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QUARTERLY REPORT
Q1/2004

AT A GLANCE://

+++ +++ at March 31, 2004 +++ +++

► Ratios by segment

| | Professional Services | Communication Networks | Financial Solutions | Unallocated | Total |
|----------------------------------|-----------------------|------------------------|---------------------|--------------|----------------------|
| | EUR | EUR | EUR | EUR | EUR |
| Segment net sales (consolidated) | 12,650,752.18 | 1,031,526.34 | 1,772,931.92 | 0.00 | 15,455,210.44 |
| Segment operating result | 565,921.43 | 28,789.80 | 98,871.80 | -287,652.49 | 405,930.54 |
| Financial result | | | | | -34,592.23 |
| Share of loss of associates | | | -13,323.26 | | -13,323.26 |
| Profit before taxes | | | | | 358,015.05 |
| Income taxes | | | | | -205,111.10 |
| Net profit for the period | | | | | 152,903.95 |
| Segment assets | 18,881,680.27 | 3,928,484.05 | 7,415,433.30 | 8,162,892.51 | 38,388,490.13 |
| Segment liabilities | 13,652,198.15 | 842,861.74 | 3,545,675.25 | 397,497.33 | 18,438,232.47 |
| Segment investments | 78,425.57 | 132,696.99 | 272,196.06 | 0.00 | 483,318.62 |
| Segment writedowns | 122,947.07 | 127,077.03 | 110,034.43 | 0.00 | 360,058.53 |

Earnings per share EUR 0.03

► Geographical segments Q1/2004

| | Sales | Segment assets | Segment investments |
|---------------|----------------------|----------------------|---------------------|
| | EUR | EUR | EUR |
| Austria | 2,952,785.56 | 10,299,051.62 | 21,966.25 |
| Germany | 8,266,382.99 | 15,956,735.66 | 420,338.26 |
| Italy | 3,957,432.06 | 11,087,846.83 | 33,031.05 |
| Other regions | 278,609.83 | 1,044,856.02 | 7,983.06 |
| | 15,455,210.44 | 38,388,490.13 | 483,318.62 |



BRAIN FORCE SOFTWARE AG

We are pleased to present our latest quarterly report for 01/2004.
Thank you for your trust and your interest.



QUARTER 01/2004//:

+++ +++ Quarterly report 01/2004 +++ +++

► **Economic climate**

During the second half of 2003, the economy in the eurozone emerged from a long period of stagnation. Despite the strong euro, the main factor behind this trend was the rise in exports to north America, east Asia and the new EU countries. The internal economy within the eurozone remains sluggish: According to the Ifo Institute, gross domestic product in this area is expected to expand by 1.6 percent in 2004 and 2.0 percent in 2005.

Although new market opportunities are already materialising in the twin centres of the global economic recovery (particularly in the information and communications sector), the eurozone remains characterised by a strong reluctance to invest. However, the increased demand for exports is expected to spur investment to some extent over the course of the year. The European Information Technology Observatory (EITO) has predicted that IT investment will also gain as a result.

It was pleasing to note that neither the Madrid terrorist attacks of March 11, nor the worsening of the situation in Iraq had a lasting impact on the stock markets. However, the recent increase in the oil price could adversely affect the financial markets.

► **Business developments**

All business segments developed according to the overall growth plan for 2004 during the first quarter, with each segment delivering a positive contribution to the result in this period.

With 81.85 percent of group turnover, the Professional Services business segment continues to drive Brain Force Software. The business revival in the Technology Integration Services area was particularly notable. The replacement and modernisation of infrastructure has clearly developed into a priority, prompting increased investment, especially in hardware, operating system software and associated implementation services.

Our international subsidiary in Germany achieved the strongest growth, attracting new orders in all service areas and building on existing orders. In this context it is particularly pleasing to record that Brain Force Software GmbH has been listed as a Premium Partner by HypoVereinsbank. This is the way in which the HypoVereinsbank singles out suppliers who have delivered outstandingly positive collaboration in the past, and who therefore will be accorded priority treatment in connection with future contract awards. The Cologne office was

All business segments developed according to the overall growth plan for 2004 during the first quarter, with each area delivering a positive contribution to the result in this period.

able to expand its cooperation with Siemens, thereby consolidating its technology service area. Although the Frankfurt location continued to struggle against tough market conditions, rising numbers of requests for quotations suggest a recovery may be within reach.

At our international subsidiary in Italy, the EBS service area (Enterprise Business Solutions) continued to develop in a highly satisfactory direction. Projects in the NAVISION and Microsoft CRM field contributed significantly to turnover and confirmed our standing as the leading Microsoft partner in this area in Italy.

The Austrian subsidiary succeeded in winning two promising contracts in the banking sector for the Business Solution Services (BSS) area. Outsourcing activities with a focus on payroll accounting delivered stable contribution margins towards the group result.

