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semi annual report
2003

KEY FIGURES://

+++ +++ Ratios by segment as of 30.06.2003 +++ +++

	Professional Services	Communication Networks	Financial Solutions	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Net sales (consolidated)	24.586.330,99	2.414.779,56	1.463.312,16	0,00	28.464.422,71
Operating result	580.098,56	-310.485,46	-270.060,01	-689.836,30	-690.283,21
Financial result					-76.733,80
Loss before taxes					-767.017,01
Income taxes					-507.412,88
Net loss before minority interest					-1.274.429,89
Total assets	19.671.048,18	3.720.481,59	6.198.304,22	2.105.837,13	31.695.671,12
Total liabilities	14.118.566,80	848.664,27	6.087.976,58	756.793,93	21.812.001,58
Additions to non-current assets	145.877,57	190.058,12	4.172.520,62	0,00	4.508.456,31
Depreciation and amortization	775.594,78	306.417,49	154.114,40	0,00	1.236.126,67

► Earnings per share EUR - 0,30



BRAIN FORCE SOFTWARE AG

We are pleased to present you our semi annual report for 2003.
We thank you for your trust and support.



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► **Business climate**

During the second quarter, the economic situation in the eurozone seemed to indicate the end of a long period of sluggish growth. The past three years had delivered an unprecedented series of unpleasant shocks to the world economy: rising oil prices, falling share prices, a reluctance to invest and a war in Iraq. Many of these negative influences are now beginning to fade.

In agreement with most economists, the leading research institutes predicted slight growth for the first quarter followed by a distinct recovery in the second half of the year. Then in April, the EU Commission was forced to revise downwards its growth forecast from 1.8 to 1.0 percent. This was taken as a sign that the recovery would begin much later than anticipated. European Commissioner for Economic and Monetary Affairs Pedro Solbes recently confirmed this suspicion when he predicted growth of around 0.7 percent for the year as a whole. This was tantamount to an admission that even the scaled-down forecast given in April was over-optimistic.

Although many indicators are now pointing to an upward trend, the mood within economic circles remained extremely pessimistic in the first half of the year. Corporate investment plans sank to their lowest level for 25 years and company recruitment plans dropped to levels not seen since 1993. The stimulus of demand failed to materialise as predicted: instead, insecurity in the workplace acted as a brake on consumption.

The high level of the euro proved to be an additional burden in comparison with earlier forecasts, as the strength of the currency weakened the competitive position of the eurozone and adversely affected foreign trade.

► **Business developments**

A clear upward trend is evident in all companies. This is already apparent in the sales and earnings of some companies, such as Brain Force Software GmbH in Germany. Group companies not yet reflecting this positive trend in sales growth and improved earnings in the half-yearly balance sheet can already point to a clear rise in their order receipts.

With effect from 30.04.2003, Brain Force Software AG has taken up an option to acquire 6,323,800 shares (54.05 percent of share capital with voting rights) in NSE Software AG based in Munich, and has also presented the remaining shareholders with a takeover bid in accordance with German law on

A clear upward trend is evident in all companies.

takeovers. When the takeover deadline expired on 29.07.2003, Brain Force Software acquired 77.05 percent of NSE Software AG and thereby reached another milestone in implementing its strategy for 2005. NSE Software AG will expand the range of solutions offered by the Brain Force group in the strategically important financial services segment.

During the first half of 2003, NSE Software AG found itself in the final phase of a prolonged downsizing and cost optimisation process. This involved considerable reductions in staffing levels, a cutback in office space and short-time working. The combined effect of these measures will be a clearly positive impact on the earnings of NSE Software AG, partly in the second half of 2003 and more fully in fiscal year 2004.

With immediate effect, the solutions and services provided by NSE Software AG will be offered by all Brain Force Software companies in the German-speaking region. The necessary training courses were initiated at the end of May and joint customer appointments were also arranged.

In the outsourcing field, Brain Force Software's Professional Services business area was able to consolidate its market position, gaining major new orders in Austria and Germany. Particular mention must be made of the order for a big German bank in the trading systems area. However, further success was also achieved in the SUN rehosting business: in this area, a project was awarded by an Austrian steel group.

