

# Ausserordentliche Hauptversammlung

14.04.2004



We make **IT** work!

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A blue-tinted background image showing several people in a computer lab or office setting. They are gathered around a computer monitor, looking at the screen. The image is semi-transparent and overlaid on a white gradient.

# Strategy 2005

## Strategy 2005

### ▶ Key Elements

- ▶ Conversion to a solution provider
- ▶ Growth by acquisition
- ▶ Fundraising campaign to finance acquisitions

### ▶ Key Targets

- ▶ Turnover > EUR 110 million
- ▶ EBITDA margin > 10%
- ▶ Market cap > EUR 110 million
- ▶ Share price > EUR 8.-



# Brain Force Software

## Operations

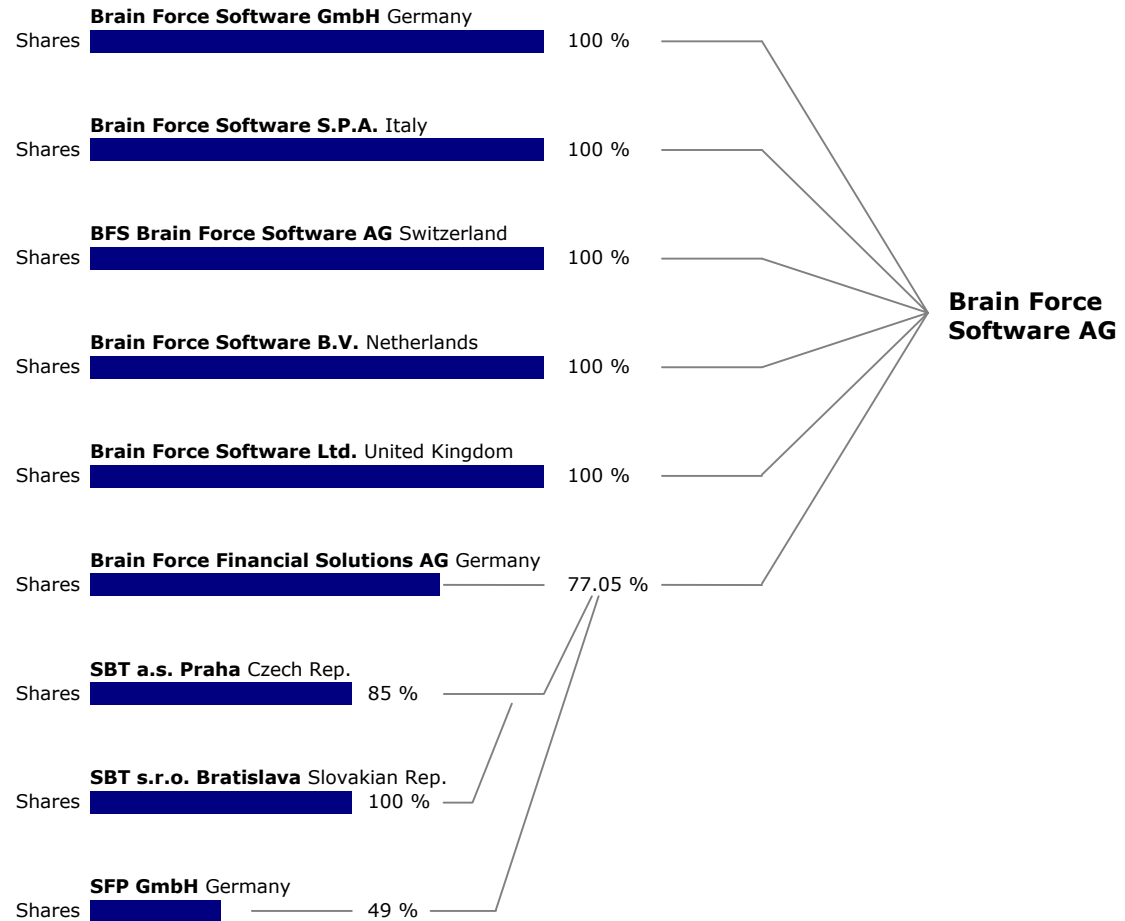
Headquartered in Vienna,  
core markets are

- ▶ **Germany**
- ▶ **Italy**
- ▶ **Austria**

Brain Force Software has  
13 subsidiaries in  
8 countries

## Structure

The Company has  
digested a variety of  
complementary  
acquisitions and is  
aligning these under the  
Brain Force brand



## Divisions

### ▶ Professional Services

#### **Business Solution Services**

Design, implement, integrate and operate solution based software applications

#### **Tech. Integration Services**

Design, implement, and operate IT systems (software and hardware) and networks (e.g. cables and routers)

*Consulting services/  
People driven*

### ▶ Solutions

#### **Communication Networks**

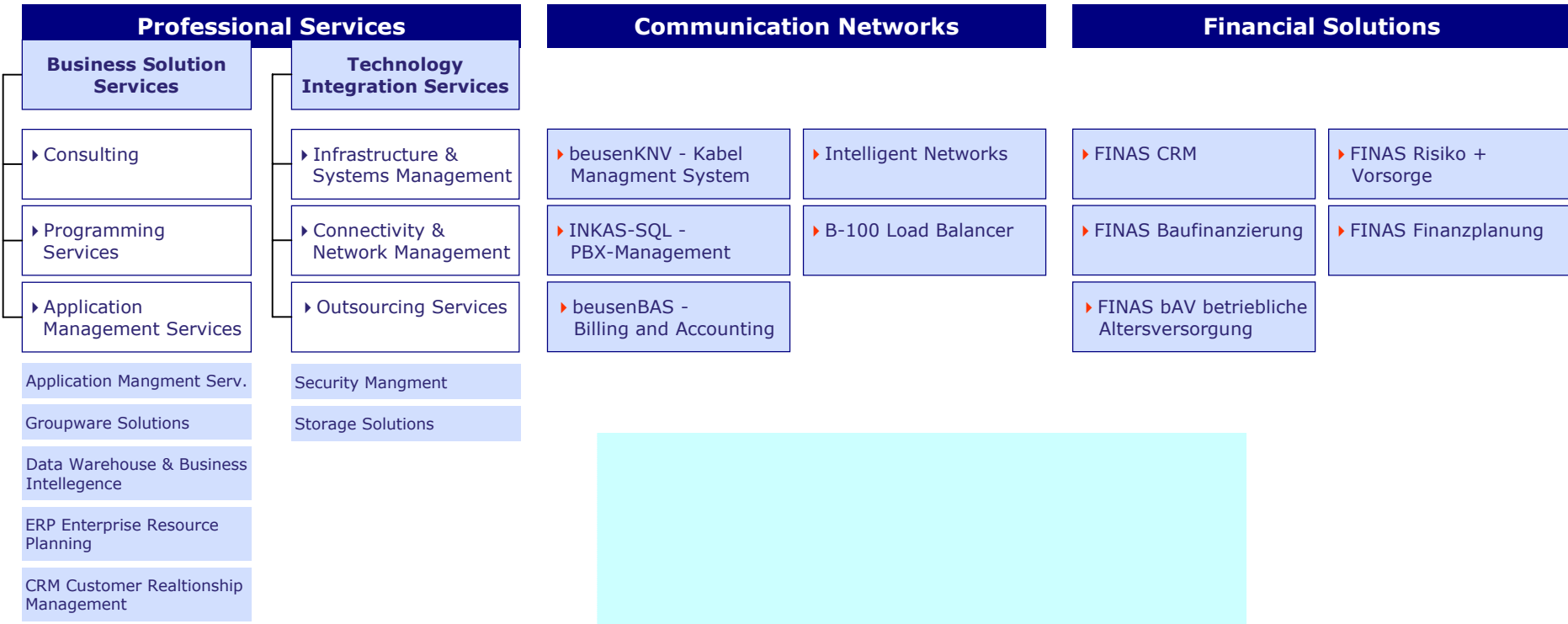
The delivery and/or development of specific software products - the majority 'owned' by Brain Force