For the first time since its formation at the end of 2002, the Communication Networks (CN) business segment was able to earn a positive result and thereby signal its turnaround. This initial success (the orders situation also leads us to expect much improved contributions to the result in future) was based on development work carried out on the beusenKNV and INKAS-SQL products; this is the only way in which major new orders will be gained from customers such as Swiss Federal Railways and EWE Oldenburg AG. The Intelligent Networks area, which provides development services for the telecommunications division of Siemens, also accounted for high turnover during the first quarter.

The Financial Solutions segment chalked up its third positive quarter in succession, thus demonstrating the sustainability of the turnaround that it achieved in third quarter 2003. The successful approach of investing in product development during 2003 was underlined by a major order from BW Bank, which licenses the new FINAS web products CRM and Construction Financing and has commissioned the adaptation, implementation and maintenance of these.

► **Orders**

Almost all international subsidiaries succeeded in achieving clear increases in their order balances compared with the previous quarter; these increases were even more pronounced when compared with the figure for the end of 2003. As of March 31, 2004, the order balance stood at EUR 18.32 million, 47.49 percent above the comparable value for December 31, 2003. Compared with the end of first quarter 2003, the rate of growth was



27.73 percent. When this figure is adjusted to take account of the order balance for the Financial Solutions business segment (which was not part of the Brain Force group at that time) the rise stands at 3.65 percent.

This figure also provides a good indication of the successful incorporation of our Swiss international subsidiary into the CN segment. As a result of this measure, the order balance for this company was more than quintupled in comparison with the previous quarter. As for the companies in Germany, the order balance was raised to EUR 10.89 million, a 62.53 percent increase on the end of 2003. Compared with December 31, 2003, the order balance in Italy increased by 42.26 percent; in Austria it was up by 30.13 percent.

► **Net sales and earnings**

In quarter one 2004, the Brain Force Software group achieved turnover of EUR 15.46 million, 13.02 percent above the figure for the first quarter of the previous year. Turnover during the traditionally weak first quarter therefore matched the level for third quarter 2003.

The group EBITDA for the first quarter stood at TEUR 766, a figure exceeding the comparable previous year value by 112.16 percent.

The group EBIT for quarter one was TEUR 406, 318 percent above the value for quarter one 2003.

The profit for the period stood at TEUR 153, TEUR 576 above the loss recorded in first quarter 2003. After minorities, earnings per share was EUR 0.03.

During the first quarter, the group companies in Germany recorded a turnover volume of EUR 8.27 million, an EBITDA of TEUR 499 and an EBIT of TEUR 250.

In the same period, Brain Force Software GmbH (based in Unterschleißheim, Munich) achieved turnover of EUR 6.68 million, an EBITDA of TEUR 382 and an EBIT of TEUR 229. When compared with the previous year's values, turnover was exceeded by 5.69 percent and the EBITDA showed a 12.95 percent improvement. The EBIT rose by 14.08 percent to TEUR 229 compared to last year.

During quarter one, Brain Force Software S.p.A. recorded turnover of EUR 3.96 million, an EBITDA of TEUR 234 and an EBIT of TEUR 165. Turnover was thereby improved by 4.81 percent compared with the previous year. The EBITDA and EBIT for quarter one increased compared to the previous year's figures by 15.11 percent and 21.71 percent respectively.

Brain Force Software AG in Austria achieved turnover of EUR 2.95 million; compared to last year's values,

In quarter one 2004, the Brain Force Software group achieved turnover of EUR 15.46 million, 13.02 percent above the figure for the first quarter of the previous year.

this in turn produced increases to the EBITDA and EBIT of 64.89 percent and 55.79 percent respectively. Both values were slightly negative, however (TEUR -61 for the EBITDA and TEUR -89 for the EBIT).

In contrast to the previous year, the subsidiaries in Switzerland and the Netherlands recorded clear improvements for the first quarter; the combined EBIT was once again positive at TEUR 6.

At the present time, the FS business segment (Financial Solutions) is characterised exclusively by Brain Force Financial Solutions AG (formerly NSE Software AG and part of the group since May 2003) and its participating interests. During the first quarter, Munich-based Brain Force Financial Solutions AG achieved turnover of EUR 1.58 million, an EBITDA of TEUR 117 and an EBIT of TEUR 20. Its associated companies (SBT Prague, in which Brain Force Financial Solutions holds an 85 percent share, and SBT Bratislava) recorded sales of TEUR 190 in the first quarter, thereby making a positive contribution to group results with an EBITDA of TEUR 23 and an EBIT of TEUR 10.

