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Quarterly Report 01/2002

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Segment report at March 31, 2002

+++ Brain Force Software Group +++ Brain Force Software Group +++ Brain Force Software Group +++

	Professional Services	Innovative Network Appliance	Group costs	Total
	EUR	EUR	EUR	EUR
Net sales (consolidated)	15.386.112,09	34.600,00	0,00	15.420.712,09
Operating result	816.255,95	-187.752,64	-493.730,39	134.772,92
Financial result				-34.258,28
Loss / profit before tax				100.514,64
Income taxes				-326.530,89
Net loss / profit for the period				-226.016,25
Total assets	22.698.579,66	574.545,58	2.485.841,30	25.758.966,54
Borrowings	14.271.489,04	695.120,90	741.320,69	15.707.930,63
Additions to non-current assets	114.356,92	130.707,49	0,00	245.064,41
Depreciation and amortisation	413.112,80	20.887,30	0,00	434.000,10

Earnings per share in EUR - 0,07

Quarterly Report 01/2002

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BRAIN FORCE SOFTWARE AG

We are pleased to present you with our current Quarterly Report 01/2002.
We thank you for your trust and your interest.





Economic framework conditions

Initial signs of stabilisation in the economy at the start of the year quickly gave way to disillusionment. Europe's leading corporate groups failed to foresee any hint of the anticipated business revival. Then, at the beginning of February, the first positive indications emerged from the USA as the economic data pointed to a resurgence in incoming orders. In March, the increasingly optimistic economic figures started to have an effect on international stock markets. The Dow Jones broke through the 10,000 point barrier and the DAX hit the 5,000 point mark.

At the present time, the level of uncertainty regarding the economic outlook is unusually high. This insecurity is mainly attributed to the volatile political situation in Israel, but it is also underpinned by the crisis in Argentina and the trade dispute between the USA and Europe. For the time being, any potential upswing remains hampered by the continuing high oil price and the balance of payments deficit in the USA.

The chances of a far-reaching upturn are diminishing. International trade, on which the economists are pinning high hopes, is expected to grow only marginally in 2002 – according to the latest forecasts, by around one percentage point. The economic barometer, an indicator of growth three months ahead, remained in stagnation as of April. This shows that any economic recovery is decidedly shaky.

Business activity

As expected, the poor economic framework conditions are facing us with a situation in which customers are highly reluctant to invest. The Brain Force Software Group prepared itself for this foreseeable market development, with a realignment of operative business put in place during the third quarter of the previous fiscal year, allied with coherent utilisation of the associated savings potential. The rationalisation made possible by the reorganisation introduced during fourth quarter 2001 was implemented

Quarterly Report 01/2002

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in two stages. The results of the first stage are apparent in the positive EBIT shown in these quarterly accounts. The implementation of the second stage of rationalisation and cost reductions during first quarter 2002 created the preconditions for achieving a growth in EBIT in spite of the continuing stagnation in economic activity.

In January 2002 we began sales of the first product in our Network Appliance product family, the B-100 IP Load Balancer. Sales were organised exclusively through our sales partners. We are in the process of building up the necessary international network, with major distributors and value-added resellers. The first successes became evident during the first quarter. During quarter one, five systems were delivered in Holland, and in Telety we also gained a significant sales partner. We also succeeded in establishing a sales partner in Germany and placed several test setups with customers. During the second quarter, we expect to conclude sales partnerships in Italy and Switzerland. The preconditions for this were put in place during the first quarter.

During first quarter 2002, the new business areas bundled in the Professional Services segment – BSS (Business Solutions Services) and TIS (Technology Integration Services) – contributed to improved performance in comparison with the former bf classic structure. This can be explained by the greatly improved transparency in the range of services, and by the utilisation of synergy potential which is now possible following the introduction of the international business area organisation.

During quarter one, all international organisations merged their main areas of competence into Competence Units and defined "value added services" to be offered internationally across the group. As a result of this, we anticipate a further increase in performance in the business areas BSS and TIS as early as the next quarter.

