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QUARTERLY REPORT
Q3/2004

AT A GLANCE://

+++ +++ at September 30, 2004 +++ +++

► Ratios by segment

	Professional Services	Communication Networks	Financial Solutions	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	38,664,670.31	4,044,695.26	5,265,046.98	0.00	47,974,412.55
Segment operating result	1,871,712.29	463,198.49	600,614.41	-1,199,991.34	1,735,533.85
Financial result					1,390.38
Share of profit of associates			246,920.94		246,920.94
Profit before taxes					1,983,845.17
Income taxes					-1,124,253.20
Net profit for the period					859,591.97
Segment assets	20,685,436.09	5,101,248.13	8,385,537.45	16,034,207.48	50,206,429.15
Segment liabilities	15,839,309.06	987,459.24	3,715,787.16	621,149.81	21,163,705.27
Segment investments	300,165.74	390,362.56	1,088,786.05	0.00	1,779,314.35
Segment writedowns	376,617.15	391,882.83	488,246.68	0.00	1,256,746.66

Earnings per share EUR 0.09

► Geographical segments

	Segment Sales	Segment assets	Segment investments
	EUR	EUR	EUR
Austria	8,956,063.46	18,929,380.80	91,259.95
Germany	25,335,010.75	17,529,595.05	1,457,052.47
Italy	12,074,175.99	12,104,112.48	138,797.57
Other regions	1,609,162.35	1,643,340.82	92,204.36
	47,974,412.55	50,206,429.15	1,779,314.35



BRAIN FORCE SOFTWARE AG

We are pleased to present our latest quarterly report Q3/2004.
Thank you for your trust and the interest you have shown in our company.



QUARTER Q3/2004//:

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► Economic climate

The autumn reports of leading economic research institutes in Germany are indicating that the global recovery is set to continue. Since the spring, however, a lack of stimulus from the USA and attempts by the Chinese government to restrain an overheating economy have caused something of a slowdown in the pace of the upturn. Another influencing factor is the sharp rise in raw material prices. The rising cost of oil in particular, which has put the brakes on private consumption, is also contributing to the slowdown. Experts are currently predicting real-terms GDP for 2004 of 1.8% in Germany, with this figure falling to 1.5% next year. The eurozone is expected to perform better, with real-terms GDP of 1.9% in 2004, rising to 2.0% in 2005.

In contrast, the signs are still pointing to an upsurge for companies in the European ITC sector. In western Europe, EITO market analysts are forecasting a 3% increase for the year to EUR 611 billion. Growth in 2005 is expected to reach a healthy 4%, which would mean total turnover amounting to EUR 636 billion. Suppliers are continuing to benefit from the ever greater networking of business processes across company boundaries as well as the ongoing reduction in the investment backlog that built up over recent years.

► Business developments

During the third quarter, we seamlessly maintained the margin growth of the first half of 2004. Having recorded an EBIT margin of 2.6 percent in the first quarter, the group achieved 3.8 percent in the second quarter and 4.4 percent in the third quarter, which has just come to an end. The rise in the EBIT margin was slightly greater in the operating segments, although this was eclipsed by investments in cross-segmental marketing and sales activities and expenditure on investor relations measures.

The Professional Services segment accounted for 80.6 percent of group turnover. New orders in the Technology Integration Services (TIS) business area continued to drive sales growth. The TIS share in the turnover of Professional Services, which stood at 44.1 percent in 2003, rose to 49.8 percent by the end of third quarter 2004.

Business activity in Germany continues to be highly positive for the Professional Services area. As of September 30 sales exceeded the previous year's level by 16.3 percent. With no more one-off financial burdens to cope with in the third quarter (a project cancellation resulted in unplanned additional expenditure at the mid-year point), the German Professional Services team delivered a major contribution to the group's improved margins. In this regard, taking on the operation of TRADOS (a system aimed at corporate wording and translation management) for a major bank represented another important outsourcing order in the third quarter.

During the third quarter, we seamlessly maintained the margin growth of the first half of 2004.

In Italy, two main areas were behind the rise in sales recorded this year (6.5 percent up on the first nine months of 2003, and 12.3 percent up on third quarter 2003). The TIS area is performing very strongly (consistent with its performance in the group as a whole) but the Enterprise Business Solutions (EBS) area also succeeded in producing high rates of growth. During quarter three, the orders situation at the Rome location improved once again, despite the loss of an important client early in the year.