Significant new contracts were generated for all product lines in the Communication Networks business area. The Security department is delivering a security management system to a German pharmaceutical group. Large numbers of the high-availability version of the B-100 network appliance were sold in the Netherlands and in Switzerland. Furthermore, the business relationship with IBM in Switzerland was considerably strengthened thanks to the implementation of the beusenKNV cable management system.

► **Orders**

The order balance as of key date 30.06.2003 stood at EUR 15.18 million, not accounting for the integration of NSE Software AG. This represented an organic rise in the order balance of 5.84 percent compared with 31.03.2003. The increase was 8.21 percent in comparison with key date 31.12.2002.

When NSE Software AG is brought into the equation, the order balance for the Brain Force



Software group stood at EUR 19.18 million. Compared with key date 31.03.2003, this shows an increase of 33.67 percent. In comparison with 31.12.2002, the rise is a considerable 36.67 percent.

The greatest improvement was achieved by the Austrian company, with a 9.76 percent increase compared with the last key date of 31.03.2003. Compared with 31.12.2002, Brain Force Software in Austria succeeded in expanding its order balance by 37.77 percent.

However, the Italian company also registered a turnaround on 30.06.2003. A 44.67 percent improvement to the order balance was achieved, following the unusually low balance posted on 31.03.2003.

► **Net sales and earnings**

During the first half of the year, the Brain Force Software group achieved sales of EUR 28.46 million, a figure 4.34 percent below the previous year's level. The EBITDA for the first half of 2003 was TEUR 546. Without taking the earnings of NSE Software AG into consideration, the EBITDA stood at TEUR 662, a clear 8.31 percent above the earnings for the first half of 2002. The group EBIT of TEUR -690 was heavily affected by depreciations of goodwill and licensing rights of TEUR 148 resulting from the acquisitions of beusen Solutions GmbH and NSE Software AG, and therefore does not bear comparison with the previous year.

Brain Force Software GmbH of Germany succeeded in posting improvements over the first half of 2002 in terms of sales, EBITDA and EBIT. Sales increased by 6.75 percent to EUR 12.16 million; the EBITDA rose by 157.60 percent to TEUR 564; and the EBIT gained 162.23 percent to TEUR 290. Although the companies in Switzerland and the Netherlands saw decreases in sales, they succeeded in raising their EBITDA and EBIT compared with the first half of 2002.

In Austria and Italy, the figures for sales, EBITDA and EBIT were down on those for the first half of 2002. However, earnings in Italy were respectable, with sales of EUR 7.88 million, an EBITDA of TEUR 664 and an EBIT of TEUR 528.

In the first half of 2003, the Professional Services business area achieved an outstanding result, with sales of EUR 24.59 million and operating income of TEUR 580. The Business Solutions Services (BSS) service area accounted for proportionate sales of 61.62 percent, equating to EUR 15.15 million. The Technology Integration Services (TIS) service area recorded sales of EUR 9.44 million, corresponding to a 38.38 percent share of turnover for the Professional Services segment.

When NSE Software AG is brought into the equation, the order balance for the Brain Force Software group stood at EUR 19.18 million. Compared with key date 31.03.2003, this shows an increase of 33.67 percent. In comparison with 31.12.2002, the rise is a considerable 36.67 percent.

The Communication Networks business area (which operated as Innovative Network Appliance in the previous year and was renamed following the acquisition and integration of beusen Solutions GmbH) showed evidence of a positive trend, with sales of EUR 2.41 million. Operating income remains adversely affected by high investment in new products, and is therefore negative at TEUR -310.

At the present time, the Financial Solutions business area exclusively reflects the results for NSE Software AG, which have been included in the consolidated results since May 2003. Sales of EUR 1.46 million and operating income of TEUR -270 are in line with expectations.

Group costs of TEUR 690 are not included in the results for the business areas. Since significant elements of group costs have been distributed to the business areas since the second half of 2002, the results for the business areas cannot be compared with the previous year's values. If the distributed group costs are deducted in order to facilitate a comparison with the previous year, then the Professional Services business area has an operating income of TEUR 896.1. From the same viewpoint, the Communication Networks business area records an operating income of TEUR -330.9. The group costs would be TEUR 985.4, which is 8.16 percent less than for the previous year.