The rationalisation achieved through the reorganisation and realignment in these business areas had not yet had any effect by the first quarter 2002. Although it proved possible to reduce the staffing level in spite of the rise in incoming orders, the associated reduction in personnel costs will not make itself felt until the second quarter of the current fiscal year on account of the notice periods.

Orders situation

The international realignment of business areas returned its first quantifiable successes during quarter one 2002. As of key date 31.03.2002, the order balance stood at EUR 13.65 million, representing a 44.9 percent rise in comparison with 31.12.2001. The most significant rates of growth were recorded in Austria and Germany. In Germany, the increase in the balance of orders was around 50 percent. In Austria, orders on hand actually doubled in respect of 31.12.2001. The order balance in Italy remained broadly unchanged when compared with 31.12.01.

Sales and revenue situation

During first quarter 2002, group turnover of EUR 15.42 million with an EBIT of TEUR 134.8 was achieved. This corresponded to an increase of 32.9 percent over the EBIT for fourth quarter 2001, although turnover fell by 5.8 percent. The EBITDA in quarter one 2002 reached a value of TEUR 568.8, representing an increase of 14.7 percent over the value recorded in fourth quarter 2001.

In Germany and in Italy, it proved possible to raise both turnover and the EBIT in respect of quarter four 2001. During quarter one 2002, the EBIT for Brain Force Software GmbH in Germany was TEUR 287.3. During the same period in Italy, an EBIT of TEUR 413.2 was reached.

With its B-100 IP Load Balancer, one4net GmbH stood up well to the conversion and the clear orientation towards product business. With an EBIT of EUR 5,199.17, a balanced result was posted for the first quarter of the current fiscal year.



Quarterly Report 01/2002

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In Holland, it proved possible to reduce the loss in comparison with quarter four 2001 by almost 40 percent, to TEUR 38.7. A negative EBIT of TEUR 160.2 was recorded in Austria, on account of reductions in personnel which had not yet shown up on the costs side by first quarter 2002. The result in Switzerland was improved by almost 25 percent compared with fourth quarter 2001. Although the EBIT for quarter one 2002 still shows a negative value of TEUR 115.4, we anticipate that the EBIT will be virtually balanced during the next quarter.

Research and development

The research and development activities of the Brain Force Software Group are concentrated within one4net GmbH, Unterschleißheim, Germany.

Product and procedural innovations

Version 1.1 of the B-100 IP Load Balancer has been available since 8th April 2002. Enhancements in respect of version 1.0 were implemented during the first quarter. As from version 1.1, GUICC graphical control center software also becomes available for Windows 2000 and Linux Red Hat 7.2. Another option now available is to link GUICC to the B-100 via the Internet, thereby facilitating remote management. The statistical evaluations have been enhanced to include the management of historical log files.

Balancer operating software has been enhanced in version 1.1 to include a command line interface (CLI). Moreover, foreign keyboards are now supported as well.

In addition to the new functions released with version 1.1, work began during the first quarter on major enhancements for the version due to become available in the summer.

Human resources

The reorganisation and international realignment of business areas is also reflected in the personnel figures. Implementation of the first of two rationalisation phases so far carried out resulted in a personnel reduction of 3.8 percent in comparison with key date 31.12.2001. These economies had the greatest impact in Austria (with 9.26 percent) and Germany (with 6.8 percent). By the end of the quarter there were 196 employees in Austria and 233 employees in Germany, of which 20 were employed at one4net GmbH.

At the current time, the personnel level within the group is at its highest in Italy, with 319 employees. No significant further growth was recorded in respect of key date 31.12.2001. Along with the turnover figures, the personnel data also points to the onset of stagnation in the Italian market.

Anticipated developments

No improvements in the general economic conditions can be ascertained for second quarter 2002 in comparison with the first quarter. Insolvencies and compensation proceedings, for example in the media sphere and the aeroplane construction sector, continue to cast a cloud over the economic climate. Banks are concerned that they will be obliged to carry out valuation adjustments. On top of this, token strikes are taking place within industry. Such an environment is hardly conducive to increasing customer readiness to make investments. Projects are moving to the back burner, and many new acquisitions are being scrapped in favour of replacements.