In the third quarter, our Austrian subsidiary managed to raise sales again after a lengthy period of decline. Although another slight fall in turnover is apparent when drawing comparisons on a nine-month basis, the sales figure for quarter three comfortably exceeded both that of the second quarter and that of the third quarter last year. In nine-month comparisons, the company's contribution margins were also well above those for the previous year. We therefore believe that we have turned the corner in Austria.

Over the first nine months of the current year, the share of turnover for the Communication Networks (CN) business area amounted to 8.4 percent of group turnover. By the end of quarter three, major orders initiated at the start of the year had almost been successfully completed. We embarked upon a sales partnership in Switzerland during the third quarter: the order to implement INKAS-SQL for insurance company Helvetia Patria has already generated new customers. Having overcome the problems of last year, this development has now become a source of pride.

In the Financial Solutions (FS) segment, initial acceptance is also imminent in connection with the segment's most critical project for the Baden-Württembergische Bank. Other large-scale projects will be completed by the end of the year. In the field of Provision, insurance company Gothaer has awarded an important order. This concerns the representation on the online portal of Gothaer of old age pension legislation (coming into force at the turn of the year) as well as the associated "Rürup Commission" pension provisions.

With effect from October 1, 2004, the former SBT a.s. in Prague changed its name to BRAIN FORCE SOFTWARE a.s.. Shortly after the change of name was announced, our subsidiary in the Czech Republic was already receiving its first enquiries relating to projects in the Professional Services area. This clearly demonstrates the success of our "single brand" strategy.

► **Orders**

Development of incoming orders was patchy. As of September 30, 2004, the order balance stood at EUR 14.29 million. This figure is equivalent to a 9.7 percent decrease compared with September 30, 2003 and a 15.0 percent rise compared with the end of 2003.



In year-on-year comparison, the order balance for the Professional Services business area fell by 9.5 percent to stand at EUR 11.19 million. This value represents a 32.5 percent increase in comparison with December 31, 2003.

With orders on hand of TEUR 910, the Communication Networks business area exceeded the comparable previous year's figure by 29.6 percent and the year-end figure by 29.0 percent.

As of September 30, 2004, the Financial Solutions business area had achieved an order balance of EUR 2.19 million. This value was 20.5 percent below that for September 30, 2003 and 33.0 percent below the comparable figure for December 31, 2003.

The fall in orders on hand for the FS area was the result of the advanced stage of processing reached in respect of several major projects and maintenance projects in 2004.

In overall terms, the level of the order balance remained at around one quarter's turnover, the average value for the BRAIN FORCE SOFTWARE group.

► Net sales and earnings

During the first nine months of 2004, the BRAIN FORCE SOFTWARE group recorded sales of EUR 47.97 million, thereby exceeding the comparable value of the previous year (EUR 43.93 million) by 9.2 percent. At EUR 16.17 million, sales in quarter three 2004 exceeded the sales value for third quarter 2003 by 4.6 percent.

From a management perspective, the main emphasis this year was on improving profitability. Compared to the same period last year, the EBITDA more than doubled, rising by EUR 1.54 million to EUR 2.99 million.

Although the group had to concede a loss before taxes and interest in the first nine months of 2003 (minus TEUR 565), the EBIT was once again positive as of September 30, 2004 at EUR 1.74 million.

Three-quarter profit after minorities stood at TEUR 688, EUR 1.98 million above the loss for the first nine months of 2003. This resulted in a profit per share of EUR 0.09.

In the first nine months, the Professional Services (PS) business area recorded sales of EUR 38.66 million and a segment EBIT of EUR 1.87 million. The Business Solution Services (BSS) service area accounted for a turnover share of 50.2 percent with sales of EUR 19.43 million. The service area Technology Integration Services (TIS) achieved sales of EUR 19.24 million, a 49.8 percent proportion of the turnover for the Professional Services (PS) segment. Compared to the mid-year point, the EBIT margin for the segment improved from 3.9 percent to 4.8 percent.

Over the first three quarters, sales for the Communication Networks (CN) business area amounted to EUR 4.04 million; the segmental result stood at TEUR 463. The CN area therefore recorded an EBIT margin of 11.5 percent

During the first nine months of 2004, the BRAIN FORCE SOFTWARE group recorded sales of EUR 47.97 million, thereby exceeding the comparable value of the previous year (EUR 43.93 million) by 9.2 percent.

during the reporting period.