▶ **Research and development**

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

▶ **Product and process innovations**

Intensive work has been carried out over the last six months to compile 'road maps' – development plans - for all products in our portfolio. The sales, development and product management departments were involved in this process, and the following specific targets were defined:

- ▶ To put in place the international marketing of products, including beyond the German-speaking region, by the end of 2003.
- ▶ To realise a hardware platform independent of products.
- ▶ To ensure that products are WEB-enabled.



- ▶ To take account of technological developments such as
 - VoIP for TC system management
 - IP billing
 - IT cable managementand raise the profile of these in the product features.
- ▶ To establish standardised quality management for development processes.
- ▶ To standardise release management.
- ▶ To bring in standardised production processes for release generation and product installation.

The first results are already becoming apparent. For example, in the case of the INKAS-SQL product, integration of the new generation of Siemens "high path" TC systems has now been concluded. Work is also proceeding on the integration of the Cisco Call Manager. This will further strengthen the unique selling point of INKAS: the management of heterogeneous TC systems.

XML-based solutions are a response to the customer requirement for WEB-enabled functions in all products. This also gives us the option of placing products on the market as ASP solutions.

▶ **Human resources**

Following six consecutive quarters since 30.09.2001 (with one exception, accounted for by the acquisition of beusen Solutions GmbH) in which the staffing level dropped continuously, organic growth was once again demonstrated in the second quarter of 2003. As of key date 30.06.2003, the group had 733 employees (not counting the employees of NSE Software AG). This represented organic growth of 2.66 percent compared with key date 31.03.2003.

When the 131 employees of NSE Software AG are brought into the calculations, the total figure reached the historic record mark of 864 employees in the Brain Force Software group as per key date 30.06.2003. This corresponded to total growth of 21 percent in comparison with key date 31.03.2003.

In all core strategic countries, personnel figures went up. The rise in Austria was 3.4 percent, with a 2 percent growth in the staffing level in Italy. The strongest growth in the group – 4.6 percent – was achieved in Germany, even without taking the employees of NSE Software AG into account. When the employees of NSE Software AG are brought into the reckoning, the staffing level in Germany increased by 54.8 percent to 404 employees.

When the 131 employees of NSE Software AG are brought into the calculations, the total figure reached the historic record mark of 864 employees in the Brain Force Software group as per key date 30.06.2003.

▶ **Outlook**

As the record temperatures arrived, so did optimism in the economy. In particular, the forecasts for German industry over the next six months have been revised upwards since May of this year. According to the rule of thumb applied by economists, a threefold improvement indicates a new trend. Even the Americans have revised upwards their growth forecast for the current year to 2.4 percent. At long last, a momentum towards recovery is taking the place of the pessimism of recent times.

However, this global upturn in the economy is threatening to bypass Italy. Such fears have been prompted by July's dramatic collapse in the Italian business climate index and by the revised forecasts issued by the Office of Statistics.

According to the estimation of the national central bank in Switzerland, there is little prospect of the country's economy emerging from recession in the short term. The central bank has dramatically rescinded its forecast for economic growth and now expects stagnation for 2003.

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► Brain Force Software AG – Group

Consolidated interim balance sheet at June 30, 2003

	Quarterly Report 30.06.2003	Annual Report 31.12.2002
Assets	EUR	EUR
CURRENT ASSETS		
Cash and Cash Equivalents	2,703,665.76	2.540.771,75
Trade accounts receivable	14,828,323.22	14.755.525,61
Inventories	96,500.03	11.432,48
Prepaid expenses and other current assets	1,511,035.28	1.381.742,40
TOTAL CURRENT ASSETS	19,139,524.29	18.689.472,24
NON CURRENT ASSETS		
Property, plant and equipment	1,495,778.06	1.401.700,99
Intangible assets	2,951,243.13	960.341,77
Goodwill	5,342,746.00	4.719.192,28
Investments	464,471.63	183.902,49
Investments accounted for by the equity method	289,289.11	0,00
Deferred taxes	1,888,808.84	1.874.924,20
Other assets	123,810.06	87.661,89
TOTAL NON-CURRENT ASSETS	12,556,146.83	9.227.723,62
TOTAL ASSETS	31,695,671.12	27.917.195,86