#### **Financial Solutions**

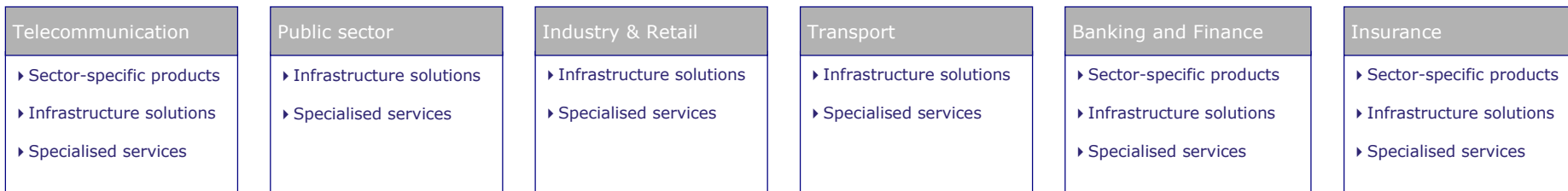
The delivery and/or development of software products for the financial sector

*Software solutions/  
Product driven*

# Products and Services



## Breakdown of markets by sector



- ▶ The **Professional Services (PS)** Line of Business builds the **foundation** of Brain Force's business model
  - ▶ **Top Account** focussed
  - ▶ Industries **>10%** turnover share are:
    - ▶ **Bank/Financial Institutions**
    - ▶ **Insurance**
    - ▶ **Telecommunication**
    - ▶ **Industry & Retail**
- ▶ **Communication Networks (CN)** products are **industry independent, process oriented, infrastructure management** solutions
- ▶ **Financial Solutions (FS)** products are **industry specific, sales process supporting, POS** solutions
- ▶ CN and FS products are both **complex** and process oriented. A **high degree of customisation** is characteristic for the implementation.
- ▶ Through the Professional Service LoB Brain Force is able to provide **international top account customer access** for all group products.

## ▶ Germany

ADAC – AEG – AGIS – Alcatel – Allianz – Amdahl Deutschland GmbH – ARAG – Audi Werke – Auswärtiges Amt – Autobahnamt Sachsen – Barmer Ersatzkasse – BASF – Baur Versand – Bayer – Bayerische Landesbanke – Bayerngas – BB Data GmbH – Berliner Verlag – Berliner Verkehrsbetriebe – BEWAG – BMW – BOSCH – BOSCH Telecom – Bundesministerium für Verbraucherschutz – Ernährung und Landwirtschaft – Citibank – Coca-Cola – Commerzbank – COMPAQ Computer GmbH – DaimlerChrysler – DBV Wintherthur – Degussa – DeTeLine – Deutsche Bank – Deutsche Bundesbank – Deutsche Börse Systems AG – Deutsche Gironzentrale – Deutsche Post/PrintCom – Deutscher Lloyd – Dresdner Bank – DSK Anthrazit Ibbenbühen – DZ Bank – EADS – EDS – e.dis Energie Nord – E-plus – Erste Allgemeine Dresden / Leipzig / Halle – Fraunhofer Gesellschaft – Fujitsu Siemens Generali Versicherung – ESAG – EVS AG – EWE AG – Flughafen Computers – GEW Köln AG – Goethe Universität Frankfurt/Main – Grundig – Henkel – Hewlett Packard – Hoechst – HypoVereinsbank – IBM Deutschland – Infineon – Investitionsbank Berlin – IZB – Kassenärztliche Vereinigung Nordrhein – Kreditanstalt für Wiederaufbau – KVB – LAUBAG – LeuCom Telekommunikationsgesellschaft – LIDO – Linde – LTU – Lufthansa – MAN – Mannesmann – Michelin – Mitteldeutscher Rundfunk mdr – MTU Münchner Hypothekenbank – NATO HQLANDCENT – Neckermann – NetCologne GmbH – PharmaServ Marburg GmbH & Co. KG – Postbank – Quelle – RBG – Rhode & Schwarz – Ruhrgas – RWE Net AG – RWSO – RWTH Aachen – Schopflin – SEB – Siemens – Siemens Business Services – SINIUS – Societé Général – Stadtwerke Munchen – START AMADEUS – STIHL – Strom- und Hafengebäude Hamburg – Technische Werke Ludwigshafen – Telecom – Thyssengas – T-Mobil – T-Systems – Total Walther GmbH – Universität Leipzig/Konstanz/Giessen – Vereinte Versicherung – VES Operations BmH – Versicherungskammer Bayern – O2 – VOLVO – WDR

## ▶ Austria

Admiral Sportwetten – Agrarmarkt Austria Marketing – Alcatel – APSS – Austrian Airlines – Aventis – AXA – BAWAG – BILLA-REWE – BlueBull – Bundesinnung der Immobilien- und Vermögenstreuhänder – Bundesrechenzentrum – Bundeswertpapieraufsicht – Blue C – Cards & Systems – COMPAQ – Bank Austria Creditanstalt – Connect Austria (one) – Debis – Erste Bank – EBV-Leasing – Esso – EVVA – Frequentis – Generali – IAF Service GmbH – IBM Österreich – IRM – Iveco – jet2web Internet Services GmbH – Libro AG – Kapsch – Krankenanstalten Verbund – Land Oberösterreich – Magistrat Linz – Magistrat Wien – Mediaprint – Mobilkom – Oberbank – Österreichische Kontrollbank – ORF – P.S.K. Datendienst – Raiffeisen Informatik Zentrum GmbH – Raiffeisen Bausparkasse – Siemens – Siemens Business Services – Spardat – Telekom Austria AG – TKL Tiefkühllogistik – UTA – Veloce Botendienste GmbH – WGKK – Wienstrom GmbH (e&i) – Wiener Allianz – Wiener Städtische – Zürich Kosmos – Zumtobel