During the first three quarters of 2004, the Financial Solutions (FS) business area recorded turnover of EUR 5.27 million. The segmental result was TEUR 601, producing an EBIT margin of 11.4 percent.

Group costs of EUR 1.20 million are not contained in the results for the business areas.

The group companies in Germany achieved an EBITDA of EUR 1.06 million and an EBIT of TEUR 719 in the third quarter with a sales volume of EUR 8.65 million. Compared to the same period of the previous year, this equates to a 69.9 percent increase in the EBITDA and a 159.3 percent rise in the EBIT, with sales volume falling by 1.3 percent. Turnover of EUR 25.34 million was achieved in the first nine months, with an EBITDA of EUR 2.22 million and an EBIT of EUR 1.31 million. Comparable previous year values for sales, EBITDA and EBIT were thereby exceeded by 13.1 percent, 107.6 percent and 312 percent respectively. Note that prior year comparisons are of limited applicability since BRAIN FORCE Financial Solutions AG was not included in the consolidation group until May 1, 2003.

During the third quarter in Italy, turnover was EUR 3.89 million, the EBITDA stood at TEUR 145 and the EBIT amounted to TEUR 69. The turnover figure exceeded that of the same period last year by 12.3 percent. The figures for the EBITDA and EBIT in the third quarter fell short of prior year values by 40.5 and 59.8 percent respectively. Nine-month values for sales, EBITDA and EBIT stood at EUR 12.07 million, TEUR 757 and TEUR 541 respectively. Turnover therefore exceeded the previous year's value by 6.5 percent, the EBITDA fell by 16.6 percent and the EBIT declined by 22.7 percent.

In quarter three, BRAIN FORCE SOFTWARE AG in Austria achieved sales of EUR 3.07 million, an EBITDA of minus TEUR 78 and an EBIT of minus TEUR 106. Turnover was thereby 3.1 percent above last year's figure. However, whilst the EBITDA and EBIT were marginally positive in the third quarter of 2003 (TEUR 43 and TEUR 11 respectively), these figures were impacted this year by the aforementioned rise in group costs. Based on nine-month comparisons, the company significantly reduced its losses against the previous year with turnover of EUR 8.96 million. The EBITDA and the EBIT both improved by TEUR 394. Losses for the company, which was adversely affected by group costs, consequently stood at TEUR 164 as regards the EBITDA and TEUR 249 in respect of the EBIT.

Compared with the previous year, the subsidiaries in Switzerland, the Czech Republic, Slovakia and the Netherlands concluded the third quarter and the first nine months with significant improvements. Turnover rose by 113.9 percent to TEUR 564 in the third quarter and by 56.6 percent to EUR 1.61 million in the first nine months. In the



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third quarter, the EBITDA stood at TEUR 44 and the EBIT was TEUR 27; in the first nine months, the EBITDA amounted to TEUR 185 and the EBIT reached TEUR 143. The EBITDA consequently exceeded the figure for the first nine months of 2003 by TEUR 320, with the EBIT similarly showing a TEUR 315 improvement.

▶ **Research and development**

The research and development activities of the BRAIN FORCE SOFTWARE group are concentrated in the business areas CN (Communication Networks) and FS (Financial Solutions).

▶ **Product and process innovations**

During the third quarter, the business area CN (Communication Networks) completed development of version 5 of the beusenKNV Cable Management system. The design and conception phase for the successor version got under way at the same time. Work has also continued on the new generation of the tried and tested beusenKNV Cable Management system, with the development name of CaMS. In the Q3 reporting period, the basic system architecture and preliminary design were conceived, the requirements for the basis modules were defined and detailed specifications relating to platform selection for the application architecture were finalised. As regards the selection of suitable J2EE components, the main emphasis was on the performance aspects of database access components and development components for the graphical user interface.