The PS business segment (Professional Services) achieved another excellent result, with turnover of EUR 12.65 million and operating income of TEUR 566 in quarter one. The BSS service area (Business Solution Services) accounted for a 51.06 percent share of sales (EUR 6.46 million). The TIS service area (Technology Integration Services) achieved sales of EUR 6.19 million, a 48.94 percent share in the turnover of the PS (Professional Services) segment.

The CN business segment (Communication Networks) turned around during quarter one, with turnover of EUR 1.03 million and a segmental result of TEUR 29.

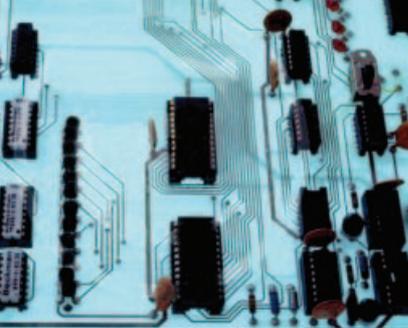
Group costs of TEUR 288 are not contained in the results for the business segments.

▶ **Research and development**

The research and development activities of the Brain Force Software group are concentrated in the business segment CN (Communication Networks) and FS (Financial Solutions).

▶ **Product and process innovations**

During the first quarter of the current fiscal year, the business segment CN (Communication Networks) integrated the following new functions into the current releases, and published new releases upgraded to include these functions:



Cable Management (KNV)

- ▶ Development and enhancement of visualisation components for the simplified graphical processing and documentation of network nodes
- ▶ Expansion of network planning functionality as regards reservation of existing lines, capacity planning and automatic route search

INKAS

- ▶ Integration of Cisco Call Manager into the INKAS PBX Management System

The business segment FS (Financial Solutions) focused on the following points during quarter one:

- ▶ Enhancement of the web CRM, web Provision and web Construction Financing solutions
- ▶ Integration of the web CRM, web Provision and web Construction Financing solutions via interfaces within the context of currently accepted sales and marketing processes: from definition of action to individual offers
- ▶ Quality assurance, especially in terms of stability, operation and maintainability
- ▶ Customer-specific functional enhancements to the web CRM and web Construction Financing solutions

▶ Human Resources

As of key date March 31, 2004, the number of employees stood at 833, slightly below the figure for the end of 2003. Compared with first quarter 2003, the number of employees was up 16.66 percent. The ratio of salaried staff to subcontractors remained unchanged at around 75:25.

As of key date March 31, 2004, the number of employees stood at 833, slightly below the figure for the end of 2003

The number of employees in Germany stood at 368 on the key date. This represents growth of 41.00 percent compared with March 31, 2003. Brain Force Financial Solutions AG accounted for 74 employees, a 30.84 percent reduction compared with the end of 2003. For the time being, this represents the final step in the personnel cutbacks (confirmed by the latest capacity utilisation figures).

There were 273 employees in Italy as of the key date, 7.46 percent below the level at the end of 2003. The staffing level in Austria grew by 14.58 percent to 165 employees on the key date.

► **Outlook**

The figures for the first quarter are stable and within our growth budget for 2004. Indeed, these numbers have propelled us to the level of the third quarter last year. If we also consider that the first quarter is generally the weakest, and that in 2003 we achieved clear and consistent rises in sales and results from one quarter to the next, then our targets of EUR 66.10 million turnover, an EBITDA of EUR 4.50 million and an EBIT of EUR 2.82 million appear to be realistic. We will aim to generate these values by means of organic growth, providing an additional positive boost through one or two acquisitions.

The secondary public offering successfully performed on the Vienna Stock Exchange in March 2004, and the EUR 7.25 million produced by this, have opened up the possibility of additional growth. A further cash capital increase in the period May 19 to June 2 will boost our liquid funds, enabling us to reach our ambitious growth targets by the end of 2005.

FINANCIAL STATEMENTS://

+++ +++ at March 31, 2004 +++ +++

► **Brain Force Software AG – Group**
Consolidated balance sheet at March 31, 2004

| | 31.03.2004 | 31.12.2003 |
|------------------------------------|----------------------|----------------------|
| Assets | EUR | EUR |
| Non-current assets | | |
| Property, plant and equipment | 1,112,621.97 | 1,204,751.33 |
| Goodwill | 4,717,518.85 | 4,721,141.78 |
| Other intangible assets | 3,711,392.38 | 3,507,564.64 |
| Investments in associates | 290,468.53 | 510,154.30 |
| Other financial assets | 188,404.41 | 184,178.23 |
| Other receivables and other assets | 167,262.32 | 125,786.95 |
| Deferred tax assets | 728,915.01 | 683,271.20 |
| | 10,916,583.47 | 10,936,848.43 |
| Current assets | | |
| Inventories | 183,303.66 | 147,735.22 |
| Trade receivables | 15,634,628.01 | 14,777,505.53 |
| Other receivables and other assets | 1,350,505.45 | 1,242,882.19 |
| short-term investments | 3,897,608.52 | 0.00 |
| Cash and cash equivalents | 6,405,861.02 | 4,345,280.20 |
| | 27,471,906.66 | 20,513,403.14 |
| | 38,388,490.13 | 31,450,251.57 |