## ▶ Italy

ABB SAE – Agape Card – Agilent Technologies – A.I.D. Analyse Informatique – Albacom – Andreas Stihl – Asten – Aureo Gestioni – Banca IMI – Banca Sella – Banca UCB – Becromal – Bluetel Italia – Bomag Italy – Cartotecnica Pontina – Ciaoservice – Ciaoweb – Commissione Tributaria – Comune di Bussolengo – Compass Group Italia – COMPAQ – Corrada – Cray Valley – Deloitte & Touche – D.E.Systemi – EDS Elect. Data System – Emeaa Italia – Epsilon – Eptisim – Farmaceutici Gellini – Fiat – Forge Monchieri – Forgital – Galbani E. – General Electric – Genesi Consulenze – Gias – Hays Sodibelco – Hewlett Packard – Hoechst Rousell-Vet – H.T.P. Unitex – ICT Net – Intervet Italia – I.T.A.S. – Jacobs Serete – Kraft Foods – L.C.A. Laboratori di Chi.App. – LPE – Lorini – Metro Commerciale – Microsoft – Microstrategy – Miteni – Notarbartolo & Gervasi – Optical Technologies – Pagine Italia – Passlunch – Pharmacia & Upjohn – Pirelli – Progman – Reuters Italia – Rosa Catene – Saclant Undersea – SCA Packaging – Servizi ICT – S.I.A. – Siderimpex – Sirio Sistemi – Snam – Sodexho Pass – Teatro alla Scalla – Tetra Pak – Velp Scientifica – Viasystems – Wacker-Chemie – Zurigo Compagnia ASS

## ▶ Switzerland

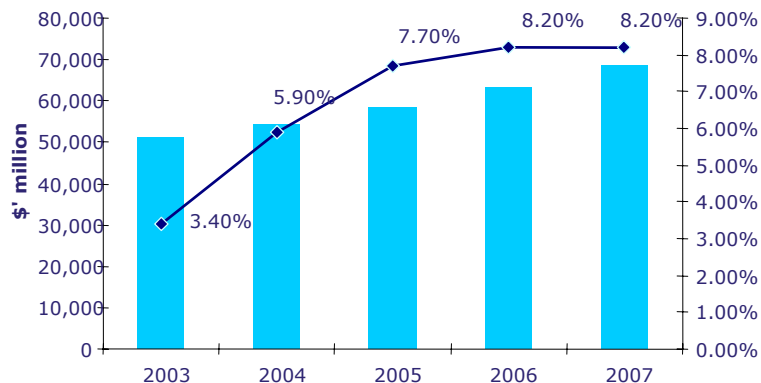
ABB Alstom Power AG – ABB Corporate Research – Bank Julius Bär & Co. AG – Daimler Chrysler Financial Services (debis) AG – Helvetia Patria Versicherungen – Kantonsverwaltung Solothurn – Philips – Rieter Machine Works Ltd – Schweizerische National Bank – SIS SegaInterSettle AG – Swiss Life/Rentenanstalt – Swiss Reinsurance Company – UBS AG – World Trade Organisation – Zürich Versicherungen – Zürcher Kantonalbank

*In the last years Brain Force has developed a remarkable customer reference list*



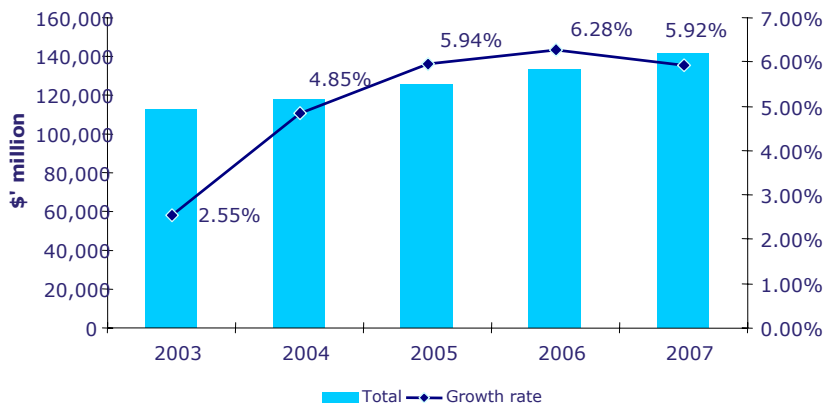
# Market

## ► W European Software Forecast



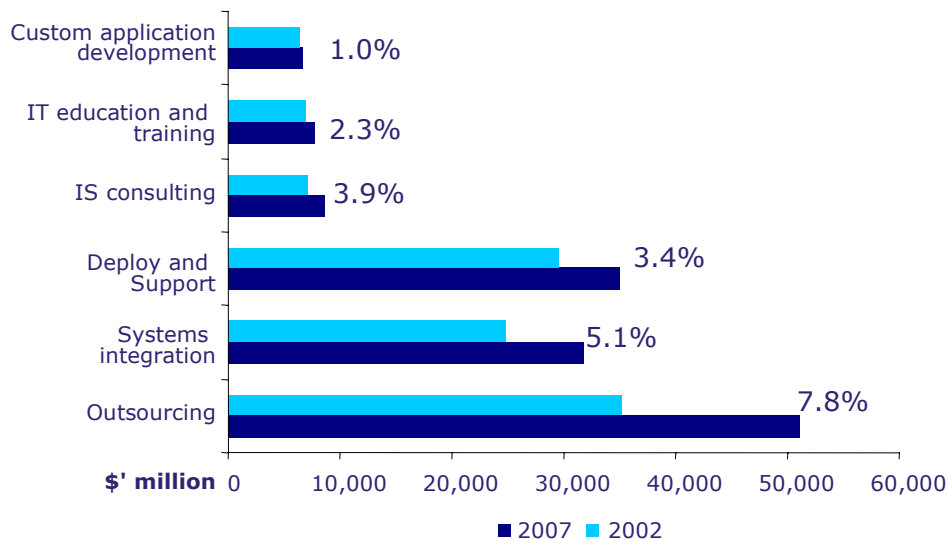
The software market is expected to show overall growth of 6.7% over the next five years, against the IT Services forecast market growth of 5.1%

## ► W European IT Services Forecast



Sources:  
 IDC - Western European IT Services Market Forecast : 2002-2007 - April 2003  
 IDC - Western European Software Industry Slowing Down - May 2003

## ▶ W European IT Services by Engagement 2002-2007/5 Year CAGR%



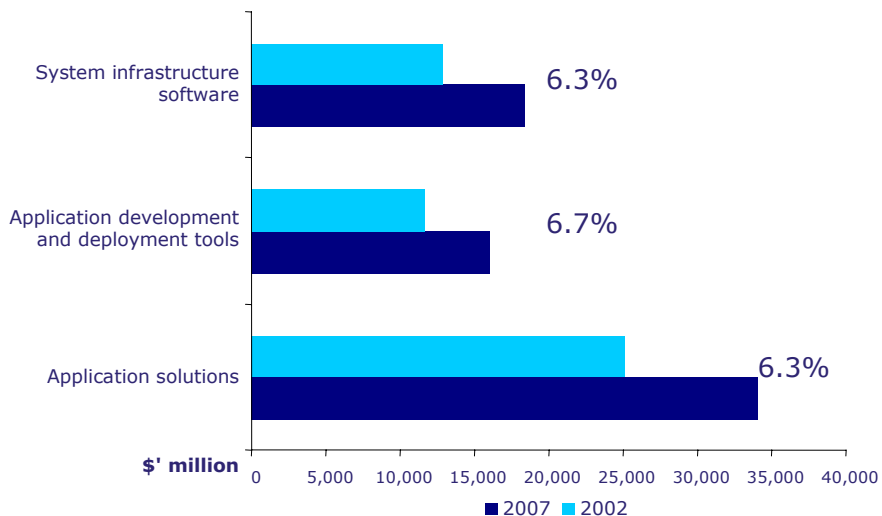
*Outsourcing in all senses, including applications and networks, are forecast to be the highest growth areas in coming years*