Quarterly Report 01/2002

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We are well prepared for this phase of stagnation and recession. Our range of products and services is designed to meet the requirements of the demanding economic situation. At this time, we are in a position to address the specific needs of our customers in a highly flexible and efficient way. In doing so, we have given clear consideration to a rapid return on investment. The cost structure is consolidated at a low level. We are identifying and utilising synergy effects more and more. In overall terms, the margin is optimised in this way and an increase in the EBIT is ensured.

As a service providing company, we are heavily dependent on the number of potential project hours. As a result of seasonal factors such as bank holidays and staff holidays, the number of potential project hours in the second quarter will be smaller than that of the first quarter. The higher order balance and the cost reductions now having an effect will make it possible to achieve a further increase in the EBIT during the second quarter.



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Consolidated balance sheet at March 31, 2002

+++ Assets +++ Assets +++ Assets +++ Assets +++ Assets +++

Assets	Quarterly report 01.01.2002 – 31.03.2002 EUR	Annual report 01.01.2001 – 31.12.2001 EUR
Current assets		
Cash and cash equivalents	2.196.995,31	2.713.827,17
Trade receivables	14.682.921,95	14.701.758,21
Inventories	28.020,53	0,00
Other receivables and other assets	1.103.629,39	1.273.870,70
Total current assets	18.011.567,18	18.689.456,08
Non-current assets		
Property, plant and equipment	1.555.348,10	1.623.587,73
Intangible assets	527.118,38	397.364,32
Financial assets	177.900,76	179.219,26
Goodwill	3.805.822,39	4.059.543,88
Deferred tax assets	1.506.882,98	1.506.259,96
Other receivables and other assets	174.326,75	166.622,66
Total non-current assets	7.747.399,36	7.932.597,81
TOTAL ASSETS	<u>25.758.966,54</u>	<u>26.622.053,89</u>

Consolidated balance sheet at March 31, 2002

+++ Equity and liabilities +++ Equity and liabilities +++ Equity and liabilities +++

Liabilities and shareholders' equity	Quarterly report 01.01.2002 – 31.03.2002 EUR	Annual report 01.01.2001 – 31.12.2001 EUR
Current liabilities		
Short-term debt and current portion of long-term debt	2.565.623,71	3.096.031,99
Trade payables	4.626.682,65	4.766.374,20
Prepayments	150.499,21	99.691,58
Accrued expenses	913.895,48	628.890,95
Other current liabilities	5.898.611,74	6.286.172,19
Total current liabilities	14.155.312,79	14.877.160,91
Non-current liabilities		
Long-term debt, less current portion	11.919,17	12.010,22
Deferred taxes	179.164,11	162.612,23
Pension accrual	238.292,23	240.311,46
Other non-current liabilities	1.123.242,33	1.052.816,80
Total non-current liabilities	1.552.617,84	1.467.750,71
Shareholders' equity		
Ordinary shares	3.445.052,00	3.445.052,00
Additional paid-in capital	3.520.376,82	3.520.466,93
Retained earnings	3.085.607,09	3.311.623,34
Total shareholders' equity	10.051.035,91	10.277.142,27
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>25.758.966,54</u>	<u>26.622.053,89</u>

Consolidated income statement 01.01. – 31.03.2002

+++ income statement +++ income statement +++ income statement +++

	Quarterly report 01.01.2002 – 31.03.2002 EUR	Quarterly report 01.01.2001 – 31.03.2001 EUR
Net sales	15.420.712,09	16.941.631,17
Other operating income	225.785,65	833.603,84
Production for own fixed assets capitalized	130.707,49	67.613,24
Cost of purchased materials and services	-11.516.482,88	-12.449.330,21
Personnel expenses	-2.595.707,15	-2.505.197,26
Depreciation and amortization	-434.000,10	-571.754,90
Other operating expenses	-1.096.242,18	-1.644.495,29
Operating income	134.772,92	672.070,59
Interest income and expenditure	-34.258,28	-20.899,65
Result before income taxes	100.514,64	651.170,94
Income tax	-326.530,89	-417.020,55
Net income / loss	-226.016,25	234.150,39

