(10.6)
Implementation, consulting and other services	223	436	(48.9)	722	803	(10.1)

TOTAL LEGACY REVENUE	$ 5,302	$ 7,180	(26.2) %	$ 11,391	$ 13,776	(17.3)%
TOTAL REVENUE						
Software licenses	$ 5,308	$ 5,566	(4.6) %	$ 10,011	$ 10,868	(7.9)%
Software maintenance	5,899	6,006	(1.8)	11,740	11,754	(0.1)
Implementation, consulting and other services	3,618	3,451	4.8	8,517	6,907	23.3
TOTAL REVENUE	$ 14,825	$ 15,023	(1.3) %	$ 30,268	$ 29,529	2.5 %

</TABLE>

The decline in total revenue of 1.3% from the quarter ended December 31, 1999 was primarily due to a 26.2% decline in revenue from the Company's older desktop ("legacy") products, offset by a 21.4% increase in revenue from the Company's management planning and control software applications ("MPC"). Total revenue growth of 2.5% from the six months ended December 31, 2000 was primarily due to a 19.8% increase in MPC revenue, offset by a decline of 17.3% in the Company's legacy products. MPC revenue was $9.5 million for the quarter ended December 31, 2000, representing 64.3% of total revenue, and $18.9 million for the six months ended December 31, 2000, representing 62.4% of total revenue.

The 4.6% decline in software license fees from the quarter ended December 31, 1999 was primarily due to a 40.4% decline in license fees from the Company's legacy products. The decline was offset by growth in MPC license fees of 27.4% primarily from an increase of 90.7% in license fees for the Company's BudgetPLUS product, offset by a 55.1% decrease in FDC license fees, a legacy application. License fees for the BudgetPLUS product were $2.7 million and $1.4 million for the three months ended December 31, 2000 and 1999, respectively. FDC license fees decreased from $1.1 million for the quarter ended December 31, 1999 to $0.5 million for the same period ended December 31, 2000. FDC is a mature product, which is being replaced with the Company's newly released next generation financial consolidation product. As the Company continues to enhance its new relational financial consolidation product, the Company expects FDC sales to continue to decline. The 7.9% decline in license fees from the six months ended December 31, 1999 was primarily due to a 58.4% decline in FDC license fees and a 29.7% decline in legacy license fees offset by a 65.3% increase in license fees from the Company's BudgetPLUS product. License fees for BudgetPLUS were $4.7 million and $2.9 million for the six month periods ended December 31, 2000 and 1999, respectively. FDC license fees were $1.0 million and $2.5 million for the six month periods ended December 31, 2000 and 1999, respectively. MPC license fees represented 70.5% and 65.9% of total license fees for the three and six month periods ended December 31, 2000, respectively.

Software maintenance revenues decreased 1.8% from the three months ended December 31, 1999 as a result of an increase of 26.1% in MPC product maintenance, offset by a decline of 14.6% in the legacy maintenance, due to mainframe and desktop maintenance cancellations. MPC product maintenance accounted for 40.5% of total maintenance versus 31.5% for the three months ended December 31, 2000 and 1999, respectively. The growth in MPC product maintenance reflects the license fee growth in BudgetPLUS in the prior fiscal year. Software maintenance revenues are flat from the six-month period ended December 31, 1999 reflecting the growth in the Company's MPC products, offset by a decline in maintenance revenues for legacy products.

Implementation, consulting and other services revenue was $3.6 million and $8.5 million for the three and six months ended December 31, 2000, respectively. Implementation, consulting and other services revenue was $3.4 million and $6.9 million for the three and six months ended December 31, 1999, respectively. During the quarter ended December 31, 2000, 93.8% of total implementation services revenue was related to MPC products, primarily the BudgetPLUS product. Implementation services revenue related to MPC products were 91.5% of total implementation services revenue for the six months ended December 31, 2000. The increase in implementation services revenue from the six-month period ended December 31, 1999 was primarily due to the growth in BudgetPLUS license fees in the Company's direct operations.