## ▶ Major Dynamics

- ▶ Customers paying lower rates and demanding **greater value** from service providers
- ▶ **Outsourcing** is area showing **greatest growth** and within this area:
  - ▶ **Application Management** and **ASP** are the highest growth areas with forecast 5 year CAGR's of 12.2% and 20.4% respectively
  - ▶ Desktop and low-level hardware/software **support activities** are **most popular** areas
- ▶ Increased interest in offshore outsourcing
- ▶ Discretionary spending e.g. **consulting**, **Systems Integration** and **custom application development**, declined in 2002, and is forecast to continue to **grow poorly**

Sources:  
 IDC - Western European IT Services Market Forecast : 2002-2007 - April 2003  
 IDC - Western European Software Industry Slowing Down - May 2003

## ▶ W European Software by Type 2002-2007/5 Year CAGR%



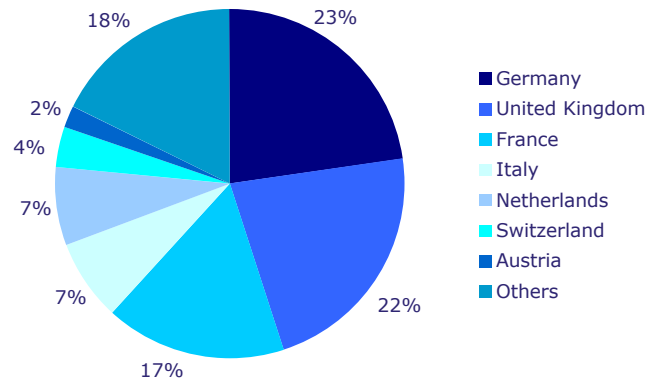
*Current markets are depressed with continued strong pricing pressure, particularly in traditional sectors such as consulting*

## ▶ Major Dynamics

- ▶ **Growth** is anticipated after recent difficult years
- ▶ Analysts also believe that maintenance and extension of overly complex systems consumes resources to the detriment of new sales
- ▶ **Outsourcing software** expected to be a **growth area** (application dev. tools, application solutions)
- ▶ Little scope for further large system sales to corporations, but **opportunities exist** in:
  - ▶ **Sales to SME's**
  - ▶ **Niche/industry specific** applications which reduce the level of existing complexity

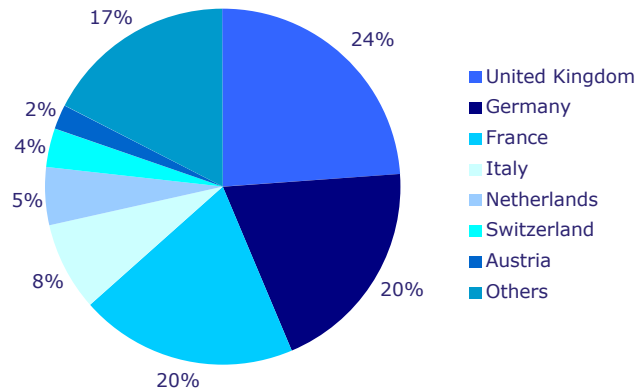
Sources:  
IDC - Western European IT Services Market Forecast : 2002-2007 - April 2003  
IDC - Western European Software Industry Slowing Down - May 2003

## ▶ W European Software by country 2003F



*The UK, Germany and France are by far the largest European markets*

## ▶ W European IT Services by country 2003F



Sources:  
 IDC - Western European IT Services Market Forecast : 2002-2007 - April 2003  
 IDC - Western European Software Industry Slowing Down - May 2003

## ▶ Quoted IT Software Companies

(€ million)	Market Cap	Enterprise Value	EV/Sales		EV/EBITDA
			2003E	2003E	2004E
FJH AG	190	164	1.18x	4.8x	4.3x
F5 Networks	481	423	4.08x	37.8x	n/a
JD Edwards	1,583	1,262	1.65x	14.3x	10.3x
Siebel	4,578	2,767	2.25x	15.0x	10.2x
Symantec	7,353	6,161	4.05x	13.3x	11.4x
Microstrategy	589	597	4.00x	17.7x	15.6x
Microsoft	256,421	211,777	6.72x	14.2x	11.9x
Oracle	57,927	52,292	5.71x	14.5x	13.4x
Veritas	12,895	11,164	7.20x	25.6x	21.8x
		<b>Median</b>	<b>4.05x</b>	<b>14.50x</b>	<b>11.63x</b>

## ▶ Quoted IT Services Companies

(€ million)	Market Cap	Enterprise Value	EV/Sales		EV/EBITDA
			2003E	2003E	2004E
AtosOrigin	1,760	2,200	0.71x	5.9x	5.6x
CGEY	4,504	4,039	0.65x	9.6x	7.4x
SAP SI	448	304	1.11x	7.5x	6.9x
LogicaCMG	2,139	2,293	0.94x	12.3x	9.6x
Articon Integralis	27	19	0.09x	1.4x	1.0x
Plenum	17	6	0.12x	1.6x	1.2x
Secunet	21	10	0.43x	11.7x	6.0x
IBM	130,788	147,194	1.83x	10.7x	9.7x
EDS	9,931	13,186	0.67x	5.4x	4.8x
Accenture	17,923	16,200	1.53x	10.1x	8.8x
BearingPoint(KPMG)	1,445	1,617	0.56x	8.1x	6.6x
CSC	7,307	9,590	0.73x	5.7x	5.3x
		<b>Median</b>	<b>0.69x</b>	<b>7.78x</b>	<b>6.30x</b>

Public market data emphasises the disparity in valuations between services and software companies and also the disparity between larger and smaller groups

# Valuation – IT Software Transactions

Completed Date	Target Company	Target Country	Bidder Company	Bidder Country	Deal Value € (m)	Enterprise Value € (m)	Sales Multiple
15/07/2003	Kinetic Technologies Ltd	United Kingdom	Tribal Group plc	United Kingdom	10	10	4.36x
05/08/2003	IDS Group plc	United Kingdom	Twins Acquisition, Inc.	USA	36	36	0.82x
10/04/2003	Incatel AS	Norway	EDB Telescience	Norway	11	11	1.06x
06/04/2003	Hal Knowledge Solutions Spa (60% stake)	Italy	Apax Partners	United Kingdom	16	27	2.19x
13/08/2003	Cycos AG	Germany	Siemens Inform. & Communications Networks Group (ICN)	Germany	16	16	1.06x
28/04/2003	Proton World International SA	Belgium	STMicroelectronics NV	Switzerland	37	37	
25/03/2003	IT Masters N.V.	Belgium	BMC Software Inc	USA	40	40	
13/03/2003	Arexera Inform. Tech. GmbH (49% stake)	Germany	Aftek Infosys Ltd	India	9	18	15.08x
03/04/2003	Eyretel plc	United Kingdom	Witness Systems	USA	45	45	0.62x
07/03/2003	Rolfe & Nolan Systems Ltd	United Kingdom	Maia Holdings	United Kingdom	26	26	0.71x
01/02/2003	Obtree Technologies (96.4% stake)	Switzerland	Ixos Software AG	Germany	5	5	0.44x
			<b>2003 Median</b>				<b>1.06x</b>
			<b>2002 Median</b>				<b>2.27x</b>