| | 31.03.2004 | 31.12.2003 |
|-----------------------------------------------------|----------------------|----------------------|
| Equity and liabilities | EUR | EUR |
| Equity | | |
| Equity attributable to equity holders of the parent | 19,240,052.27 | 12,012,953.15 |
| Share capital | 7,252,183.00 | 4,834,789.00 |
| Reserves | 10,120,869.75 | 5,446,985.64 |
| Retained earnings | 1,866,999.52 | 1,731,178.51 |
| Minority interest | 710,205.39 | 687,292.30 |
| | 19,950,257.66 | 12,700,245.45 |
| Non-current liabilities | | |
| Financial liabilities | 39,369.69 | 41,926.14 |
| Other liabilities | 34,392.50 | 40,786.71 |
| Provisions for post-employment benefits | 1,929,282.74 | 1,892,606.84 |
| Deferred tax liabilities | 397,497.33 | 332,246.34 |
| Other provisions | 49,700.00 | 62,600.00 |
| | 2,450,242.26 | 2,370,166.03 |
| Current liabilities | | |
| Financial liabilities | 2,370,014.65 | 2,900,150.19 |
| Trade payables | 4,777,770.38 | 5,297,856.63 |
| Other liabilities | 8,296,556.36 | 7,631,273.87 |
| Tax provisions | 193,708.38 | 3,311.36 |
| Other provisions | 349,940.44 | 547,248.04 |
| | 15,987,990.21 | 16,379,840.09 |
| | 38,388,490.13 | 31,450,251.57 |

► **Brain Force Software AG – Group**
Consolidated income statement

| | 01.01.2004 – 31.03.2004 | 01.01.2003 – 31.03.2003 |
|---------------------------------------------|----------------------------|----------------------------|
| | EUR | EUR |
| 1. Net sales | 15,455,210.44 | 13,674,353.29 |
| 2. Changes in work in progress | 36,618.52 | 0.00 |
| 3. Other own work capitalised | 390,702.00 | 122,507.00 |
| 4. Other operating income | 286,105.72 | 144,051.08 |
| 5. Material and production costs | -11,247,371.45 | -9,950,261.36 |
| 6. Employee benefits costs | -2,691,172.17 | -2,533,545.61 |
| 7. Depreciation and amortisation expense | -360,058.53 | -547,477.21 |
| 8. Other operating expenses | -1,464,103.99 | -1,096,061.20 |
| 9. Operating result | 405,930.54 | -186,434.01 |
| 10. Financial result | -34,592.23 | -54,927.84 |
| 11. Share of loss of associates | -13,323.26 | 0.00 |
| 12. Profit/loss before taxes | 358,015.05 | -241,361.85 |
| 13. Income taxes | -205,111.10 | -182,205.74 |
| 14. Profit/loss for the period | 152,903.95 | -423,567.59 |
| Profit/loss for the period attributable to: | | |
| Equity holders of the parent | 135,821.01 | -423,567.59 |
| Minority interest | 17,082.94 | 0.00 |
| | 152,903.95 | -423,567.59 |

Earnings per share EUR 0.03

► **Brain Force Software AG – Group**
Consolidated cash flow statement

| | 01.01.2004 – 31.03.2004 | 01.01.2003 – 31.03.2003 |
|----------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| | EUR | EUR |
| Cash flow from operating activities | | |
| Profit / loss before taxes | 358,015.05 | -241,361.85 |
| Adjustments for | | |
| + Depreciation | 360,058.53 | 547,477.21 |
| + Financial result | 34,592.23 | 54,927.84 |
| - Share of loss of associates | 13,323.26 | 0.00 |
| +/- Gain/loss on disposal of property, plant and equipment and other intangible assets | -22,183.05 | 0.00 |
| +/- Changes in provisions for post-employment benefits | -173,531.70 | 134,886.63 |
| +/- Changes in inventories | -35,568.44 | -20,943.09 |
| +/- Changes in receivables | -801,495.98 | 1,553,345.73 |
| +/- Changes in payables | 164,407.75 | -1,117,856.27 |
| +/- Currency translation differences | -2,156.22 | -5,695.43 |
| | -104,538.57 | 904,780.77 |
| - Interest paid | -31,434.14 | -54,927.84 |
| - Taxes on income paid | 6,889.26 | -9,115.26 |
| Net cash flow from operating activities | -129,083.45 | 840,737.67 |
| Cash flow from investing activities | | |
| - Acquisition of subsidiaries | -31,964.50 | 0.00 |
| + Sale of share in subsidiaries | 41,997.80 | 0.00 |
| - Cash outflow for investments in property, plant and equipment and other intangible assets | -483,318.62 | -153,941.35 |
| - Cash outflow for short-term investments | -3,900,766.61 | 0.00 |
| + Cash inflow from the disposal of property, plant and equipment and other intangible assets | 2,683.79 | 0.00 |
| Net cash flow from investing activities | -4,371,368.14 | -153,941.35 |
| Cash flow from financing activities | | |
| + Proceeds from issue of ordinary shares | 7,093,724.40 | 0.00 |
| +/- Cash outflow from financial liabilities | -532,691.99 | -748,875.94 |
| Net cash flow from financing activities | 6,561,032.41 | -748,875.94 |
| Increase / decrease in cash and cash equivalents | 2,060,580.82 | -62,079.62 |
| Cash and cash equivalents at beginning of year | 4,345,280.20 | 2,540,771.75 |
| + Increase / decrease | 2,060,580.82 | -62,079.62 |
| Cash and cash equivalents at end of period | 6,405,861.02 | 2,478,692.13 |