COSTS AND EXPENSES

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31, 2000	THREE MONTHS ENDED DECEMBER 31, 1999	PERCENT CHANGE	SIX MONTHS ENDED DECEMBER 31, 2000	SIX MONTHS ENDED DECEMBER 31, 1999	PERCENT CHANGE
	(in thousands)			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
COSTS AND EXPENSES						
Selling and marketing	$ 5,803	$ 5,932	(2.2) %	$ 11,264	$ 11,749	(4.1)%
Cost of revenue and support	5,951	5,733	3.8	12,732	10,971	16.1
Internal research and product development	2,085	2,136	(2.4)	4,141	4,286	(3.4)
General and administrative	1,290	1,472	12.4)	2,722	2,951	(7.8)
TOTAL COSTS AND EXPENSES	$ 15,129	$ 15,273	(0.9) %	$ 30,859	$ 29,957	3.0 %

</TABLE>

Total costs and expenses decreased 0.9% and increased 3.0% for the three and six months ended December 31, 2000, respectively, compared to the prior year. The increase in the six month period was primarily due to additional third party consulting costs associated with increased implementation services revenue.

Selling and marketing expenses decreased 2.2% and 4.2% in the three and six months ended December 31, 2000, respectively compared to the prior year. The decrease was primarily a result of cost reductions associated with the consolidation of the Company's worldwide sales organization, which occurred in October 1999.

Cost of revenue and support expenses increased 3.8% and 16.1% for the three and six months ended December 21, 2000, respectively. The increase was primarily due to increased costs associated with third party consultants involved in implementations.

Internal research and product development costs remained relatively flat with the same periods of the prior year.

General and administrative costs have decreased 12.4% and 7.8% from the three and six-month periods ended December 31, 1999, respectively, primarily due to reduced third party computing costs and administrative expenses.

The Company anticipates that it will take an estimated $0.9 million restructuring charge in the third quarter ending March 31, 2001. This charge will reflect certain cost reductions actions by the Company, taken to trim annual personnel and other expenses. Because of planned investments in MPC products, the Company does not expect such cost reduction actions to reduce the Company's total expenses.

OTHER INCOME AND EXPENSE

<TABLE>
<CAPTION>

	THREE MONTHS ENDED DECEMBER 31, 2000	THREE MONTHS ENDED DECEMBER 31, 1999	SIX MONTHS ENDED DECEMBER 31, 2000	SIX MONTHS ENDED DECEMBER 31, 1999
	(in thousands)		(in thousands)	
<S>	<C>	<C>	<C>	<C>
OTHER INCOME (EXPENSE)				
Interest income	$ 375	$ 352	$ 802	$ 738
Interest expense	(2)	(22)	(4)	(44)
Exchange gain (loss)	(61)	10	(76)	(94)

TOTAL OTHER INCOME	$ 312	$ 340	$ 722	$ 600

</TABLE>

Higher interest rates on short-term investments during the three and six months ended December 31, 2000 resulted in increased interest income compared to the three and six months ended December 31, 1999. This increase was offset by foreign exchange losses during these periods.

FOREIGN CURRENCY

For the three and six months ended December 31, 2000, 45.9% and 44.2%, respectively, of the Company's total revenue was from outside North America compared with 48.7% and 48.5% for the three and six months ended December 31, 1999, respectively. Most of the Company's international revenue is denominated in foreign currencies. The Company recognizes currency transaction gains and losses in the period of occurrence. As currency rates are constantly changing, these gains and losses can, at times, fluctuate greatly. The Company's future operating results may be adversely impacted by the overall strengthening of the U.S. dollar against foreign currencies of countries where the Company conducts business; conversely, future operating results may be favorably impacted by an overall weakening of the U.S. dollar against foreign currencies. For the three and six months ended December 31, 2000, foreign currency fluctuations did not have a material impact on the Company's revenues, operating expenses or net income.

The Company had several forward exchange contracts totaling a notional amount of $3.9 million, outstanding at December 31, 2000. See Note D of Notes to Condensed Consolidated Financial Statements.

PROVISION FOR INCOME TAXES

The Company's effective income tax rate in each of the three and six months ended December 31, 2000 and 1999 was approximately 35%.