*Transaction values are lower than public market figures as would be expected given standard public/private market disparities and the fact that many of the companies acquired are both small-scale and in financial difficulties when sold*

*Multiples have shown a year on year decline in line with the continued depressed state of the market*

# Valuation – IT Services Transactions

Completed Date	Target Company	Target Country	Bidder Company	Bidder Country	Deal Value € (m)	Enterprise Value € (m)	Sales Multiple
06/06/2003	Vivista (formely Securicor Information Systems)	United Kingdom	Kleinwort Capital Limited	United Kingdom	42	42	0.63x
19/05/2003	Phinware AG	Germany	GFKL Financial Services AG	Germany	10	10	
03/06/2003	Royal Mail ( IT business)	United Kingdom	Prism Alliance	UK,USA	53	53	
28/05/2003	Getronics Human Resources Solutions BV (GHR)	Netherlands	NIB Capital Private Equity	Netherlands	315	315	
15/04/2003	Convergent Systems Ltd.	United Kingdom	Oval Ltd	United Kingdom	6	6	0.23x
31/07/2003	Allasso	Germany	Intechnology plc	United Kingdom	29	29	0.25x
05/04/2003	DSI (60% stake)	Italy	NTS srl	Italy	15	25	0.63x
24/03/2003	Romulus Enterprises Limited	United Kingdom	Clarity Commerce Solutions plc	United Kingdom	8	8	10.85x
06/03/2003	myLoc Real Estate Technology AG	Germany	GlidePath Germany	Germany	5	5	
08/05/2003	Virtus AB	Sweden	Opin Kerfi HF	Iceland	100	100	2.01x
25/03/2003	Azlan Group plc	United Kingdom	Tech Data (UK)	United Kingdom	426	411	0.45x
05/03/2003	Epsilon AB	Sweden	Danir AB	Sweden	33	53	0.68x
23/01/2003	Ecsoft Group plc	United Kingdom	Ciber UK	United Kingdom	0	5	0.05x
02/01/2003	GE CompuNet Computer AG; GECITS	Germany; Austria	Computacenter	United Kingdom	57	57	0.05x
			<b>2003 Median</b>				<b>0.54x</b>
			<b>2002 Median</b>				<b>0.96x</b>

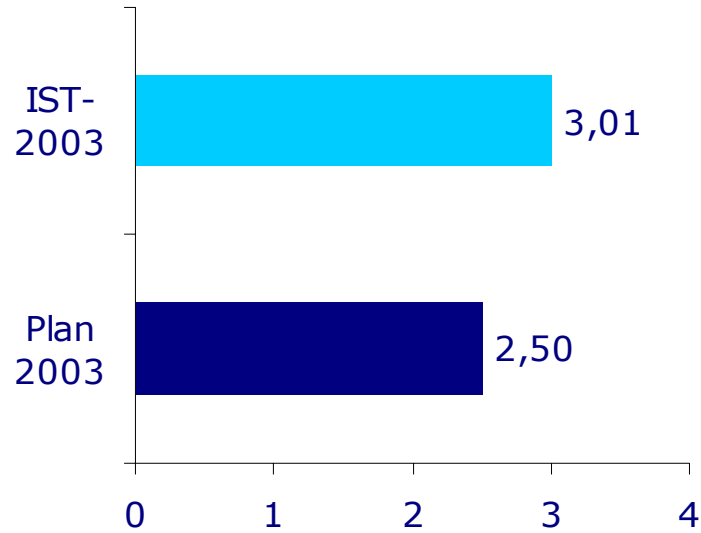
*As with the public company data, IT services companies are typically valued at lower multiples than software companies*



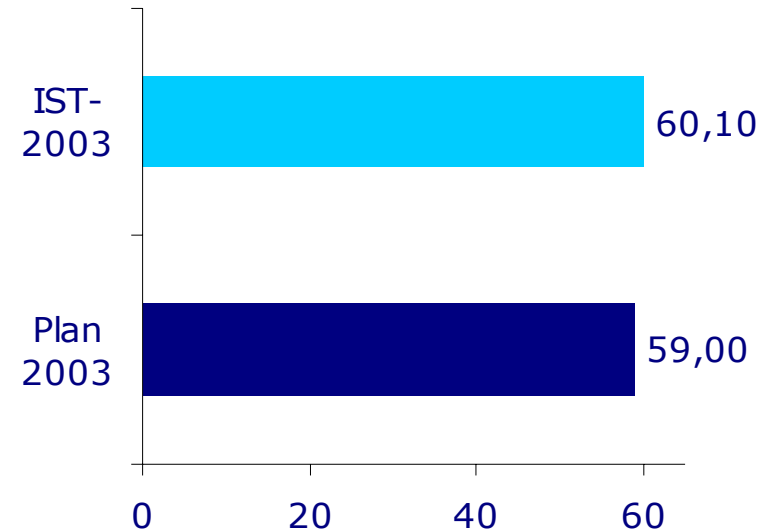
# Financials 2003

- ▶ **EBIT at EUR 182 Tsd. tripled compared with 2002**
- ▶ **EBITDA at EUR 3.01 million 57.84% above previous year**
- ▶ **Turnover at EUR 60.10 million 1.9% above previous year**

