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QUARTERLY REPORT
Q1/2003

KEY FIGURES://

+++ +++ Ratios by segment as of 31.03.2003 +++ +++

	Professional Services	Communication Networks	Unallocated	Total
	EUR	EUR	EUR	EUR
Net sales (consolidated)	12,405,425.62	1,268,927.67	0.00	13,674,353.29
Operating result	295,008.72	-79,914.21	-401,528.52	-186,434.01
Financial result				-54,927.84
Loss before taxes				-241,361.85
Income taxes				-182,205.74
Net loss of the period				-423,567.59
Total assets	19,748,613.43	4,074,223.83	2,106,850.27	25,929,687.53
Total liabilities	13,523,715.62	1,255,015.97	532,550.62	15,311,282.21
Additions to non-current assets	52,568.26	101,373.09	0.00	153,941.35
Depreciation and amortisation	451,493.46	95,983.75	0.00	547,477.21

► Earnings per share EUR - 0,11



BRAIN FORCE SOFTWARE AG

We are pleased to present you with our latest quarterly report for 01/2003.
We thank you for your trust and support.



QUARTER 01-2003//:

+++ +++ Quarterly accounts +++ +++

▶ **Economic framework conditions**

During the first quarter of 2003, the global economic situation was extremely tense. This was due not only to the uncertain political situation in the Middle East, but above all to the realisation that military intervention in Iraq was growing ever more likely. The political gulf between the USA and Germany in terms of the proposed solutions to the conflict in Iraq began to have an effect on the German economy. Major companies in Germany, fearing a drop in orders from their important export markets in the USA, once again responded by displaying a reluctance to invest.

Any loosening in the overall economic framework continued to be hampered by the unemployment figures, which continued to rise, and by unresolved problems connected to budgets. The most influential corporate groups, fearing an additional burden of taxes and duties, pushed ahead still further with savings initiatives.

▶ **Business activity**

As early as fiscal year 2002, the Executive Board responded to the persistently negative overall economic conditions by realigning the Brain Force Software group to assume a clear focus on solution provision as defined in Strategy 2005. The full impact of these measures will become apparent during the second half of 2003. However, even in the first quarter the intended effects were evident. The new business areas created in 2002 have demonstrated their capabilities and have already chalked up successes in solution provision.

The Professional Services business area also scored important successes in the outsourcing business. Since fundamental preparatory and acquisition tasks needed to be completed as a first step, the new orders gained did not contribute to the results for the first quarter. However, we expect these orders to be reflected in the results for quarter two.

As early as fiscal year 2002, the Executive Board responded to the persistently negative overall economic conditions by realigning the Brain Force Software group to assume a clear focus on solution provision as defined in Strategy 2005. The full impact of these measures will become apparent during the second half of 2003.

Thanks to its AMS (Application Management Services) unit, the Business Solution Services (BSS) area was able to consolidate the successes gained in the second half of 2002 by securing two important outsourcing orders. Brain Force Software in Austria received a major long-term order in the wage data processing area from a leading IT group. Brain Force Software GmbH in Germany won a pilot order from a German automobile group within the framework of its rehosting partnership with SUN Microsystems.

The Technology Integration Services (TIS) area secured a large order from a major German bank in the outsourcing services area, and has taken on extensive call centre tasks.

The main focus for the Communication Networks business area was the integration of beusen Solutions GmbH, which was acquired in October 2002. Management and organisational structures were redefined and two areas were established: the Product Development Centre (PDC) and the Solution Distribution Centre (SDC). Financial accounting and cash management were handed over to the finances area of Brain Force Software GmbH with effect from 1st January.

In March 2003, the Solution Distribution Centre (SDC) of the Communication Networks business area succeeded in winning a major order from a German energy concern. This involved integration, adjustment and enhancement tasks in connection with the beusenKNV product. Integration work began on the introduction of the telecommunications asset management solution INKAS for a Swiss cantonal administration.

The Product Development Centre (PDC) of the Communication Networks business area started to prepare the international versions of the beusenKNV and beusenBAS products; it also began the integration of the CISCO Call Manager for the telecommunications asset management solution INKAS.