Realization of deferred tax assets associated with the Company's future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration. Although realization of the deferred tax assets is not assured, management believes it is more likely than not that the deferred tax assets will be realized through future taxable income or by using a tax strategy currently available to the Company. On a quarterly basis, management will assess whether it remains more likely than not that the deferred tax assets will be realized. The assessment could be impacted by a combination of continuing operating losses and a determination that the tax strategy is no longer sufficient to realize some or all of the deferred tax assets. The foregoing statements regarding the realization of deferred tax assets are "forward looking statements" within the meaning of the Securities Exchange Act of 1934. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Safe Harbor Statement" for discussion of uncertainties relating to such statements.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2000 cash and cash equivalents were $22.2 million, compared with cash and cash equivalents of $29.5 million at June 30, 2000. The decrease in cash and cash equivalents is principally due to increased days sales outstanding in accounts receivable and payment of fiscal 1999 and earlier years' restructuring costs and related items.

Net cash used in operating activities was $6.8 million in the three months ended December 31, 2000, compared with $3.6 million in the three months ended December 31, 1999, primarily due to increased accounts receivable and the payment of restructuring costs, as described above. The prior year cash benefited from a tax refund of $1.9 million. In addition the increase in cash used was due to reduced accounts payable accruals associated with payroll.

Net cash used in investing activities was $0.2 million in the six months ended December 31, 2000 and $0.3 in the six months ended December 31,

1999. The Company purchases most of its computer equipment under operating leases. At December 31, 2000, the Company did not have any material capital expenditure commitments.

Net cash used in financing activities was $0.1 million in the three months ended December 31, 2000, compared with net cash used in financing activities of $0.8 million in the same period one year ago. The net decrease in cash used in financing activities was primarily due to the repayment of capital leases, which was completed in fiscal 2000 and did not impact the quarter ended December 31, 2000.

Total assets were $55.6 million at December 31, 2000, compared with total assets of $60.1 million at June 30, 2000. Working capital as of December 31, 2000 was $25.0 million, compared with $25.5 million as of June 30, 2000. The decrease in total assets and working capital from June 30, 2000 to December 31, 2000 was primarily due to the decline in cash and cash equivalents during the six months ended December 31, 2000.

The Company has a $10 million credit agreement which expires on September 30, 2002. Borrowings are secured by accounts receivable and the credit agreement contains covenants regarding, among other things, earnings leverage, net worth and payment of dividends. Under the terms of the credit agreement, the Company is not permitted to pay cash dividends on its common stock. Borrowings under this credit agreement were approximately $0.1 million and total available borrowings were $10 million at December 31, 2000. Borrowings available at any time are based on the lower of $10 million or a percentage of worldwide eligible accounts receivable and cash. At December 31, 2000, the interest rate on borrowings denominated in Japanese yen, which were used to hedge receivables in those currencies, was 2.53%.

The Company believes that the combination of present cash balances and amounts available under credit facilities will be sufficient to meet the Company's currently anticipated cash requirements for at least the next twelve months. The foregoing statement is a "forward looking statement" within the meaning of the Securities and Exchange Act of 1934, as amended. The extent to which such sources will be sufficient to meet the Company's anticipated cash requirements is subject to a number of uncertainties, including the ability of the Company's operations to generate sufficient cash to support operations, and other uncertainties described in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Safe Harbor Statement."

MARKET SENSITIVITY ANALYSIS

The Company is exposed to market risk from changes in foreign exchange and interest rates. To reduce the risk from changes in foreign exchange rates, the Company selectively uses financial instruments. The Company does not hold or issue financial instruments for trading purposes.

The Company, at various times, denominates borrowings in foreign currencies and enters into forward exchange contracts to hedge exposures related to foreign currency transactions. The Company does not use any other types of derivatives to hedge such exposures nor does it speculate in foreign currency. In general, the Company uses forward exchange contracts to hedge against large selective transactions that present the most exposure to exchange rate fluctuations. At December 31, 2000 and June 30, 2000, the Company had forward

contracts of approximately $3.9 million and $5.6 million (notional amounts), respectively, denominated in foreign currencies. The contracts outstanding at December 31, 2000 mature through April 12, 2001 and are intended to hedge various foreign currency commitments due from the Company's distributors. Due to the short-term nature of these financial instruments, the fair value of these contracts is not materially different than their notional amounts at December 31, 2000 and June 30, 2000.