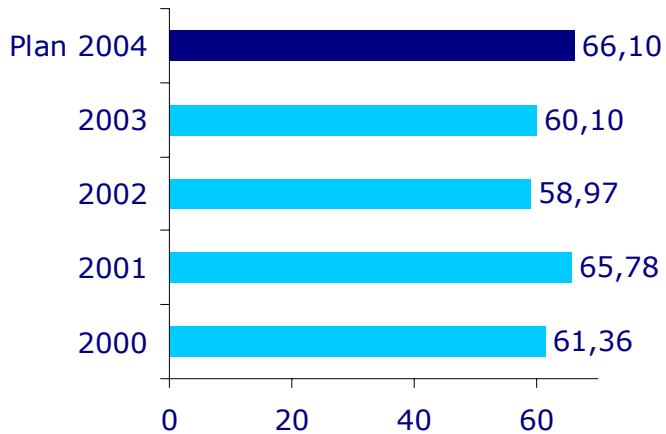
## ▶ EBITDA



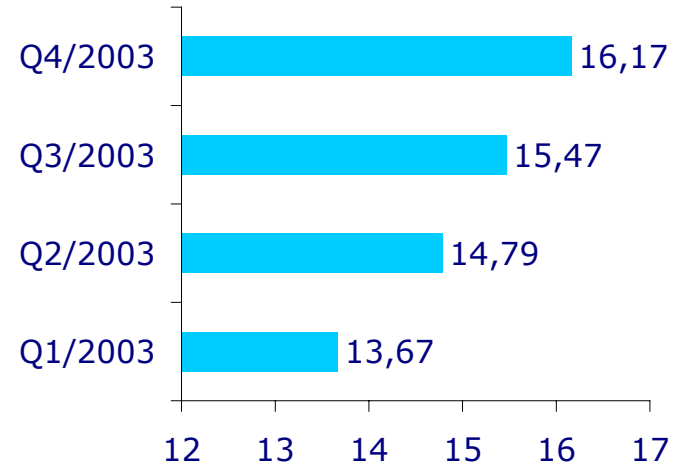
## ▶ Turnover



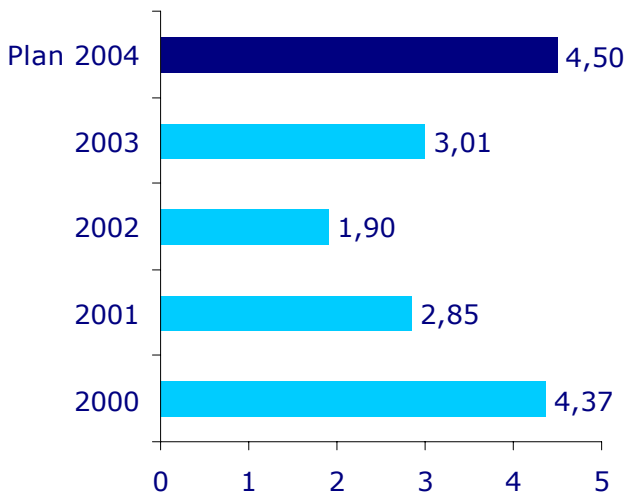
## ▶ Turnover



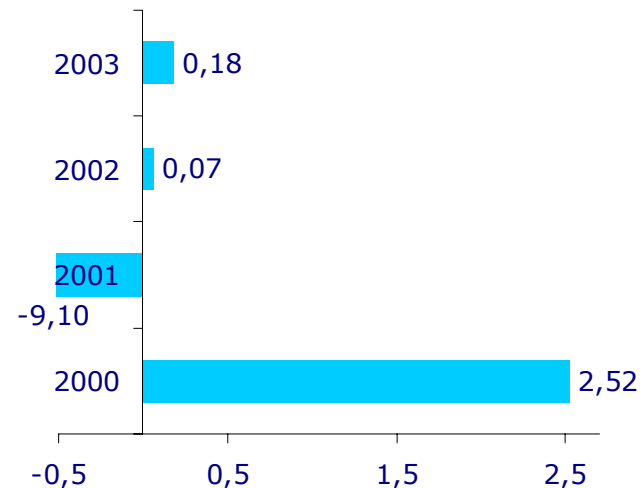
## ▶ quarterly Turnover 2003



## ▶ EBITDA



## ▶ EBIT



## ▶ Turnover by country

### Germany



### Italy



### Austria

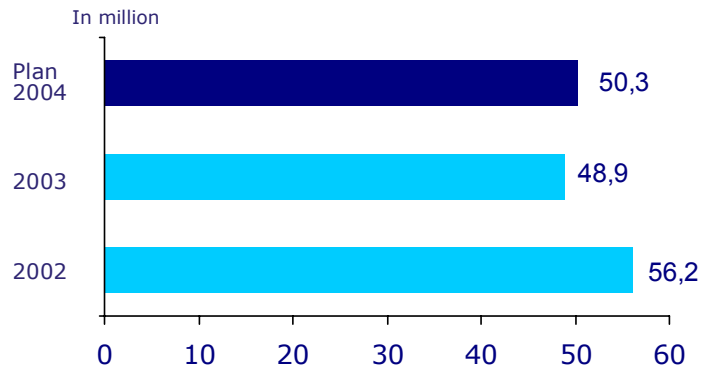


### Other regions

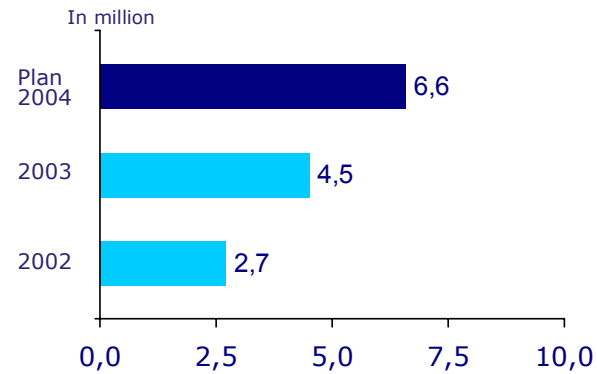


## ► Turnover per line of business

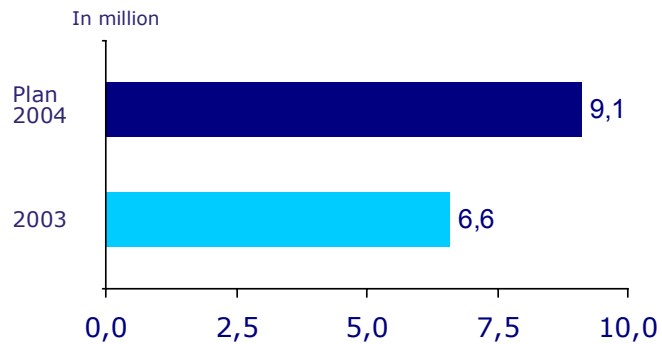