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► **Orders situation**

As of key date 31.03.2003, the order balance stood at EUR 14.35 million, equating to a 2.2 percent rise over the same figure for 31.12.2002. The strongest growth was achieved in Austria and Germany. The order balance for the Brain Force Software group rose by 5.1 percent when compared with first quarter 2002.

► **Net sales and earnings**

During first quarter 2003, the Brain Force Software group achieved a turnover of EUR 13.67 million. The EBITDA of TEUR 361 underlines the positive development within the framework of Strategy 2005. This result also includes the costs incurred in connection with the preparations for acquiring NSE Software. The EBIT for quarter one 2003 of TEUR –186 was also negatively affected by goodwill amortisation for beusen Solutions GmbH, which was acquired in October 2002. This result shows that the Brain Force Software group has adhered to its planning; the group continues to believe that the target predicted by analysts – a positive EBIT of approx. TEUR 400 for 2003 – is achievable.

In Germany, turnover increased by 4 percent to EUR 6.32 million in comparison with the result for the same quarter last year. Turnover fell in all other countries when compared with the previous year. The proportion of group turnover achieved in Germany was 46.25 percent. In Italy, turnover for the first quarter came to EUR 3.78 million. This means that the Italian subsidiary achieved the second-largest contribution to group turnover, at 27.61 percent. Austria recorded a turnover of EUR 3.00 million, equating to a contribution to group turnover of around 21.97 percent. The other regions accounted for a 4.17 percent share.

During quarter one 2003, the Professional Services business area achieved a clearly positive result, with turnover of EUR 12.41 million and an operating result of TEUR 295. This represented a quadrupling of the result as compared with fourth quarter 2002. The service area Business Solution Services (BSS) recorded figures of EUR 7.76 million, a 62.54 percent share of turnover. The Technology Integration Services (TIS) service area achieved a 37.46 percent share in the

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turnover of the Professional Services segment with EUR 4.65 million.

With a turnover of EUR 1.27 million, the Communication Networks business area (which was known as Innovative Network Appliance last year until it was renamed following the acquisition and integration of beusen Solutions GmbH) achieved a much improved operating result over that of the fourth quarter of last year, although it remained negative at TEUR -80. Group costs of TEUR 402 are not included in the results of either business area. It was possible to reduce group costs by 18.7 percent in respect of the comparable quarter of last year.

▶ **Research and development**

The research and development activities of the Brain Force Software group are concentrated within the Communication Networks (CN) business area of Brain Force Software GmbH, Unterschleißheim, Germany.

▶ **Product and procedural innovations**

The hardware platform-independent B-100 Appliance Operating System expands the range of applications for Brain Force Software's Load Balancer product range. The reason for this is that it can be installed onto a range of hardware platforms in a very short time. This results in considerable cost savings for the user because the existing hardware continues to be used; it does not need to be replaced. Another advantage over a Load Balancer with its own hardware is the improved adaptation to the individual needs of users. The supported hardware platforms for the B-100 Appliance OS are tested and certified by Brain Force Software.

The Sun Microsystems LX50 Server is the first certified server hardware platform for the B-100 IP Load Balancer Appliance OS. This makes it possible to install a full, high-performance Layer 4 IP Load Balancer and a full, high-performance Layer 4-7 Content Switch from the Sun LX50 Server and the Appliance OS. This is a very simple and cost-effective way to realise high-availability server farms. The introduction of the latest 2.2 software releases in the B-100 range opens up many new and useful performance features in the Layer 7 area. These increase the



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range of applications for the B-100 IP Load Balancer/Content Switch in the areas of web shops and web applications.

'Road maps' for future releases and versions have been drawn up for the products of beusen Solutions, the company acquired in October 2002. The central concern of these is the internationalisation of these products, which will require a much greater degree of standardisation. Basic preparatory work in this regard was completed in first quarter 2003.

▶ **Human Resources**

In comparison with key date 31.12.2002, the personnel level within the group again fell by 4.8 percent to a total of 714 employees (salaried employees plus subcontractors) as of 31.03.2003. Most of the cuts were made in areas that will have no strategic role in future and which experienced high margin decreases in the past.

These measures had the greatest impact in Austria, where 21 jobs were lost. However, now that a strategically significant outsourcing order has been secured, the personnel level in Austria will start to climb again during second quarter 2003. Germany, Italy and Switzerland were forced to part company with three, eight and four employees respectively.