► **Consolidated statement of changes in equity**

Balance at January 1, 2003

Fair value adjustments of securities

Currency translation differences

Loss for the period January 1 to March 31, 2003

Balance at March 31, 2003

Fair value adjustments of securities

Currency translation differences

Revaluation of assets

Loss for the period April 1 to December 31, 2003

Issue of share capital in kind

Transaction costs related to issue of share capital

Transfer to cover losses

Initial consolidation of subsidiaries

Balance at December 31, 2003

Fair value adjustments of securities

Currency translation differences

Profit for the period January 1 to March 31, 2004

Increase in share capital

Transaction costs related to issue of share capital

Disposal of minority interest

Balance at March 31, 2003

| | Attributable to equity holders of the parent | | | | | Minority interest | Total equity |
|--|----------------------------------------------|----------------------|--------------------|---------------------|----------------------|-------------------|----------------------|
| | Share capital | Share-premium | Other reserves | Retained earnings | Total | | Total |
| | EUR | EUR | EUR | EUR | EUR | | EUR |
| | | | | | | | |
| | 3,785,143.00 | 4,696,973.57 | -288,330.90 | 2,854,265.06 | 11,048,050.73 | 0.00 | 11,048,050.73 |
| | | | 1,376.77 | | 1,376.77 | | 1,376.77 |
| | | | -7,454.59 | | -7,454.59 | | -7,454.59 |
| | | | | -423,567.59 | -423,567.59 | | -423,567.59 |
| | | | | | | | |
| | 3,785,143.00 | 4,696,973.57 | -294,408.72 | 2,430,697.47 | 10,618,405.32 | 0.00 | 10,618,405.32 |
| | | | | | | | |
| | 0.00 | 0.00 | -1,107.33 | 0.00 | -1,107.33 | 0.00 | -1,107.33 |
| | 0.00 | 0.00 | -41,198.82 | 0.00 | -41,198.82 | 0.00 | -41,198.82 |
| | | | 110,262.00 | | 110,262.00 | | 110,262.00 |
| | 0.00 | 0.00 | 0.00 | -1,663,673.43 | -1,663,673.43 | 135,239.88 | -1,528,433.55 |
| | 1,049,646.00 | 2,060,095.14 | 0.00 | 0.00 | 3,109,741.14 | 0.00 | 3,109,741.14 |
| | 0.00 | -119,475.73 | 0.00 | 0.00 | -119,475.73 | 0.00 | -119,475.73 |
| | 0.00 | -964,154.47 | 0.00 | 964,154.47 | 0.00 | 0.00 | 0.00 |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 552,052.42 | 552,052.42 |
| | | | | | | | |
| | 4,834,789.00 | 5,673,438.51 | -226,452.87 | 1,731,178.51 | 12,012,953.15 | 687,292.30 | 12,700,245.45 |
| | | | | | | | |
| | 0.00 | 0.00 | 4,226.18 | 0.00 | 4,226.18 | 0.00 | 4,226.18 |
| | 0.00 | 0.00 | -672.47 | 0.00 | -672.47 | -609.67 | -1,282.14 |
| | 0.00 | 0.00 | 0.00 | 135,821.01 | 135,821.01 | 17,082.94 | 152,903.95 |
| | 2,417,394.00 | 4,834,788.00 | 0.00 | 0.00 | 7,252,182.00 | 0.00 | 7,252,182.00 |
| | 0.00 | -164,457.60 | 0.00 | 0.00 | -164,457.60 | 0.00 | -164,457.60 |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 6,439.82 | 6,439.82 |
| | | | | | | | |
| | 7,252,183.00 | 10,343,768.91 | -222,899.16 | 1,866,999.52 | 19,240,052.27 | 710,205.39 | 19,950,257.66 |

Consolidated notes to financial statements March 31, 2004

▶ The company

BRAIN FORCE SOFTWARE AG, Vienna, operates internationally in the design of concepts for the strategic integration of hardware and software systems. The company's head office is located at Gumpendorfer Strasse 83, 1060 Vienna, Austria.