Consolidated cash flow statement 01.01. – 31.03.2002

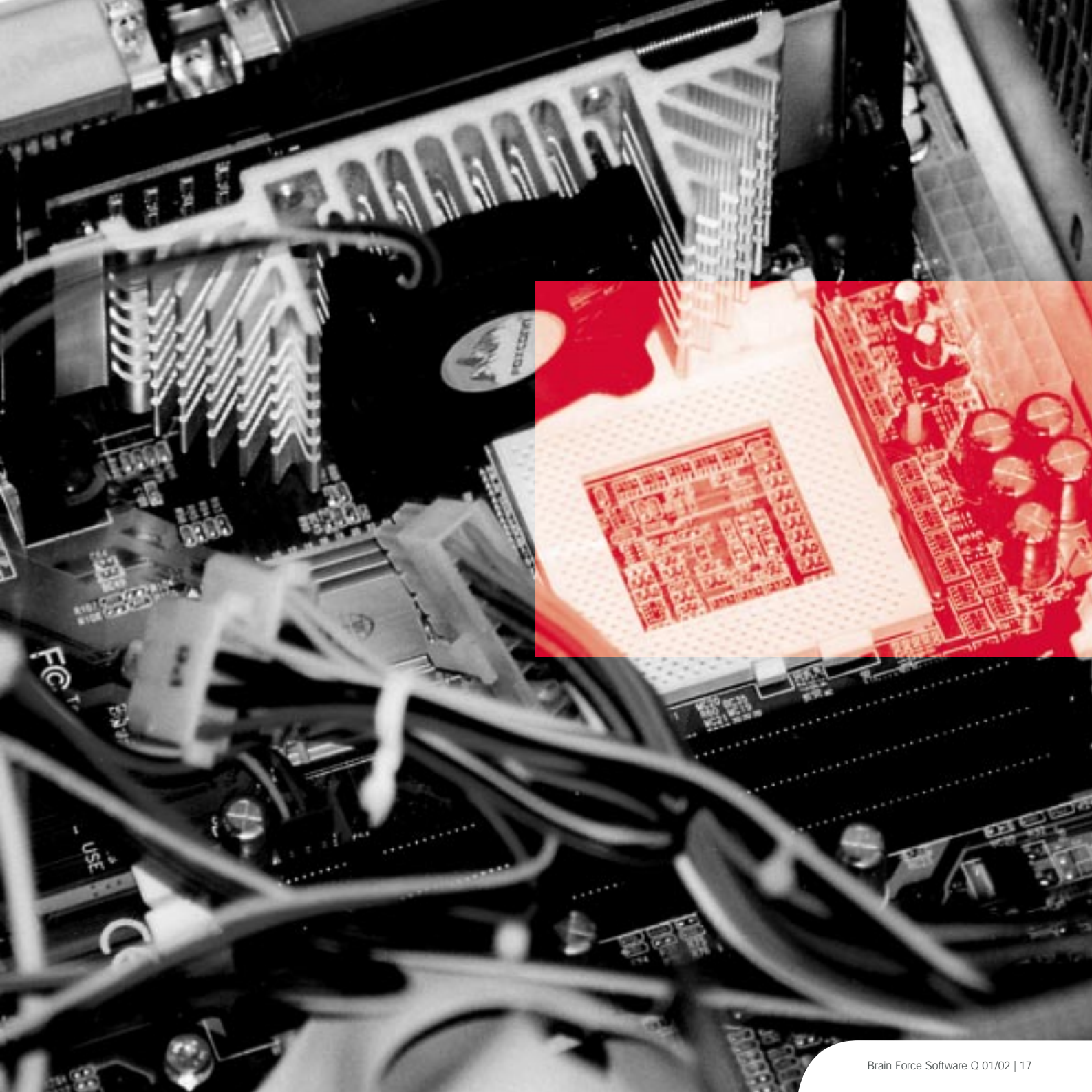
+++ Cash flow statement +++ Cash flow statement +++ Cash flow statement +++