The business area FS (Financial Solutions) focussed on the following points during quarter three:

- ▶ Enhancement of the web CRM, web Provision and web Construction Financing solutions with an increased emphasis on the Provision module in view of old age pension legislation coming into force at the turn of the year
- ▶ Customer-specific functional enhancements to the web CRM and web Construction Financing solutions within the framework of the aforementioned large-scale projects

▶ **Human Resources**

As of key date September 30, 2004, the staffing level stood at 849 employees, slightly below the figures for the end of 2003 (855 employees) and September 30, 2003 (854 employees). The ratio of salaried staff to freelance employ-

As of key date September 30, 2004, the staffing level stood at 849 employees, slightly below the figures for the end of 2003 (855 employees) and September 30, 2003 (854 employees).

ees remained stable at around 75:25.

Development for the various business areas was highly uneven. The Professional Services segment recorded an increase in its staffing level from 659 on September 30, 2003 to 669 on December 31, 2003 and finally 704 as of key date September 30, 2004. This rise was the result of an increase in staff assigned to projects as well as an indication of anticipated and accomplished upturns in sales.

The trend is reversed in the two product units created as a result of the acquisitions of the past two years (Communication Networks and Financial Solutions). In these areas, we succeeded in raising profitability sharply through personnel cutback measures.

On the key date, the Communication Networks business area had 52 employees, reflecting a personnel reduction of nine over the past year.

The Financial Solutions business area currently has 93 staff members, which shows a reduction of 41 employees over the past 12 months.

► **Outlook**

As the latest figures demonstrate, operating business in the three business areas (Professional Services, Communication Networks and Financial Solutions) has been stable since the start of the year, with positive results in all segments. We expect similar progress to be maintained in the fourth quarter.

As reported on 15th November, having completed the accounts for the current quarterly report, the takeover bid by EDC Investment Limited (a wholly owned subsidiary of DICOM Group plc) in respect of the shares of TOPCALL International AG was successful. Within the context of the takeover bid, BRAIN FORCE will also sell its 876,528 shares in TOPCALL International AG at a price of EUR 4.28, thereby raising EUR 3.75 million.

The exchange gain from the sale of shares means that we will exceed our target result per share of EUR 0.16 for 2004 as a whole.

With combined liquid funds and short-term financial assets of EUR 15.81 million plus EUR 3.75 million from the sale of TOPCALL shares and authorised capital of 5.13 million shares, we have the necessary means at our disposal to continue and intensify our adopted "buy and build" strategy, thereby generating the growth stimulus needed for the fiscal year ahead.

FINANCIAL STATEMENTS://

+++ +++ at September 30, 2004 +++ +++

► **BRAIN FORCE SOFTWARE AG – Group**
Consolidated balance sheet at September 30, 2004

	30.09.2004	31.12.2003
Assets	EUR	EUR
Non-current assets		
Property, plant and equipment	955,555.71	1,204,751.33
Goodwill	4,708,146.79	4,721,141.78
Other intangible assets	4,258,653.41	3,507,564.64
Investments in associates	440,550.82	510,154.30
Other financial assets	3,652,809.96	184,178.23
Other receivables and other assets	167,249.05	125,786.95
Deferred tax assets	618,225.00	683,271.20
	14,801,190.74	10,936,848.43
Current assets		
Inventories	267,226.47	147,735.22
Trade receivables	18,217,198.31	14,777,505.53
Other receivables and other assets	1,106,632.12	1,242,882.19
short-term investments	3,940,162.20	0.00
Cash and cash equivalents	11,874,019.31	4,345,280.20
	35,405,238.41	20,513,403.14
	50,206,429.15	31,450,251.57

	30.09.2004	31.12.2003
Equity and liabilities	EUR	EUR
Equity		
Equity attributable to equity holders of the parent		
Share capital	10,257,828.00	4,834,789.00
Reserves	15,900,559.27	5,446,985.64
Retained earnings	2,419,178.77	1,731,178.51
Own shares	-410,267.40	0.00
Minority interest	875,425.24	687,292.30
	29,042,723.88	12,700,245.45
Non-current liabilities		
Financial liabilities	38,858.40	41,926.14
Other liabilities	20,694.58	40,786.71
Provisions for post-employment benefits	2,120,448.89	1,892,606.84
Deferred tax liabilities	570,440.18	332,246.34
Other provisions	24,300.00	62,600.00
	2,774,742.05	2,370,166.03
Current liabilities		
Financial liabilities	3,384,868.41	2,900,150.19
Trade payables	6,621,861.62	5,297,856.63
Other liabilities	7,481,488.24	7,631,273.87
Tax provisions	747,891.56	3,311.36
Other provisions	152,853.39	547,248.04
	18,388,963.22	16,379,840.09
	50,206,429.15	31,450,251.57