▶ Accounting principles

The Consolidated Interim Financial Statements at March 31, 2004 were compiled in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

All subsidiaries, i.e. those firms in which the group holds more than half of the voting rights either directly or indirectly, or is in another way able to exercise control, were consolidated. The interim financial statements included in consolidation were all drawn up with a uniform consolidated balance sheet date at March 31, 2004 and all adhere to IFRS principles.

The classification of the consolidated balance sheet, the consolidated income statement and the statement of changes in shareholders' equity correspond to that used in the annual accounts at December 31, 2003, in which the BRAIN FORCE SOFTWARE group applied IAS 1 (revised 2003) at an early stage.

The IASB published the standard IFRS 3 ("Business combinations") on March 31, 2004. It is compulsory to apply the new regulations for fiscal years commencing after March 31, 2004. The group applied IFRS 3 early. One significant amendment is the fact that in future, goodwill will not be depreciated according to schedule; instead, it must be assessed for impairment once per year (or possibly several times where events or circumstances arise that could cause a decrease in value). The other IAS amended by the improvements project will not be applied. Description of the items balance sheet, profit and loss statement, flow of funds analysis and changes to equity will be performed in accordance with the German version of the Commission Ordinance dated September 29, 2003 as published in the Official Journal of the European Union.

We have deviated accordingly from the representation defined in the structured quarterly reporting (SQR) proposed by Deutsche Börse. However, we have complied with the sub-classifications also required under structured reporting in these remarks.

► **Consolidated group**

The consolidated interim accounts dated March 31, 2004 incorporate BRAIN FORCE SOFTWARE AG, Vienna, and all subsidiaries and associated companies shown below:

| Company | Share in % |
|---------------------------------------------------------------|------------|
| Brain Force Software GmbH, Unterschleissheim, Munich, Germany | 100 |
| Brain Force Software S.p.A., Milan, Italy | 100 |
| TEMA Consulting S.r.l., Milan, Italy ¹⁾ | 100 |
| Brain Force Software B.V., Amsterdam, Netherlands | 100 |
| BFS Brain Force Software AG, Zurich, Switzerland | 100 |
| Brain Force Financial Solutions AG, Munich, Germany | 76.82 |
| Brain Force Software Ltd., Cambridge, United Kingdom | 100 |
| SBT s.a., Prague, Czech Republic ²⁾ | 85 |
| SBT s.r.l., Bratislava, Slovakia ³⁾ | 100 |
| NSE Capital Venture GmbH, Munich, Germany ⁴⁾ | 49 |

¹⁾ Investment is held by Brain Force Software S.p.A.

²⁾ Investment is indirectly held by Brain Force Financial Solutions AG.

³⁾ Investment is held by SBT s.a.

⁴⁾ Investment is held by Brain Force Financial Solutions AG.

A total of 11 companies (31.12.2003: 11) are fully consolidated and one associated company (31.12.2003: 1) at equity is incorporated in the consolidated interim accounts as of March 31, 2004.

► **Methods of consolidation**

Capital consolidation was carried out in accordance with the principals of IAS 22 (revised 1998) for acquisitions up to December 31, 2003. The historical costs of investments in the incorporated companies plus the costs directly assignable to the acquisition were offset against the respective proportionate net worth based on the current values of the acquired assets and liabilities of these companies at the time of the acquisition or transfer of power of control. The positive difference between the book value of the participations in the subsidiaries and the appropriate equity capital displayed is shown as goodwill.

According to IFRS 3, comprehensive purchase price allocations must be carried out on the day of acquisition, which could result in an increased application of other intangible assets in contrast to IAS 22.

Intragroup receivables and liabilities, income, expenses and any interim results are netted.

► **Net worth and capital structure**

The balance sheet total of EUR 38.39 million increased by 22.06 percent in comparison with key date December 31, 2003 (EUR 6.94 million in absolute terms).

Non-current assets were virtually unchanged at EUR 10.92 million (31.12.2003: EUR 10.94 million). Under non-current assets, other intangible assets rose by TEUR 203. Investments in associates capitalised under the equity method decreased by TEUR 220 to TEUR 290 (31.12.2003: TEUR 510). This resulted partly from a distribution performed in respect of the associated company, and partly from the fact that the current result from equity capitalisation amounts to TEUR -8.

The increase on the assets side was mainly due to the EUR 2.06 million increase in cash and cash equivalents to EUR 6.41 million (31.12.2003: EUR 4.35 million) and the acquisition of short-term investments of EUR 3.90 million.