### Professional Services



### Communication Networks



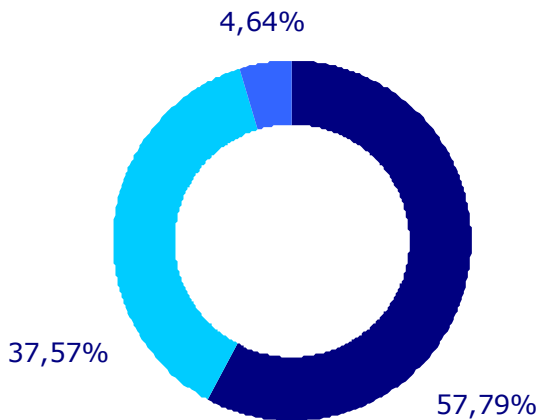
### Financial Solutions



## ► Mix of Business 2002 - 2004

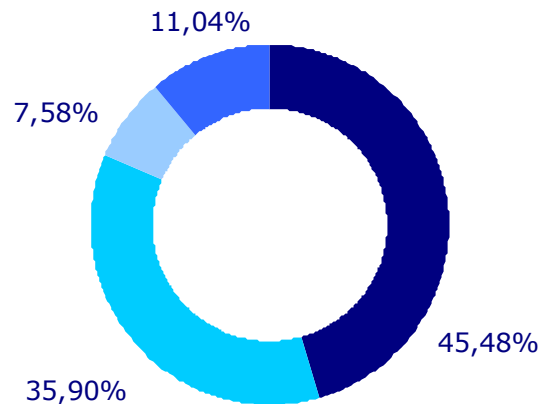
**2002**

Professional Services: 95,36%



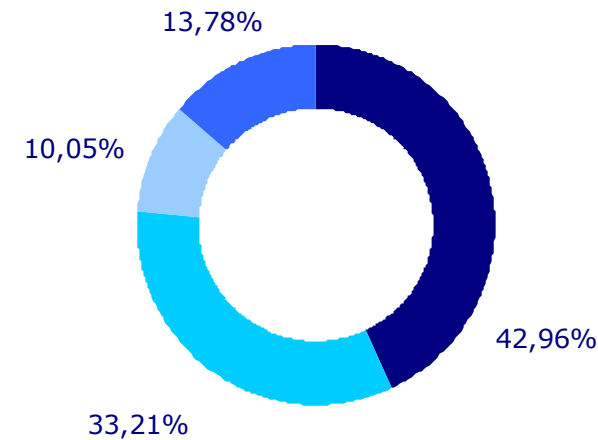
**2003**

Professional Services: 81,38%



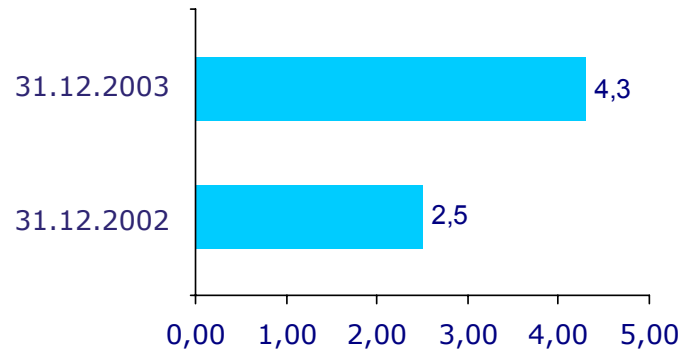
**2004 - Planning**

Professional Services: 76,17%

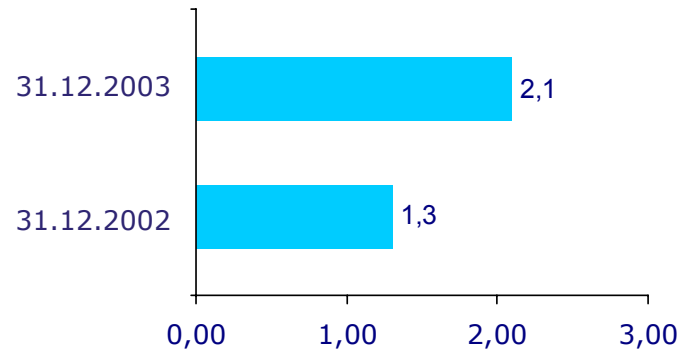


■ BSS ■ TIS ■ CN ■ FS

## ▶ Cash



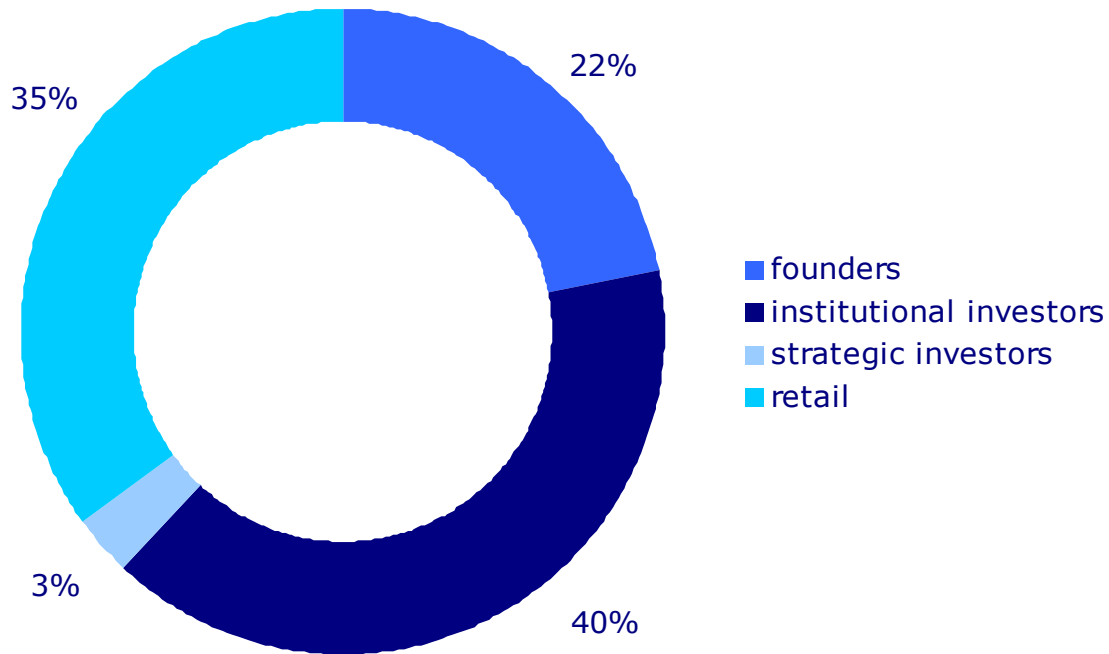
## ▶ Cash Flow from Operating Activities