► **BRAIN FORCE SOFTWARE AG – Group**
Consolidated income statement

	Quarterly report 01.07.2004 – 30.09.2004	Quarterly report 01.07.2003 – 30.09.2003	9-monthly report 01.01.2004 – 30.09.2004	9-monthly report 01.01.2003 – 30.09.2003
	EUR	EUR	EUR	EUR
1. Net sales	16,172,033.40	15,468,694.92	47,974,412.55	43,933,117.63
2. Changes in work in progress	7,671.51	-10,443.75	6,978.38	-149,556.28
3. Other own work capitalised	394,209.00	276,243.75	1,379,921.00	584,231.50
4. Other operating income	115,457.92	149,372.57	709,020.98	572,213.27
5. Material and production costs	-11,465,436.86	-10,695,734.19	-34,857,956.63	-31,245,348.52
6. Employee benefits costs	-2,605,086.24	-2,694,263.81	-7,761,179.17	-8,107,384.17
7. Depreciation and amortisation expense	-458,217.49	-780,257.58	-1,256,746.66	-2,016,384.25
8. Other operating expenses	-1,450,939.52	-1,588,036.36	-4,458,916.60	-4,135,596.84
9. Operating result	709,691.72	125,575.55	1,735,533.85	-564,707.66
10. Financial result	12,230.17	-33,979.32	1,390.38	-122,192.00
11. Share of profit of associates	34,075.63	147,134.26	246,920.94	158,613.14
12. Profit/loss before taxes	755,997.52	238,730.49	1,983,845.17	-528,286.52
13. Income taxes	-313,559.56	-433,984.08	-1,124,253.20	-941,396.96
14. Profit/loss for the period	442,437.96	-195,253.59	859,591.97	-1,469,683.48
Profit/loss for the period attributable to:				
Equity holders of the parent	350,833.82	-143,972.12	688,000.26	-1,292,469.79
Minority interest	91,604.14	-51,281.47	171,591.71	-177,213.69
	442,437.96	-195,253.59	859,591.97	-1,469,683.48

Earnings per share EUR 0.09

▶ BRAIN FORCE SOFTWARE AG – Group Consolidated cash flow statement	01.01.2004 – 30.09.2004	01.01.2003 – 30.09.2003
	EUR	EUR
Cash flow from operating activities		
Profit / loss before taxes	1,983,845.17	-528,286.52
Adjustments for		
+ Depreciation	1,256,746.66	2,016,384.25
+/- Financial result	-85,696.85	122,192.00
- Share of profit of associates	-246,920.94	-158,613.14
+/- Gain/loss on disposal of property, plant and equipment and other intangible assets	36,238.47	40,908.48
+/- Changes in provisions for post-employment benefits	-204,852.60	290,122.82
+/- Changes in inventories	-201,430.78	151,731.99
+/- Changes in receivables	-3,191,013.39	2,862,009.23
+/- Changes in payables	1,216,591.73	-3,374,758.49
+/- Currency translation differences	-11,371.57	-45,739.63
	552,135.90	1,375,950.99
- Interest paid	-84,306.47	-122,192.00
- Taxes on income paid	-125,538.82	-109,573.11
Net cash flow from operating activities	342,290.61	1,144,185.88
Cash flow from investing activities		
- Acquisition of subsidiaries	-99,964.50	716,427.36
+ Sale of share in subsidiaries	129,603.24	0.00
- Cash outflow for investments in property, plant and equipment and other intangible assets	-1,697,374.82	-861,034.14
- Cash outflow for short-term investments	-6,958,866.56	0.00
+ Cash inflow from the disposal of property, plant and equipment and other intangible assets	8,246.20	15,646.48
Net cash flow from investing activities	-8,618,356.44	-128,960.30
Cash flow from financing activities		
+ Proceeds from issue of ordinary shares	15,490,148.32	0.00
+/- Cash inflow/outflow from financial liabilities	481,650.48	-15,409.01
+ Dividend income	243,273.54	0.00
- Acquisition of own shares	-410,267.40	0.00
Net cash flow from financing activities	15,804,804.94	-15,409.01
Increase in cash and cash equivalents	7,528,739.11	999,816.57
Cash and cash equivalents at beginning of year	4,345,280.20	2,540,771.75
+ Increase	7,528,739.11	999,816.57
Cash and cash equivalents at end of period	11,874,019.31	3,540,588.32