Gains and losses on the forward contracts are largely offset by gains and losses on the underlying exposure. The Company conducts business in approximately 6 foreign currencies, predominately British pounds, the Euro and Japanese yen. A hypothetical 10 percent appreciation of the U.S. dollar from December 31, 2000 market rates would increase the unrealized value of the Company's forward contracts and a hypothetical 10 percent depreciation of the

U.S. dollar from December 31, 2000 market rates would decrease the unrealized value of the Company's forward contracts. In either scenario, the gains or losses on the forward contracts would be largely offset by the gains or losses on the underlying transactions, and so would have an immaterial impact on the Company's results of operations.

The Company maintains its cash and cash equivalents in highly liquid investments with maturities of ninety days or less. The Company has the ability to hold its fixed income investments until maturity, and therefore the Company would not expect its operating results or cash flows to be affected to any significant degree by the effect of a hypothetical 10 percent change in market interest rates on its cash and cash equivalents.

SAFE HARBOR STATEMENT

Certain information in this Form 10-Q Report contains "forward looking statements" within the meaning of the Securities Exchange Act of 1934, as amended, including those concerning the Company's future results, new market and business opportunities, strategy and product releases. Actual results could differ materially from those in the forward looking statements due to a number of uncertainties, including, but not limited to, the demand for the Company's products and services; the size, timing and recognition of revenue from significant orders; increased competition and pricing pressures from competitors; the Company's success in and expense associated with developing, introducing and shipping new products; new product introductions and announcements by the Company's competitors; the level of interest and success of the Company's distributors in marketing and selling the Company's products; changes in Company strategy; product life cycles; the cost and continued availability of third party software and technology incorporated into the Company's products, including the impact of expiration of the license for Essbase in December 2002; the impact of rapid technological advances, evolving industry standards and changes in customer requirements, including the impact on the Company's revenues of Microsoft's OLAP database; the overall competition for key employees; cancellations of maintenance and support agreements; software defects; changes in operating expenses; fluctuations in foreign exchange rates; the ability of the Company to generate sufficient future taxable income or to execute available tax strategies required to realize deferred tax assets; and economic conditions generally or in specific industry segments. The level of annual expense reductions resulting from cost reduction actions may vary due to a number of factors, including unanticipated increases in costs resulting from such actions. In addition, a significant portion of the Company's revenue in any quarter is typically derived from non-recurring license fees, a substantial portion of which is booked in the last month of a quarter. Since the purchase of the Company's products is relatively discretionary and generally involves a significant commitment of capital, in the event of any downturn in any potential customer's business or the economy in general, purchases of the Company's products may be deferred or cancelled. Further, the Company's expense levels are based, in part, on its expectations as to future revenue and a significant portion of the Company's expenses do not vary with revenue. As a result, if revenue is below expectations, results of operations are likely to be materially, adversely affected.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Shareholders on November 20,

2000. The only matter voted on at the meeting was the election of seven directors. The following table sets forth the results of that vote. All director nominees were elected.

Election of Director Nominees:

	Votes For	Votes Against	Abstained	Broker Non-Votes
Geoffrey B. Bloom	8,438,533	-	319,289	-
Daniel T. Carroll	8,430,506	-	327,316	-
Richard L. Crandall	8,362,705	-	395,117	-
Dennis G. Ganster	7,822,597	-	935,225	-
Kathryn A. Jehle	8,441,409	-	316,413	-
Alan G. Merten	8,441,056	-	316,766	-
John F. Rockart	8,435,356	-	322,466	-

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) None.

(b) Reports on Form 8-K.

There were no reports on Form 8-K filed during the quarter ended December 31, 2000.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: February 13, 2001

COMSHARE, INCORPORATED
(Registrant)

/s/ Kathryn A. Jehle

Kathryn A. Jehle
Senior Vice President,
Chief Financial Officer,
Treasurer and Assistant Secretary