The ratio of salaried employees to subcontractors is almost exactly three quarters to one quarter.

*'Road maps' for future releases and versions have been drawn up for the products of beu-
sen Solutions, the company acquired in October 2002. The central concern of these is the
internationalisation of these products.*

▶ **Outlook**

Now that the conflict in Iraq has come to an end, there is general speculation that the economic environment will improve. In spite of this, the willingness to invest continues to be suppressed by the relatively poor base figures in many corporate groups. With the strategy that we have put in place – namely, a focus on solution provision business allied to an expanded product portfolio in the financial services area – we bring a degree of cautious optimism to the second half of 2003. Nevertheless, we expect the economic situation to remain tense, and have adjusted our cost framework accordingly.

QUARTERLY REPORT//:

+++ +++ at 31st March 2003 +++ +++

► **Brain Force Software AG:**
Consolidated interim balance sheet for 31st March 2003

	Quarterly report 01.01.2003 - 31.03.2003	Annual accounts 01.01.2002 - 31.12.2002
Assets	EUR	EUR
Short-term assets		
Cash and cash equivalents	2,478,692.13	2,540,771.75
Trade receivables	13,430,034.27	14,755,525.61
Inventories	32,375.57	11,432.48
Prepaid expenses and other short-term assets	1,139,962.74	1,381,742.40
Total short-term assets	17,081,064.71	18,689,472.24
Long-term assets		
Tangible assets	1,279,604.19	1,401,700.99
Intangible assets	983,021.27	960,341.77
Financial assets	185,696.82	183,902.49
Goodwill	4,422,897.00	4,719,192.28
Deferred tax assets	1,891,362.02	1,874,924.20
Other assets	86,041.52	87,661.89
Total long-term assets	8,848,622.82	9,227,723.62
Total assets	25,929,687.53	27,917,195.86

	Quarterly report 01.01.2003 - 31.03.2003	Annual accounts 01.01.2002 - 31.12.2002
Liabilities	EUR	EUR
Short-term liabilities		
Short-term loans and short-term share of long-term loans	2,626,299.77	3,375,175.71
Trade payables	4,064,099.98	5,037,951.85
Prepayments	375,230.11	49,086.24
Provisions	253,629.96	107,046.66
Other short-term liabilities	5,929,249.46	6,399,397.73
Total short-term liabilities	13,248,509.28	14,968,658.19
Long-term liabilities		
Deferred tax liabilities	332,428.57	305,029.21
Pension provisions	218,736.80	209,408.52
Other	1,511,607.56	1,386,049.21
Total long-term liabilities	2,062,772.93	1,900,486.94
Shareholders' equity		
Ordinary shares	3,785,143.00	3,785,143.00
Group reserves	4,402,564.85	4,408,642.67
Net profit	2,430,697.47	2,854,265.06
Total shareholders' equity	10,618,405.32	11,048,050.73
Total liabilities	25,929,687.53	27,917,195.86

► **Brain Force Software AG:**
Consolidated income statement for 01.01.2003 – 31.03.2003

	Quarterly report 01.01.2003 - 31.03.2003	Quarterly report 01.01.2002 - 31.03.2002
	EUR	EUR
Net sales	13,674,353.29	15,420,712.09
Other operating income	144,051.08	225,785.65
Other own work capitalized	122,507.00	130,707.49
Cost of materials and purchased services	-9,950,261.36	-11,516,482.88
Staff costs	-2,533,545.61	-2,595,707.15
Depreciation and amortisation of tangible and intangible assets	-547,477.21	-434,000.10
Other operating expenses	-1,096,061.20	-1,096,242.18
Operating results (EBIT)	-186,434.01	134,772.92
Interest income / expenditure	-54,927.84	-34,258.28
Profit / Loss before taxes	-241,361.85	100,514.64
Income taxes	-182,205.74	-326,530.89
Profit / Loss for the period	-423,567.59	-226,016.25