	Quarterly Report 30.06.2003	Annual Report 31.12.2002
Liabilities and shareholders' equity	EUR	EUR
CURRENT LIABILITIES		
Short term debt and current portion of long-term debt	1.819.857,21	3.375.175,71
Trade accounts payable	4.613.740,20	5.037.951,85
Accounts payable due to related parties	20.115,00	0,00
Advance payments received	262.698,25	49.086,24
Accrued income tax	455.162,22	107.046,66
Deferred revenues	2.315.497,96	993.835,17
Other current liabilities	9.206.007,68	5.405.562,56
TOTAL CURRENT LIABILITIES	18.693.078,52	14.968.658,19
NON CURRENT LIABILITIES		
Deferred taxes	349.786,10	305.029,21
Pension accrual	223.426,56	209.408,52
Other non current liabilities	1.890.166,28	1.386.049,21
TOTAL NON-CURRENT LIABILITIES	2.463.378,94	1.900.486,94
Minority interest	655.544,12	0,00
SHAREHOLDERS' EQUITY		
Share Capital	3.785.143,00	3.785.143,00
Group reserves	4.392.759,15	4.408.642,67
Net profit	1.705.767,39	2.854.265,06
TOTAL SHAREHOLDERS' EQUITY	9.883.669,54	11.048.050,73
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	31.695.671,12	27.917.195,86

► Brain Force Software AG - Group

Consolidated income statement for the period

01.01.-30.06.2003

	Quarterly Report 01.04.2003 – 30.06.2003	Quarterly Report 01.04.2002 – 30.06.2002	Semi Annual Report 01.01.2003 – 30.06.2003	Semi Annual Report 01.01.2002 – 30.06.2002
	EUR	EUR	EUR	EUR
Net sales	14.790.069,42	14.334.748,67	28.464.422,71	29.755.460,76
Other operating income	278.789,62	150.738,13	422.840,70	376.523,78
Changes in inventories of finished goods and work in progress	-139.112,53	0,00	-139.112,53	0,00
Other own work capitalized	185.480,75	111.661,96	307.987,75	242.369,45
Cost of purchased materials and services	-10.599.352,97	-10.650.910,30	-20.549.614,33	-22.167.393,18
Personnel expenses	-2.879.574,75	-2.660.798,52	-5.413.120,36	-5.256.505,67
Depreciation and amortization	-371.743,45	-185.308,71	-622.925,54	-365.587,32
Amortization of goodwill	-316.906,01	-253.721,49	-613.201,13	-507.442,98
Other operating expenses	-1.451.499,28	-1.243.180,51	-2.547.560,48	-2.339.422,69
Operating result	-503.849,20	-396.770,77	-690.283,21	-261.997,85
Interest income and expense	-33.284,84	-40.403,13	-88.212,68	-74.661,41
Income / expense from investments accounted for by the equity method	11.478,88	0,00	11.478,88	0,00
Result before income taxes (and minority interest)	-525.655,16	-437.173,90	-767.017,01	-336.659,26
Income tax	-325.207,14	48.951,16	-507.412,88	-277.579,73
Result before minority interest	-850.862,30	-388.222,74	-1.274.429,89	-614.238,99
Minority interest	125.932,22	0,00	125.932,22	0,00
Net income / loss	-724.930,08	-388.222,74	-1.148.497,67	-614.238,99

Earnings per share EUR -0,30

► **Brain Force Software AG - Group**
Consolidated cash flow statement for the period
01.01.-30.06.2003

	Semi annual report 01.01.2003 – 30.06.2003	Semi annual report 01.01.2002 – 30.06.2002
	EUR	EUR
Cash flow from operating activities		
Cash flows from operations	-767.017,01	-336.659,26
Adjustments for:		
+ Depreciation	1.236.126,67	873.030,30
+/- Gain / loss from write-up / write down of investments	-11.478,88	0,00
+/- Gain / loss on retirement of fixed assets	9.007,84	11.038,17
+/- Changes in provisions for post-employment benefits	182.216,14	203.336,48
+/- Changes in inventories	119.112,31	-16.823,33
+/- Changes in trade receivables and other receivables	1.231.251,20	-690.448,43
+/- Changes in trade payables and other payables	-865.767,13	367.969,18
+/- Currency translation differences	-17.356,53	0,00
- Taxes on income paid	-84.013,18	2.716,48
Net cash flow from operating activities	1.032.081,43	414.159,59
Cash flow from investing activities		
- Cash inflow / outflow for acquisition of subsidiaries	1.072.704,65	-161.056,94
- Cash outflow for investments in property, plant and equipment and intangible assets	-388.055,41	-427.561,80
+ Cash inflow from the disposal of fixed assets	1.481,84	0,00
Net cash flow from investing activities	686.131,08	-588.618,74
Cash flow from financing activities		
- Cash outflow from financial liabilities	-1.555.318,50	-681.422,17
Net cash flow from financing activities	-1.555.318,50	-681.422,17
Decrease / increase in cash and cash equivalents	162.894,01	-855.881,32
Cash and cash equivalents at beginning of year	2.540.771,75	2.713.827,17
+/- Decrease / increase	162.894,01	-855.881,32
Cash and cash equivalents at the end of the period	2.703.665,76	1.857.945,85