► **Consolidated statement of changes in equity**

Balance at January 1, 2003

Fair value adjustments of securities

Currency translation differences

Loss for the period January 1 to September 30, 2003

Issue of share capital in kind

Initial consolidation of subsidiaries

Balance at September 30, 2003

Fair value adjustments of securities

Currency translation differences

Revaluation of assets

Loss for the period October 1 to December 31, 2003

Issue of share capital in kind

Transaction costs related to issue of share capital

Transfer to cover losses

Initial consolidation of subsidiaries

Balance at December 31, 2003

Fair value adjustments of securities

Currency translation differences

Profit for the period January 1 to September 30, 2004

Increase in share capital

Transaction costs related to issue of share capital

Changes in own shares

Disposal of minority interest

Balance at September 30, 2004

Attributable to equity holders of the parent						Minority interest	Total equity
Share capital	Share-premium	Other reserves	Retained earnings	Own shares	Total		Total
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
3,785,143.00	4,696,973.57	-288,330.90	2,854,265.06	0.00	11,048,050.73	0.00	11,048,050.73
		6,768.09			6,768.09		6,768.09
		-42,664.36			-42,664.36		-42,664.36
			-1,292,469.79		-1,292,469.79	-177,213.69	-1,469,683.48
434,620.00	1,082,203.80				1,516,823.80		1,516,823.80
						642,907.06	642,907.06
4,219,763.00	5,779,177.37	-324,227.17	1,561,795.27	0.00	11,236,508.47	465,693.37	11,702,201.84
0.00	0.00	-6,498.65	0.00		-6,498.65	0.00	-6,498.65
0.00	0.00	-5,989.05	0.00		-5,989.05	0.00	-5,989.05
		110,262.00			110,262.00		110,262.00
0.00	0.00	0.00	-794,771.23		-794,771.23	312,453.57	-482,317.66
615,026.00	977,891.34	0.00	0.00		1,592,917.34	0.00	1,592,917.34
0.00	-119,475.73	0.00	0.00		-119,475.73	0.00	-119,475.73
0.00	-964,154.47	0.00	964,154.47		0.00	0.00	0.00
0.00	0.00	0.00	0.00		0.00	-90,854.64	-90,854.64
4,834,789.00	5,673,438.51	-226,452.87	1,731,178.51	0.00	12,012,953.15	687,292.30	12,700,245.45
0.00	0.00	373,031.78	0.00		373,031.78	0.00	373,031.78
0.00	0.00	16,047.79	0.00		16,047.79	2,221.39	18,269.18
0.00	0.00	0.00	688,000.26		688,000.26	171,591.71	859,591.97
5,423,039.00	10,846,078.00	0.00	0.00		16,269,117.00	0.00	16,269,117.00
0.00	-781,583.94	0.00	0.00		-781,583.94	0.00	-781,583.94
				-410,267.40	-410,267.40		-410,267.40
0.00	0.00	0.00	0.00		0.00	14,319.84	14,319.84
10,257,828.00	15,737,932.57	162,626.70	2,419,178.77	-410,267.40	28,167,298.64	875,425.24	29,042,723.88

Consolidated notes to financial statements September 30, 2004

▶ The company

BRAIN FORCE SOFTWARE AG, Vienna, is an international company involved in the creation of concepts for the strategic integration of hardware and software systems. The main offices of the parent company are at Gumpendorfer Strasse 83, 1060 Vienna, Austria.

▶ Accounting principles, general notes

These consolidated interim accounts of BRAIN FORCE SOFTWARE AG for September 30, 2004 were drawn up in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB).

All subsidiaries, i.e. those companies in which the group has a direct or indirect participation with over half the voting rights or is otherwise enabled to assume control of the operation, have been consolidated. The interim accounts incorporated in the consolidated accounts as of September 30, 2004 were drawn up in accordance with IFRS.

The classification of the consolidated balance sheet, group profit and loss statement and development of equity capital corresponded to that used in the annual accounts as of December 31, 2003, in which the BRAIN FORCE SOFTWARE group applied IAS 1 (revised 2003) at an early stage.