► **Brain Force Software AG:**

Consolidated cash flow statement for 01.01.2003 - 31.03.2003

	Quarterly report 01.01.2003 – 31.03.2003	Quarterly report 01.01.2002 – 31.03.2002
	EUR	EUR
Cash flow from operating activities		
Cash flows from operations	-241,361.85	100,514.64
Adjustments for:		
+ Depreciation	547,477.21	435,318.60
+/- Changes in provisions for post-employment benefits	134,886.63	68,406.30
+/- Changes in inventories	-20,943.09	-28,020.53
+/- Changes in trade receivables and other receivables	1,553,345.73	-127,089.63
+/- Cash outflow for financial payables	-1,117,856.27	-435,711.01
+/- Currency translation differences	-5,695.43	0.00
- Taxes on income paid	-9,115.26	245,313.51
Net cash flow from operating activities	840,737.67	258,731.88
Cash flow from investing activities		
- Cash outflow for investments in tangible and intangible assets	-153,941.35	-245,064.41
Net cash flow from investing activities	-153,941.35	-245,064.41
Cash flow from financing activities		
- Cash outflow for financial payables	-748,875.94	-530,499.33
Net cash flow from financing activities	-748,875.94	-530,499.33
Decrease in cash and cash equivalents	-62,079.62	-516,831.86
Cash and cash equivalents at beginning of year	2,540,771.75	2,713,827.17
- Decrease	-62,079.62	-516,831.86
Cash and cash equivalents at end of period	2,478,692.13	2,196,995.31

► **Consolidated statement of changes
in shareholders' equity**

	Share capital	Group reserves		Retained earnings	Total
		Share premium	Other reserves		
	EUR	EUR	EUR	EUR	EUR
01.01.2002	3,445,052.00	3,805,401.96	-284,935.03	3,311,623.34	10,277,142.27
Issue of share capital in kind	340,091.00	921,646.61	0.00	0.00	1,261,737.61
Transaction costs related to issue of share capital	0.00	-30,075.00	0.00	0.00	-30,075.00
Net loss 2002	0.00	0.00	0.00	-457,358.28	-457,358.28
Fair value profits	0.00	0.00	4,683.23	0.00	4,683.23
Currency translation differences	0.00	0.00	-8,079.10	0.00	-8,079.10
31.12.2002	3,785,143.00	4,696,973.57	-288,330.90	2,854,265.06	11,048,050.73
Net loss for period 2003	0.00	0.00	0.00	-423,567.59	-423,567.59
Fair value profits	0.00	0.00	1,376.77	0.00	1,376.77
Currency translation differences	0.00	0.00	-7,454.59	0.00	-7,454.59
31.03.2003	3,785,143.00	4,696,973.57	-294,408.72	2,430,697.47	10,618,405.32

Remarks on the consolidated accounts for 31.03.2003**► General remarks**

This quarterly report of Brain Force Software AG dated 31.03.2003 was compiled on the basis of the individual financial statements of the group companies. These are based on uniform guidelines that comply with the standards of the International Accounting Standards Board (IASB) and the interpretations of the International Accounting Standards (IAS) as announced by the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated accounts were drawn up in accordance with the general IAS standards relating to the fair representation of the assets, financial and income situation. The assessment in particular took account of the going concern principle. Furthermore, the principles of continuity and substantiality were observed.

The interim accounts incorporated in the consolidated accounts were all compiled for the consolidated balance sheet key date of 31.03.2003 in accordance with the principles of the International Accounting Standards. The valuation methods applied on 31.12.2002 and for previous 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 31.12.2002. Only the entry “retained earnings” was redesignated “Net profit / loss for the year” as provided for under structured reporting.

▶ **Consolidation group**

The consolidated accounts dated 31.03.2003 incorporate Brain Force Software AG, Vienna, and all group companies shown below:

- ▶ Brain Force Software GmbH, Unterschleißheim, Munich, Germany
- ▶ beusen Solutions GmbH, Berlin, Germany
- ▶ TEMA Studio di Informatica S.p.A., Milan, Italy
- ▶ TEMA Consulting S.r.l., 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 accounts within the context of full consolidation. A 100% share in TEMA Consulting S.r.l. is held by TEMA Studio di Informatica S.p.A.