► **Consolidated statement of 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
Net loss for the period 01.01.-30.06.2002	0,00	0,00	0,00	-614.238,99	-614.238,99
Fair value profits	0,00	0,00	2.423,96	0,00	2.423,96
Currency translation differences	0,00	0,00	254,65	0,00	254,65
30.06.2002	3.445.052,00	3.805.401,96	-282.256,42	2.697.384,35	9.665.581,89
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 profit for the period 01.07.-31.12.2002	0,00	0,00	0,00	156.880,71	156.880,71
Fair value profits	0,00	0,00	2.259,27	0,00	2.259,27
Currency translation differences	0,00	0,00	-8.333,75	0,00	-8.333,75
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 the period 01.01.-30.06.2003	0,00	0,00	0,00	-1.148.497,67	-1.148.497,67
Fair value profits	0,00	0,00	7.338,66	0,00	7.338,66
Currency translation differences	0,00	0,00	-23.222,18	0,00	-23.222,18
30.06.2003	3.785.143,00	4.696.973,57	-304.214,42	1.705.767,39	9.883.669,54

Notes to consolidated financial statements as per 30.06.2003**▶ The company**

Brain Force Software AG, Vienna, is an internationally active company. The main elements of the company's business activities are the design, development and operation of IT and TC solutions for the optimum support of customer-specific business processes and the planning, implementation and operation of IT and TC infrastructures.

The company's head office is located at Gumpendorfer Straße 83, 1060 Vienna, Austria.

▶ Accounting principles, general comments

The interim consolidated statements at June 30, 2003 were compiled on the basis of the individual financial statements of the group companies. These are based on uniform guidelines, which comply with the standards of the International Accounting Standards Board (IASB) and the interpretations of the International Accounting Standards (IAS) published by the International Financial Reporting Interpretations Committee (IRFIC).

The interim consolidated financial statements were compiled in accordance with the IAS generally accepted accounting principles to present fairly the net worth position, financial and earnings situation of the company. Measurement is based on the going-concern principle. Moreover, the principles of consistency and materiality were adhered to.

Classifications of the interim balance sheet and the interim consolidated income statement were carried out in accordance with structured quarterly reporting (SQR) as set down by Deutsche Boerse AG. The representation of shareholders' equity and the consolidated statement of changes in shareholders' equity was performed in accordance with the annual financial statements dated December 31, 2002. Only the entry "Retained earnings" was redesigned "Net profit" as provided for under structured reporting. For the purposes of comparison with previous quarterly reports, the layout of these interim accounts has been adjusted and additional items have been incorporated into the balance sheet and income statement as a result of the change to the consolidated entity. In the balance sheet, these adjustments relate to the item 'Accrued items, sales'; in the income statement, they refer to the item 'Goodwill depreciation'. The comparative values for the previous period have been

adjusted accordingly. In accordance with IAS, minority interest is shown separately from shareholders' equity and liabilities.

▶ **Consolidated group**

The consolidated financial statements comprise Brain Force Software AG, Vienna, and all the group companies listed below. All these companies are fully consolidated:

Company	share
▶ Brain Force Software GmbH, Unterschleissheim, Munich, Germany	100 %
▶ beusen Solutions GmbH, Berlin, Germany	100 %
▶ TEMA Studio di Informatica S.p.A., Milan, Italy	100 %
▶ TEMA Consulting S.r.l., Milan, Italy	100 %
▶ Brain Force Software B.V., Amsterdam, Netherlands	100 %
▶ BFS Brain Force Software AG (vormals MMI Consulting AG), Uitikon, Switzerland	100 %
▶ NSE Software AG, Munich, Germany	54,05 %

The investment of TEMA Consulting S.r.l. is held by TEMA Studio di Informatica S.p.A.