# Shares

▶ Shareholders' structure for 7,252,183 outstanding shares

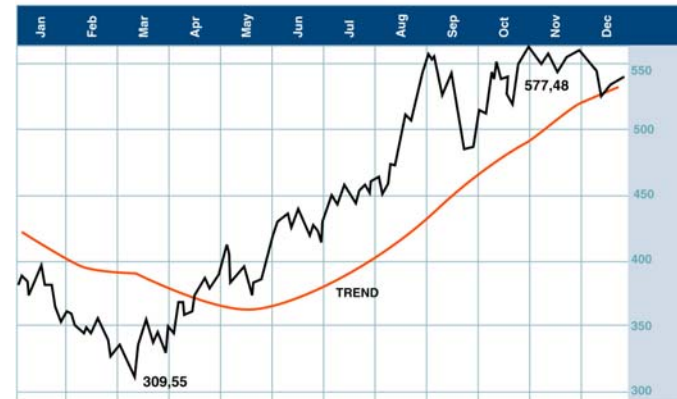


## ► Share performance

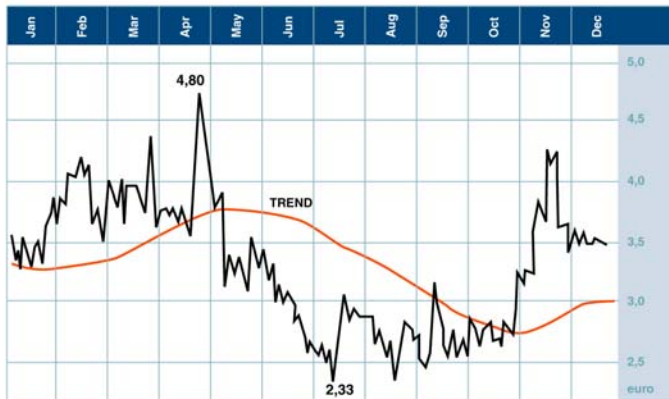
DAX



TecDAX



BFC - Brain Force Software



## ▶ Market capitalisation



## ▶ Trading volume

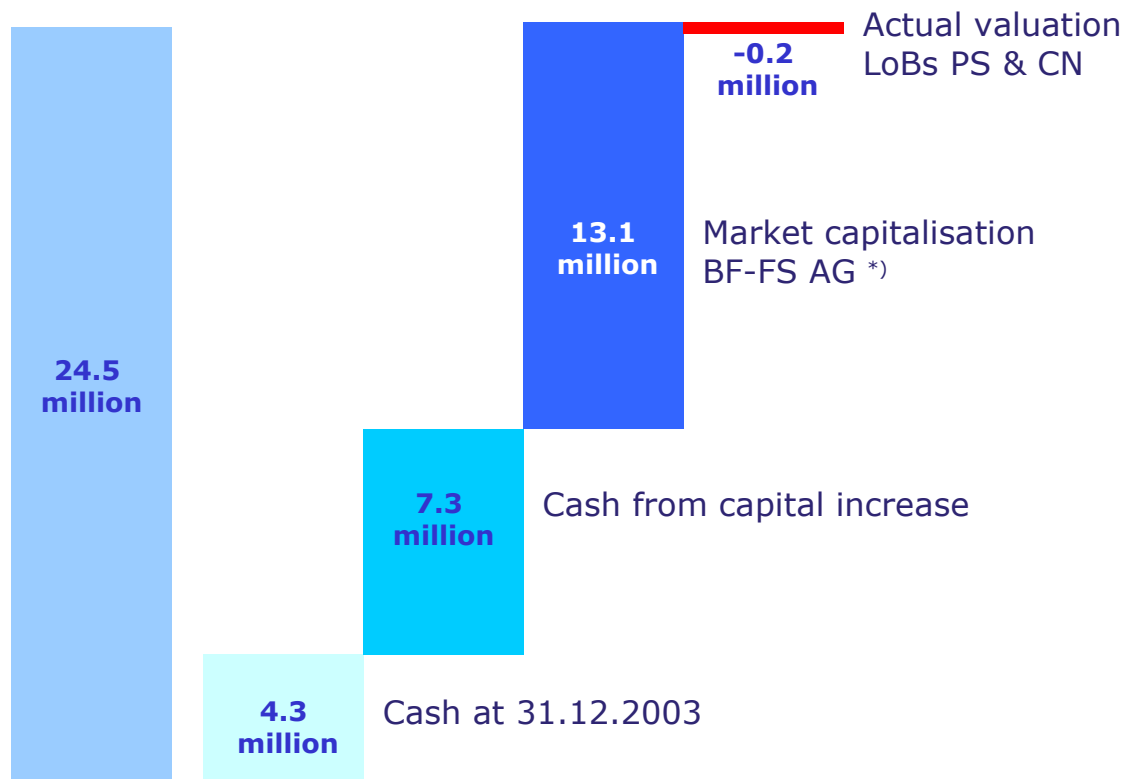


**7,252,183 \* € 3.39\*) = € 24.5 million**

\*) Xetra at 26.03.2004

**Valuation before acquisition of NSE Software AG: € 17.8 million**

## ► Market capitalisation



Turnover LoB's 2003:

**Professional Services:**  
48,905,766.73

**Communication Networks:**  
4,557,605.43

**Financial Solutions:**  
6,635,733.94

### Fair value:

**€ 17.8 million**  
**+ € 24.7 million**  
**- € 04.3 million**  
**€ 38.2 million**

\*) XETRA at 26.03.2004: 11.7 million \* € 1.46 = € 17.1 million; BFS current share holding 77.05 % = € 13.1 million



# Strategy

- ▶ Brain Force will gradually change focus from a project driven IT service provider to a **customer driven IT solutions provider**
- ▶ IT solutions incorporate service related and software product components. As the margins in own software products are significantly higher than in third-party products, the focus will shift towards **own products**. Additionally, only with own products, a leadership position in certain segments can be achieved
- ▶ Past experience has shown that the development of new products in new sectors is too cost-intensive and too time-consuming. It is also well accepted by top management that entry into new regions without a local company or at least a local core-team is too risky. Therefore the solutions offerings and regional expansion should be mainly implemented through **acquisitions**
- ▶ **Primary focus** of our expansion strategy are industries and geographic regions Brain Force is already present in. The aim is to **foster the market share and improve customer awareness** as innovative and reliable business partner.
- ▶ The company will expand into **new European regions and countries** where it currently has little or no franchise and where IT spending is comparable to current Brain Force areas (Germany, Italy, Austria). On this basis, the most promising countries could be UK, France and Scandinavia. Expansion into Central and Eastern Europe is not a prime goal yet („stick to what you know“)

# Achieving the Targets for 2005



	Organic Growth	Acquired Growth*		
▶ <b>Turnover</b>	70 million	40 million	= 110 million	✓
▶ <b>EBITDA</b>	5.5 million	5.5 million	= 10%	✓
▶ <b>Market Capitalisation</b>				
0.7 < Turnover Multiple < 4.1	→	1 x 110 million	= 110 million	✓
7.8 < EBITDA Multiple < 14.5	→	10 x 11 million	= 110 million	✓
▶ <b>Share Price</b>				
13.8 million shares (after capital increase)	→	110 / 13.8	= 8.-	✓

\*) Values express run rates at the end of 2005. Turnover and EBITDA for 2005 will be dependent on the timing of the 1st consolidation of the acquired businesses.

# Target Selection Criteria

## ▶ 2 -3 Acquisitions

- ▶ Sales > €10 million
- ▶ Positive cash flow
- ▶ EBITDA > 10%
- ▶ Price between 0.5 x and 1.0 x turnover
- ▶ Deals financed by equity, loans and paper

**Minimum cash required: EUR 25 Mio.**



# Past Acquisitions and their Integration

## ▶ **MMI Consulting AG (Switzerland, 1999)**

In Sep 1999 100% of shares were bought at an acquisition price of €3.9 million (cash only) – sales of €3.6 million and EBIT of €0.2 million. Strategic goal was to expand the small Swiss operations and acquire specific internet know-how. In subsequent years roughly half of the business has been discontinued due to “New Economy effects”. The acquisition must be regarded as **unsuccessful**, but as an exceptional **learning experience**

## ▶ **TEMA (Italy, 2000)**

In March 2000 100% of shares were bought at an acquisition price of €8.7 million (50% fixed, 50% earn-out; 80% in cash, 20% in shares) – previous sales of €7.7 million and EBIT of €0.7 million. Strategic goal was to expand into Italy (perfect timing after the euro introduction). In subsequent years the company performed well, expanded from Milan to Rome and **doubled sales and EBIT within 3 years** (sales 2002: €16.3 million and EBIT 2002: €1.4 million). The acquisition can be regarded as very successful

## ▶ **GMRS GmbH (Germany, 2000)**

In March 2000 100% of shares were bought at an acquisition price of €3.7 million (85% fixed, 15% earn-out; 94% in cash, 6% in shares) – previous sales of €3.7 million and EBIT of €1.8 million. Strategic goal was to expand the know-how in communications and networks and to win Siemens as a flagship customer. In subsequent years GMRS has been fully integrated into the Brain Force group, one part became the **nucleus of the Communications Network division**. The acquisition can be regarded as successful

## ▶ **beusen Solutions GmbH (Germany, 2002)**

In Oct 2002 100% of shares were bought at an acquisition price of €1.5 million (15% in cash, 85% in shares) – previous sales of €3.7 million and EBIT of €0.2 million. Strategic goal was to change towards solution provision based on own products (in this case telecom products). The **roll-out of acquired products** in other Brain Force countries **is just starting**, making it too early to judge the success of the transaction

## ▶ **NSE Software AG (Germany, 2003)**

In the course of April to August 2003 77% was acquired at an acquisition price of €2.5 million (100% in shares) – previous sales of €16.3 million and EBIT of €-1.6 million. Strategic goal was to acquire own financial products. After immediate restructuring (Helmut Fleischmann took over as CEO in May 03) the company generated **EUR 627 thousand for the group EBIT**.

*The Company has a track record of increasingly successful integration of acquired businesses*

*Recent acquisitions confirm that current market conditions present compelling opportunities to acquire at low valuations in largely paper based deals*