	Quarterly report 01.01.2002 – 31.03.2002 EUR	Quarterly report 01.01.2001 – 31.03.2001 EUR
Cash flow from operating activities		
Cash flows from operations	100.514,64	651.170,94
Adjustments for:		
+ Depreciation	435.318,60	571.754,90
+/- Changes of post-employment benefits	68.406,30	95.188,66
+/- Changes in inventories	-28.020,53	-17.615,31
+/- Changes in trade receivables and other receivables	-127.089,63	-258.547,53
+ Changes in trade payables and other payables	-435.711,01	654.592,01
+/- Taxes on income paid	245.313,51	-227.791,18
Net Cash flow from operating activities	258.731,88	1.468.752,49
Cash flow from investing activities		
- Cash outflow for investments in property, plant and equipment and intangible assets	-245.064,41	-210.964,64
Net cash flow from investing activities	-245.064,41	-210.964,64
Cash flow from financing activities		
- Cash outflow from financial liabilities	-530.499,33	-963.274,26
Net Cash flow from financing activities	-530.499,33	-963.274,26
Decrease / increase in cash and cash equivalents	-516.831,86	294.513,59
Cash and cash equivalents at beginning of year	2.713.827,17	3.406.392,74
+/- Decrease / increase	-516.831,86	294.513,59
Cash and cash equivalents at end of period	2.196.995,31	3.700.906,33

Consolidated statement of changes in shareholders' equity

+++ shareholders' equity +++ shareholders' equity +++ shareholders' equity +++

	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2000	3.340.602,00	13.117.901,38	-276.370,55	2.706.045,15	18.888.177,98
Issue of share capital in kind	104.450,00	857.806,46	0,00	0,00	962.256,46
Net loss 2001	0,00	0,00	0,00	-9.571.994,97	-9.571.994,97
Transfer to cover losses	0,00	-10.170.305,88	-7.267,28	10.177.573,16	0,00
Fair value losses	0,00	0,00	-6.060,00	0,00	-6.060,00
Currency translation differences	0,00	0,00	4.762,80	0,00	4.762,80
31.12.2001	<u>3.445.052,00</u>	<u>3.805.401,96</u>	<u>-284.935,03</u>	<u>3.311.623,34</u>	<u>10.277.142,27</u>
Net loss for the period 2002	0,00	0,00	0,00	-226.016,25	-226.016,25
Fair value losses	0,00	0,00	-1.318,50	0,00	-1.318,50
Currency translation differences	0,00	0,00	1.228,39	0,00	1.228,39
31.03.2002	<u>3.445.052,00</u>	<u>3.805.401,96</u>	<u>-285.025,14</u>	<u>3.085.607,09</u>	<u>10.051.035,91</u>



Remarks on the consolidated accounts

+++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++

General remarks

The quarterly report dated 31.03.2002 for Brain Force Software AG was compiled in compliance with the standards of the International Accounting Standards Board (IASB) and the interpretations of the International Accounting Standards (IAS) as announced by the Standing Interpretations Committee (SIC).

The interim accounts incorporated in the consolidated accounts were compiled on the basis of group-wide accounting and valuation principles. The valuation methods in respect of 31.12.2001 and previous interim accounts have been applied without change.

Classification of the interim accounts was carried out in accordance with structured quarterly reporting (SQR) as set down by Deutsche Börse AG. The representation of equity capital and the development of equity capital was performed in accordance with the annual accounts dated 31.12.2001. Only the entry "retained earnings" was redesignated "net profit / net loss" as provided for under structured reporting.



Remarks on the consolidated accounts

+++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++

Consolidation group

The consolidated accounts dated 31.03.2002 incorporate Brain Force Software AG, Vienna, and all group companies shown below:

Brain Force Software GmbH, Unterschleißheim, Munich, Germany
one4net GmbH, Unterschleißheim, Munich, Germany
TEMA Studio di Informatica S.p.A., Milan, Italy
Brain Force Software B.V., Amsterdam, Netherlands
MMI Consulting AG, Uitikon, Switzerland

All companies are wholly-owned subsidiaries of Brain Force Software AG, Vienna, and are incorporated in the report within the context of the purchase method. In comparison with the same reporting period for the previous year, 1gravity Websolutions AG is no longer part of the consolidation group.