On May 22, 2003 the business name of MMI Consulting AG, Uitikon, Switzerland was changed into BFS Brain Force Software AG.

The following investment is valued at equity:

Company	share
SFP Software fuer FinanzPartner GmbH, Munich, Germany	49 %

This investment ist held by NSE Software AG.

Owing to their minor significance, and to reflect the truest possible representation of the assets, financial and earnings position of the group, two other participating interests held by NSE Software AG have not been incorporated in the consolidated interim accounts.

The change to the consolidated entity resulted from the shareholding in NSE Software AG of Munich, Germany, and its associated financial assets. The acquisition became effective in business terms as of 01.05.2003.

A total of eight companies (seven on 31.12.2002) are fully consolidated, with one joint venture company (31.12.2002: 0) at equity incorporated in the consolidated interim accounts as per 30.06.2003.

▶ **Accounting principles**

The individual interim financial statements included in consolidation were compiled for the uniform consolidated balance sheet date of June 30, 2003 and according to the principles of International Accounting Standards. The method of valuation applied on December 31, 2002 and for previous interim financial statements have been applied without change.

▶ **Methods of consolidation**

Capital consolidation was carried out in accordance with the provisions of IAS 22. The historical costs of the investments in the consolidated companies are offset against the fair value of shareholders' equity based on the identifiable assets and liabilities of these companies at the time of acquisition of transfer of control. The positive difference between the carrying amount of the investment in subsidiaries and the corresponding shareholders' equity recognised is amortised on a systematic basis as goodwill under intangible assets over its estimated useful life.

As part of the consolidation of debt, trade debtors and other receivables are offset against the corresponding payables between the subsidiaries included in the consolidated accounts.

Within the framework of expense and revenue consolidation, all income and expenditure arising from inter-group deliveries and services has been offset.

▶ **Net worth and capital structure**

In comparison with key date 31.12.2002, the balance sheet total of EUR 31.70 million increased by 13.35 percent (EUR 3.78 million in absolute terms). This rise is mainly due to the change in the consolidated entity. Any comparison of the development of individual items since the balance sheet date 31.12.2002 is therefore of limited usefulness.

Long-term assets increased to EUR 12.56 million (31.12.2002: EUR 9.23 million). This was due to the EUR 1.99 million rise in intangible property to EUR 2.95 million (31.12.2002: TEUR 960), the increase in goodwill by TEUR 624 to EUR 5.34 million (31.12.2002: EUR 4.72 million) and the growth in financial assets resulting from the acquisition. As per key date 30.06.2003, the participation in SFP GmbH of Munich, posted in the balance sheet under the equity method, showed a book value of TEUR 289.

Short-term assets increased to EUR 19.14 million (31.12.2002: EUR 18.69 million). Liquid funds subsequently displayed a rise of 6.41 percent to EUR 2.70 million (31.12.2002: EUR 2.54 million).

On the liabilities side, long-term payables increased by TEUR 563 to EUR 2.46 million (31.12.2002: EUR 1.90 million). Short-term payables rose to EUR 18.69 million (31.12.2002: EUR 14.99 million). There was subsequently an increase in deferred income to EUR 2.32 million (31.12.2002: TEUR 994); this item includes the deferral of maintenance services to be performed for the current fiscal year. Other short-term payables amounted to EUR 9.21 million (31.12.2002: EUR 5.41 million). The reason for the increase was the fact that the greater part of the purchase price and incidental costs in respect of the acquisition had not been settled as of key date 30.06.2003. Personnel obligations arising from the growth in employee numbers (provisions for holiday entitlement not claimed and additional hours) and the associated payables to social insurance agencies and tax authorities also led to an increase in other short-term payables. Accrued costs linked to the restructuring of NSE Software AG also contributed to the increase in this item. Trade creditors were reduced by around 8.41 percent to EUR 4.61 million (31.12.2002: EUR 5.04 million). This item fell to EUR 1.82 million (31.12.2002: EUR 3.38 million) as a result of the EUR 1.56 million reduction in short-term financial payables.