Trade receivables were up 5.80 percent to EUR 15.63 million (31.12.2003: EUR 14.78 million); this item contains accounts receivable from affiliated companies of TEUR 23 (31.12.2003: TEUR 36). The rise in the balance sheet total on the liabilities side was mainly the result of the capital increase successfully carried out during first quarter 2004. The share capital expanded by EUR 2,417,394.00 to EUR 7,252,183.00. Reserves were up by EUR 4.67 million to EUR 10.12 million. Retained earnings

increased according to the profit for the period attributable to equity holders of the parent (from TEUR 136 to EUR 1.87 million). As of key date 31.03.2004, the authorised capital stood at EUR 0.00.

As of 31.03.2004, the minority interest stood at TEUR 710.

At EUR 2.45 million, non-current liabilities were virtually unchanged from the previous balance sheet key date (31.12.2003: EUR 2.37 million).

Current liabilities were reduced by TEUR 392. This item shows the 18.28 percent reduction in financial liabilities to EUR 2.37 million (31.12.2003: EUR 2.90 million) and the 9.82 percent fall in trade payables to EUR 4.78 million (31.12.2003: EUR 5.30 million); this item contains payments received of TEUR 445 (31.12.2003: TEUR 180).

Other current liabilities displayed a rise of 8.72 percent to EUR 8.30 million (31.12.2003: EUR 7.63 million); this item contains deferred income of EUR 2.25 million (31.12.2003: EUR 1.37 million).

Tax provisions stood at TEUR 194 (31.12.2003: TEUR 3) as of 31.03.2004; other short-term provisions stood at TEUR 350 (31.12.2003: TEUR 547).

▶ **Financial position**

The equity in accordance with IFRS amounted to EUR 19.95 million on key date 31.03.2004 (31.12.2003: EUR 12.70 million). This corresponds to an increase in the equity ratio to 51.97 percent (31.12.2003: 40.38 percent). The working capital displayed an increase to EUR 11.48 million (31.12.2003: EUR 4.13).

▶ **Notes on the consolidated income statement**

The consolidated income statement was compiled in compliance with the type-of-expenditure format. Net sales for the reporting period January 1 to March 31, 2004 was EUR 15.46 million (previous year: EUR 13.67 million). Other own work capitalised was TEUR 391 (previous year: TEUR 123) in the period under review.

The item Material and production costs stood at EUR 11.25 million (previous year: EUR 9.95 million). The turnover increase of 13.02 percent was therefore matched by an equal rise in costs for this purpose. Employee benefit costs in the areas of administration and sales increased by 6.22 percent to EUR 2.69 million (previous year: EUR 2.53 million); the reason for this was the expansion of the consolidation group.

The expense of scheduled depreciation and amortisation was TEUR 360 (previous year: TEUR 547); owing to the early application of IFRS 3, no scheduled or non-scheduled depreciation of goodwill (previous year: TEUR 296) was performed in the period under review. Financial results were debited at TEUR 35 (previous year: TEUR 55); share of loss of associates was TEUR 13 (previous year: EUR 0.00). Profit before taxes during the reporting period stood at TEUR 358 (previous year: TEUR -241). Income taxes amounted to TEUR 205 (previous year: TEUR 182).

▶ **Segment information**

The BRAIN FORCE SOFTWARE group comprises three business segments:

- ▶ **Professional Services**
- ▶ **Communication Networks**
- ▶ **Financial Solutions**

Professional Services and Communication Networks correspond to the business segments established in the previous fiscal year. The Financial Solutions business segment reflects the solution range gained in the financial services field with acquisition of Brain Force Financial Solutions AG (formerly NSE Software AG) and its associated companies.

Key figures are as follows for the reporting period:

Ratios by segment

| | Professional Services | Communication Networks | Financial Solutions | Unallocated | Total |
|----------------------------------|-----------------------|------------------------|---------------------|--------------|----------------------|
| | EUR | EUR | EUR | EUR | EUR |
| Segment net sales (consolidated) | 12,650,752.18 | 1,031,526.34 | 1,772,931.92 | 0.00 | 15,455,210.44 |
| Segment operating result | 565,921.43 | 28,789.80 | 98,871.80 | -287,652.49 | 405,930.54 |
| Financial result | | | | | -34,592.23 |
| Share of loss of associates | | | -13,323.26 | | -13,323.26 |
| Profit before taxes | | | | | 358,015.05 |
| Income taxes | | | | | -205,111.10 |
| Net profit for the period | | | | | 152,903.95 |
| Segment assets | 18,881,680.27 | 3,928,484.05 | 7,415,433.30 | 8,162,892.51 | 38,388,490.13 |
| Segment liabilities | 13,652,198.15 | 842,861.74 | 3,545,675.25 | 397,497.33 | 18,438,232.47 |
| Segment investments | 78,425.57 | 132,696.99 | 272,196.06 | 0.00 | 483,318.62 |
| Segment writedowns | 122,947.07 | 127,077.03 | 110,034.43 | 0.00 | 360,058.53 |