Remarks on the consolidated balance sheet

▶ **Assets and capital structure**

The balance sheet total of EUR 25.93 million fell by 7.1 percent (EUR – 1.99 million in absolute terms) in comparison with key date 31.12.2002. On the assets side, this change was mainly caused by the decrease in trade debtors (EUR –1.33 million) and the drop in other short-term assets (EUR – 0.24 million). Under long-term assets, tangible assets (EUR – 0.12 million) and goodwill (EUR – 0.30 million) show a reduction.

On the liabilities side, there was a successful reduction in short-term loans (EUR – 0.75 million) and a drop in trade creditors (EUR – 0.98 million). We also succeeded in reducing other short-term creditors (EUR – 0.47 million). There was a rise in payments received (EUR + 0.33 million) and short-term provisions (EUR + 0.15 million). The other long-term creditors item (which includes long-term personnel commitments for severance payments) showed an increase of EUR 0.12 million.

The capital stock of 3,785,143 is divided between owners of actual shares on a non-par basis. Authorised capital amounted to EUR 1,382,435 as of 31.03.2003.

► **Financial situation**

As of key date 31.03.2003, the equity capital in accordance with IAS stood at EUR 10.62 million (EUR 11.05 million on 31.12.2002). This corresponds to an equity ratio of 40.9 percent (39.6 percent on 31.12.2002). The successful reduction in short-term creditors made it possible to achieve a clear increase in the equity ratio.

There was also an improvement in working capital at EUR 3.83 million (EUR 3.72 million on 31.12.2002) and the resultant working capital ratio of 1.29 (1.25 on 31.12.2002).

► **Remarks on the consolidated income statement**

The group profit and loss statement was drawn up according to the type-of-expenditure format. Sales revenue for the reporting period of 01.01.2003 to 31.03.2003 amounted to EUR 13.67 million (EUR 15.42 million in the previous year). Own work capitalised was TEUR 123 for the reporting period (previous year: TEUR 131).

The cost of materials and purchased services item mainly comprises staff costs for employees involved in projects. We managed to reduce these expenses to EUR 9.95 million (previous year: EUR 11.52 million) in comparison with the same period last year. This shows that we successfully counteracted the drop in turnover of 11.32 percent through savings in the cost of materials and purchased services area amounting to 13.6 percent.

Despite the fact that the consolidation group has expanded when compared with the same period last year (as a result of the acquisition of beusen Solutions GmbH, Berlin, which became effective in business terms on 01.11.2002), the items of staff costs (EUR 2.53 million, EUR 2.60 million in the previous year) and other operating charges (EUR 1.10 million, EUR 1.10 million in the previous year) show that expenditure here is almost unchanged. Depreciation in respect of tangible and intangible assets increased to TEUR 547 (previous year: TEUR 434). This was due

to the fixed assets gained through the acquisition and the resultant goodwill amortisation associated with the takeover.

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

The cash flow statement was compiled under the indirect method and is divided according to cash flow from operating activities, investing activities and financing activities.

During the reporting period of 01.01.2003 to 31.03.2003, cash flow from operating activities reached a highly satisfactory level of TEUR 841 (TEUR 259 in the previous year). The outflow of funds from investing activities of TEUR 154 (previous year: TEUR 245) reflects the acquisitions of intangible items of fixed and tangible assets. The redemption of financial payables of TEUR 749 (previous year: TEUR 530) resulted in a payment means outflow of TEUR – 62 for the reporting period (previous year: TEUR – 517). Liquid funds of EUR 2.48 million (EUR 2.54 million on 31.12.2002) were available to the Brain Force Software group as of key date 31.03.2003.

OPTIONS://

+++ +++ at 31st March 2003 +++ +++

Date: 31.03.2003	Number of options granted	
	Total	During fiscal year
Executive Board:		
Helmut Fleischmann	100	0
Wolfgang Lippert	0	0
Günter Pridt	0	0
Gunter Reißmann	0	0
Top-tier management	72	0
Employees	0	0

There were no share options allocated to the Supervisory Board.

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

CORPORATE TIMETABLE://

+++ +++ at 31st March 2003 +++ +++

▶ Corporate timetable

2003

Date	Event
12.06.2003	Annual shareholders' meeting
29.08.2003	Report on the first six months
20.11.2003	Analysts conference
28.11.2003	Report on the third quarter



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