As per 30.06.2003, the share due to minority shareholders of NSE Software AG stood at TEUR 656.

The capital stock is divided between 3,785,143 no-par-value shares payable to owners. Authorised capital amounted to EUR 1,382,435 as of 30.06.2003.

► **Financial position**

The equity capital according to IAS amounted to EUR 9.88 million (31.12.2002: EUR 11.05 million) as per key date 30.06.2003. This corresponds to a continued substantial equity ratio of 31.2 percent (31.12.2002: 39.6 percent).

▶ **Remarks on the consolidated income statement**

The consolidated income statement was compiled in compliance with the type-of-expenditure format. Sales revenue for the reporting period 01.01.-30.06.2003 amounted to EUR 28.46 million (previous year: EUR 29.76 million). Internal expenditure capitalised was TEUR 308 (previous year: TEUR 242) in the period under review.

The item Cost of materials/cost of purchased services mainly reflects personnel costs in respect of employees assigned to projects. This expenditure was reduced to EUR 20.55 million in comparison with EUR 22.17 million for the comparable period of the previous year. This shows that the drop in sales of 4.34 percent was successfully countered through savings totalling around 7.3 percent in the Cost of materials/cost of purchased services area.

Although the consolidated entity has expanded significantly in contrast with the comparable period of last year (owing to the acquisition of beusen Solutions GmbH and NSE Software AG, which became effective in business terms as of 01.11.2002 and 01.05.2003 respectively), the items Staff costs (EUR 5.41 million; previous year EUR 5.26 million) and Other operating charges (EUR 2.55 million; previous year EUR 2.34 million) reflect the cost saving efforts through small increases of around 2.8 percent and 8.9 percent respectively. Amortisation and depreciation of fixed intangible and tangible assets showed an increase to TEUR 623 (previous year: TEUR 366). This was due to the licensing rights and other intangible assets acquired along with the takeovers. Goodwill depreciation rose by around 20.8 percent to TEUR 613 (previous year: TEUR 507). The financial results of TEUR -77 include income from financial assets entered in the balance sheet under the equity method, and are virtually unchanged in comparison with the previous period (TEUR -75).

In the period under review, the result before taxes (and minority shares) was TEUR -767 (previous year: TEUR -337). Owing to an income tax burden of TEUR 507 (previous year: TEUR 278), the result before minority shares amounted to EUR -1.27 million. When the minority shares are allocated, the deficit for the period comes to EUR -1.15 million (previous year: TEUR -614).

► **Segment information**

The Brain Force Software group has three business areas:

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

The business areas Professional Services and Communication Networks are areas established during the last fiscal year. The Financial Solutions business area corresponds to the range of solutions in the financial services field acquired through the acquisition of NSE Software AG.

The key figures for the reporting period are as follows:

	Professional Services	Communication Networks	Financial Solutions	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Net sales (consolidated)	24.586.330,99	2.414.779,56	1.463.312,16	0,00	28.464.422,71
Operating result	580.098,56	-310.485,46	-270.060,01	-689.836,30	-690.283,21
Financial result					-76.733,80
Loss before taxes					-767.017,01
Income taxes					-507.412,88
Net loss before minority interest					-1.274.429,89
Total assets	19.671.048,18	3.720.481,59	6.198.304,22	2.105.837,13	31.695.671,12
Total liabilities	14.118.566,80	848.664,27	6.087.976,58	756.793,93	21.812.001,58
Additions to non-current assets	145.877,57	190.058,12	4.172.520,62	0,00	4.508.456,31
Depreciation and amortization	775.594,78	306.417,49	154.114,40	0,00	1.236.126,67

► **Acquisition**

By exercising an option to acquire 6,323,800 shares, subject to the time limit of 30.04.2003, Brain Force Software AG of Vienna acquired a 54.05 percent participating interest in NSE Software AG of Munich, effective in business terms as of 01.05.2003. The purchase price was EUR 1,708,056.60, with related costs of EUR 292,505.24.