The geographical segments are as follows:

| | Sales | Segment assets | Segment investments |
|---------------|----------------------|----------------------|---------------------|
| | EUR | EUR | EUR |
| Austria | 2,952,785.56 | 10,299,051.62 | 21,966.25 |
| Germany | 8,266,382.99 | 15,956,735.66 | 420,338.26 |
| Italy | 3,957,432.06 | 11,087,846.83 | 33,031.05 |
| Other regions | 278,609.83 | 1,044,856.02 | 7,983.06 |
| | 15,455,210.44 | 38,388,490.13 | 483,318.62 |

▶ **Other entries**

BRAIN FORCE SOFTWARE AG held an extraordinary shareholders' meeting on April 14, 2004. The decision was taken to increase the share capital from EUR 7,252,183 by up to EUR 3,000,000 to as much as EUR 10,252,183 by issuing up to 3,000,000 shares payable to owners (ordinary shares) against cash contribution with a maximum performance period of six months from the time of the decision being made. It was also decided to authorise the Executive Board to raise the share capital within five years of entering the relevant article amendment into the company register in one or more tranches by as much as a further EUR 3,626,091 by issuing up to 3,626,091 new shares payable to owners against cash and/or non-cash contributions, with or without exclusion of the subscription right of the shareholders in the case of cash and/or non-cash contributions and/or the issuance of shares to employees of the company and associated companies, and to define the issue price and conditions in agreement with the supervisory board.

As of key date March 31, 2004, the number of employees (salaried staff and subcontractors) stood at 833 (714 on 31.03.2003); orders amounted to EUR 18.32 million (EUR 14.35 million on 31.03.2003).

▶ **Notes on the consolidated cash flow statement**

In accordance with the regulations of IAS 7, the flow of funds analysis was compiled under the indirect method and is divided according to cash flow from operating activities, investing activities and financing activities. Liquid funds incorporating cash on hand and credit at financial institutions are specified as cash and cash equivalents.

Taking profit before taxes of TEUR 358, net cash flow from operating activities displayed an outflow of TEUR -129 (previous year: TEUR +841); the main reason for this was the utilisation of the provision for restructuring costs and the increase in trade receivables.

Cash flow from investing activities was EUR -4.37 million (previous year: TEUR -154). This includes payment means outflows linked to the acquisition of Brain Force Financial Solutions AG of TEUR -32 (previous year: EUR 0.00) and investment in tangible and other intangible assets of TEUR -483 (previous year: TEUR -154). The acquisition of short-term investments was counterbalanced by a payment means outflow of EUR 3.90 million.

Cash flow from financing activity of EUR 6.56 million (previous year: TEUR -749) displays the inflow of EUR 7.09 million resulting from a capital increase and the redemption of financial payables of TEUR -532 (previous year: TEUR -749).

Cash flow for the period under review was therefore EUR 2.06 million (previous year: TEUR -62). As of key date March 31, 2004, cash and cash equivalents of EUR 6.41 million (31.12.2003: EUR 4.35 million) and short-term investments of EUR 3.90 million were available to the BRAIN FORCE SOFTWARE group.

► **Options**

BRAIN FORCE SOFTWARE AG granted share options to Management Board members and top-tier management. The option rights entitled the holders to shares in BRAIN FORCE SOFTWARE AG at no charge subject to the development of the share price.

In accordance with the programme, the maximum option entitlement was dependent on the number of shares purchased when the company went public. Employees were entitled to one option for every six shares purchased. The number of options was limited to 100. Option rights could only be exercised within the exercise period. The exercise period began on June 10, 2002 (blocking period of three years from flotation) and ended on January 31, 2004. Option rights were not transferable. There was no holding period for shares acquired. For each full percentage point by which the BRAIN FORCE share outperformed the Neue Markt during the option's term up to the exercise period, option holders were entitled to one share per option. The number of maximum shares that could be acquired per option was limited to 30. Holders had no rights to shares if BRAIN FORCE share's performance was equal to or worse than the performance of the Neue Markt.

No shares had been exercised by the end of the exercise period. No options were held by the Management Board and the Supervisory Board as of key date March 31, 2004.

TIMETABLE//:

+++ +++ at March 31, 2004 +++ +++

▶ Corporate timetable

2004

| Date | Event |
|----------|--------------------------------|
| 18.06.04 | Annual shareholders' meeting |
| 30.08.04 | Analysts conference |
| 30.08.04 | Report on the first six months |
| 29.11.04 | Report on the third quarter |

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+++ there is more than software +++

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