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

We have deviated accordingly from the representation defined in the structured quarterly reporting (SQR) proposed by Deutsche Börse and from the provisions relating to minimum content in the balance sheet and profit and loss statement according to the prime market rules on the Vienna Stock Exchange. However, we have complied with the sub-classifications also required by these regulations.

► **Consolidated group**

The consolidated interim accounts dated September 30, 2004 incorporate BRAIN FORCE SOFTWARE AG, Vienna, and all subsidiaries and associated companies shown below:

Company	Share in %
BRAIN FORCE SOFTWARE GmbH, Unterschleissheim, Munich, Germany	100
BRAIN FORCE SOFTWARE S.p.A., Milan, Italy	100
TEMA Consulting S.r.l., Milan, Italy ¹⁾	100
BRAIN FORCE SOFTWARE B.V., Amsterdam, Netherlands	100
BFS BRAIN FORCE SOFTWARE AG, Zurich, Switzerland	100
BRAIN FORCE Financial Solutions AG, Munich, Germany	76.21
BRAIN FORCE SOFTWARE Ltd., Cambridge, United Kingdom	100
SBT s.a., Prague, Czech Republic ²⁾	85
SBT s.r.l., Bratislava, Slovakia ³⁾	100
NSE Capital Venture GmbH, Munich, Germany ⁴⁾	100
SFP Software für FinanzPartner GmbH, Munich, Germany ⁴⁾	49

1) Share held by BRAIN FORCE SOFTWARE S.p.A.

2) Share held indirectly by BRAIN FORCE Financial Solutions AG

3) Share held by SBT s.a.

4) Share held by BRAIN FORCE Financial Solutions AG

A total of 11 companies (31.12.2003: 11) are fully consolidated and one associated company (31.12.2003: 1) at equity is incorporated in the consolidated interim accounts as of September 30, 2004.

► **Consolidation methods**

Capital consolidation was performed according to the provisions of IAS 22 (revised 1998) for acquisitions up to December 31, 2003. The acquisition costs of shares in the incorporated companies plus the costs directly assignable to the acquisition were offset against the respective proportionate net worth based on the current values of the acquired assets and liabilities of these companies at the time of the acquisition or transfer of

power of control. The positive difference between the book value of the participations in the subsidiaries and the appropriate equity capital displayed is shown as goodwill.

According to IFRS 3, comprehensive purchase price allocations which could result in an increased application of other intangible assets in contrast to IAS 22, must be carried out on the day of acquisition. Group-internal receivables and payables, revenues, expenses and intercompany profit and loss are eliminated.

► **Net worth and capital structure**

The balance sheet total of EUR 50.21 million increased by 59.6 percent in comparison with key date December 31, 2003 (EUR 18.76 million in absolute terms). Long-term assets were up by EUR 3.86 million from EUR 10.94 million on December 31, 2003 to EUR 14.80 million. Other intangible assets increased by TEUR 751. The rise in other financial assets to EUR 3.65 million (31.12.2003: TEUR 184) reflects the acquisition of shares in Topcall International AG. The shares, classified as "available for sale", were assessed with the attributable current market value (fair value). The necessary value adjustments were entered in equity (not affecting net income). Since the decision as to whether to utilise the acceptance of the public takeover bid in respect of Topcall AG by the Dicom Group had not been taken at the time of concluding the interim report for September 30, 2004, the shares are still shown as financial assets available long-term. Financial assets capitalised under the equity method stood at TEUR 441 (31.12.2003: TEUR 510).

The EUR 14.90 million increase in short-term assets to EUR 35.41 million (31.12.2003: EUR 20.51 million) was mainly the result of the rise in trade debtors (+ EUR 3.44 million), the acquisition of financial assets (+ EUR 3.94 million) and the increase in liquid funds (+ EUR 7.53 million).

The item trade debtors includes accounts receivable from affiliated companies of TEUR 123 (31.12.2003: TEUR 36). Financial assets relate to short-term assessments in securities held for trading purposes; any rate fluctuations are posted during the current period.