Remarks on the consolidated accounts

+++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++

Remarks on the consolidated balance sheet

Assets and capital structure

The balance sheet total of EUR 25.8 million fell by 3.2 percent (TEUR 863 in absolute terms) in comparison with balance sheet key date 31.12.2001. The main reason for this was the drop in liquid assets (TEUR 517) and in other short-term assets (TEUR 170). In contrast, it was possible to reduce received short-term loans by TEUR 530. On account of scheduled depreciation, goodwill was reduced to EUR 3.8 million. Intangible assets showed an increase of TEUR 130.

The capital stock of 3,445,052 is divided between owners of actual shares on a non-par basis. Authorised capital amounted to EUR 1,504,948 as of 31.03.2002.

Payables from deliveries and services were reduced by TEUR 139, and other short-term payables were reduced by TEUR 487.

Financial situation

As of key date 31.03.2002, the equity capital in accordance with IAS stood at EUR 10.0 million (EUR 10.3 million on 31.12.2001). This corresponds to an equity ratio of 39 percent (38.6 percent on 31.12.2001). With a value of EUR 3.86 million as of 31.03.2002 (EUR 3.81 million on 31.12.2001), the working capital displays a consistently high level. The financial equilibrium of the Brain Force Software Group is underlined by the resultant working capital ratio of 1.27 (1.26 on 31.12.2001).

Remarks on the consolidated accounts

+++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++

Remarks on the group profit and loss statement

The group profit and loss statement was drawn up according to period accounting. Sales revenue for the reporting period amounted to EUR 15.42 million. Capitalised internal activities during first quarter 2002 came to TEUR 131. In comparison with the same period of the previous year, the cost of materials/expenditure for related services item was reduced by 7.49 percent to EUR 11.5 million. Personnel expenditure rose by 3.6 percent to EUR 2.6 million, whereas depreciations fell by 24.1 percent to TEUR 434. Other operating expenditure was reduced by 33.3 percent to EUR 1.1 million.

Remarks on the group flow of funds analysis

The flow of funds analysis was compiled under the indirect method and is divided according to cash flow from current business activity, investment activity and financing activity. Liquid funds incorporating cash on hand and credit at financial institutions are specified as funds for payment means.

Cash flow from current business activity is positive at TEUR 258.7 for the concluded reporting period. The outflow of funds from investment activity of EUR 245,064.41 reflects the acquisitions of intangible items of fixed and tangible assets. During first quarter 2002, a payment means outflow of EUR 516.8 million resulted from the redemption of financial payables of TEUR 530. Liquid funds of EUR 2.2 million were available as of key date 31.03.2002.



Share options

+++ dated 31.03.2002 +++ dated 31.03.2002 +++ dated 31.03.2002 +++

In total, 172 share options were allocated to the Executive Board and to employees of the BRAIN FORCE SOFTWARE Group, which are broken down as follows:

	Total	Financial year
Employees	none	none
Top-tier management	72	none
Executive board:		
Helmut Fleischmann	100	none
Wolfgang Lippert	none	none
Günter Pridt	none	none
Gunter Reißmann	none	none

Shareholdings of Brain Force Software AG Executive Board and Supervisory Board members as of 31 March 2001:

	Number of shares	Options
Executive board:		
Helmut Fleischmann	330.760	100
Wolfgang Lippert	240	0
Günter Pridt	0	0
Gunter Reißmann	0	0
Supervisory Board:		
Dr. Edith Hlawati (Chairman)	0	0
Roman Gregorig (Vice- Chairman)	0	0
Rolf Michael Betz	0	0
Dir. Wolfgang M. Hickel	0	0
Dr. Hermann Wenusch	0	0

Corporate timetable

+++ Status: 1st May 2002 +++ Status: 1st May 2002 +++ Status: 1st May 2002 +++

Date	Event
14.05.2002	Report on the first quarter
13.06.2002	Annual shareholders' meeting
16.08.2002	Report on the first six months
19.11.2002	Report on the third quarter



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