	EUR
Purchase price	1,708,056.60
Related costs	292,505.24
Total price	2,000,561.84
Less fair value of net worth	763,806.83
Goodwill	1,236,755.01
The following assets and liabilities were acquired:	
Intangible assets	1,945,834.47
Property, plant and equipment	389,349.92
Investments	551,040.71
Non-current receivables	47,966.32
Tax receivables	56,035.36
Inventories	204,179.86
Short-term receivables	1,409,900.07
Cash and cash equivalents	1,200,989.47
Minority interest	-780,457.00
Non-current liabilities	-335,918.97
Advance payments received	-75,326.04
Short-term liabilities	-3,849,787.34
Net worth of enterprise	763,806.83

The net cash flow from the acquisition of the investment is as follows:

	EUR
Total purchase price	2,000,561.84
Less acquired cash and cash equivalents	-1,200,989.47
Less outstanding purchase price liabilities	-1,872,277.02
Net cash flow acquisition	-1,072,704.65

The acquired company contributes to the result of the reporting period as follows: in the period from 01.05.2003 to 30.06.2003 net sales at a value of EUR 1,463,312.16 and a result before taxes at a value of EUR -235,377.61 were generated.

As per 30.06.2003 total assets amounted to EUR 5,039,351.97, liabilities to EUR 4,382,361.12.

After the acquisition of 54.05 percent of share capital in NSE Software AG, Brain Force Software AG has also presented the remaining shareholders with a takeover bid in accordance with German law on takeovers. When the takeover deadline expired on 29.07.2003, Brain Force Software AG acquired 77.05 percent of NSE Software AG.

► Other entries

The following changes to the composition of the supervisory board took place during the period under review:

Dr. Edith Hlawati, chairwoman, and Mr. Rolf Michael Betz, member, stepped down from the supervisory board upon termination of the company's general shareholder's meeting held on 12.06.2003.

Mr. Christian Schamburek, Mr. Josef Schmid and Dr. Christoph Senft were elected new members of the supervisory board at the general shareholder's meeting of 12.06.2003.

At the subsequent constituent meeting of the supervisory board, Mr. Roman Gregorig was elected chairman and Dr. Hermann Wenusch was elected vice-chairman.

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

The flow of funds analysis was compiled under the indirect method in compliance with the IAS regulations 7 § 18 b and is divided according to cash flow from current business activity, capital expenditure activity and financing activity. Liquid funds incorporating cash on hand and bank balances are specified as funds for payment means.

Despite the negative results from ordinary activities (TEUR -767; previous year TEUR -337), it was possible to achieve a cash flow from current business activity of EUR 1.03 million (previous year: TEUR 414). This shows both the high burden on results from ordinary activities through planned depreciation (including goodwill depreciation) of EUR 1.24 million (previous year: TEUR 873) and the success of liquidity management.

Cash flow from capital expenditure activity was positive at TEUR 686 (previous year: TEUR -589). This resulted from the acquisition of a 54.05% shareholding in NSE Software AG, since the liquid funds of NSE Software AG exceeded the purchase price (including incidental costs) already paid as of 30.06.2003. During the reporting period 01.01–30.06.2003, the inflow of funds from this acquisition into the Brain Force group amounted to EUR 1.07 million. Reference is made to the remarks above on the acquisition of NSE Software AG. Investment of TEUR 388 (previous year: TEUR 428) was mainly linked to the further development of software products.

Financial payables were reduced by EUR 1.56 million (previous year: TEUR 681) during the reporting period, resulting in a reduction to TEUR 163 (previous year: EUR -856) in the payment means inflow. Liquid funds of EUR 2.70 million (30.06.2002: EUR 1.9 million) were available to the Brain Force Software group as per key date 30.06.2003.

OPTION RIGHTS://

+++ +++ at June 30, 2003 +++ +++

30.06.2003	Number of options granted	
	Insgesamt	During fiscal year
Executive Board:		
Helmut Fleischmann	100	0
Wolfgang Lippert	0	0
Guenter Pridt	0	0
Gunter Reissmann	0	0
Executive employees	72	0
Employees	0	0

The supervisory board holds no options.

CORPORATE TIMETABLE://

+++ +++ until May 31, 2004 +++ +++

▶ Corporate Timetable until May 31, 2004

2003 / 2004

Date	Event
20.11.2003	Analysts conference
28.11.2003	Report on the third quarter
31.03.2004	Press conference to present financial results
27.05.2004	Report on the first quarter

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