The rise in the balance sheet total on the liabilities side was mainly the result of successfully implemented capital increases. The capital stock expanded by EUR 5,423,039.00 to EUR 10,257,828.00. The shares repurchase programme decided at the ordinary shareholders' meeting held on 18th June 2004 was utilised. BRAIN FORCE SOFTWARE AG currently holds 152,645 own shares. Reserves were up by EUR 10.45 million to EUR 15.90 million. Accumulated earnings increased according to the profit for the period assignable to shareholders of the parent company (from TEUR 688 to EUR 2.42 million).

As of key date September 30, 2004, the authorised capital stood at EUR 5,128,914.00. On the same

date, the proportion of equity due to minority shareholders stood at TEUR 875.

Long-term liabilities increased by TEUR 400 to EUR 2.77 million (31.12.2003: EUR 2.37 million); provisions for long-term personnel obligations rose by TEUR 227 and liabilities-side deferred taxes were up by TEUR 238.

As of September 30, 2004, short-term liabilities stood at EUR 18.39 million, an increase of EUR 2.01 million compared to the value at the end of 2003 of EUR 16.38 million. This item shows a TEUR 485 increase in short-term financial payables to EUR 3.38 million (31.12.2003: EUR 2.90 million).

Trade creditors stood at EUR 6.62 million (31.12.2003: EUR 5.30 million); this item contains payments received of EUR 1.28 million (31.12.2003: TEUR 170).

Other short-term payables fell by TEUR 150 to EUR 7.48 million (31.12.2003: EUR 7.63 million); this item contains deferred income of EUR 1.30 million (31.12.2003: EUR 1.37 million).

Tax provisions stood at TEUR 748 (31.12.2003: TEUR 3) on September 30, 2004.

▶ **Financial position**

The equity capital in accordance with IFRS amounted to EUR 29.04 million on key date 30.09.2004 (31.12.2003: EUR 12.70 million). This corresponds to an increase in the equity ratio to 57.85 percent (31.12.2003: 40.38 percent). The working capital displayed an increase to EUR 17.02 million (31.12.2003: EUR 4.13 million).

▶ **Notes on the consolidated income statement**

The group profit and loss statement was compiled in compliance with the type-of-expenditure format. Sales revenue for the reporting period January 1 to September 30, 2004 was EUR 47.97 million (previous year: EUR 43.93 million). Internal expenditure capitalised was EUR 1.38 million (previous year: TEUR 584) in the period under review.

The item cost of materials and purchased services stood at EUR 34.86 million (previous year: EUR 31.25 million).

Staff costs in the areas of administration and sales fell by 4.27 percent to EUR 7.76 million (previous year: EUR 8.11 million).

The cost of scheduled depreciation was EUR 1.26 million (previous year: EUR 2.02 million); owing to the early application of IFRS 3, no scheduled or non-scheduled depreciation of goodwill was performed in the

period under review (previous year: TEUR 934).

Financial results stood at TEUR 1 (previous year: TEUR –122); the share of profit for associated companies capitalised under the equity method stood at TEUR 247 (previous year: TEUR 159).

Profit before taxes during the reporting period stood at EUR 1.98 million (previous year: TEUR –528).

Taxes on earnings amounted to EUR 1.12 million (previous year: TEUR 941).

► Segment information

The BRAIN FORCE SOFTWARE group comprises three business segments:

- Professional Services
- Communication Networks
- Financial Solutions

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

The geographical segments are as follows:

	Segment sales	Segment assets	Segment investments
	EUR	EUR	EUR
Austria	8,956,063.46	18,929,380.80	91,259.95
Germany	25,335,010.75	17,529,595.05	1,457,052.47
Italy	12,074,175.99	12,104,112.48	138,797.57
Other regions	1,609,162.35	1,643,340.82	92,204.36
	47,974,412.55	50,206,429.15	1,779,314.35

Key figures are as follows for the reporting period:

	Professional Services	Communication Networks	Financial Solutions	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	38,664,670.31	4,044,695.26	5,265,046.98	0.00	47,974,412.55
Segment operating result	1,871,712.29	463,198.49	600,614.41	-1,199,991.34	1,735,533.85
Financial result					1,390.38
Share of profit of associates			246,920.94		246,920.94
Profit before taxes					1,983,845.17
Income taxes					-1,124,253.20
Net profit for the period					859,591.97
Segment assets	20,685,436.09	5,101,248.13	8,385,537.45	16,034,207.48	50,206,429.15
Segment liabilities	15,839,309.06	987,459.24	3,715,787.16	621,149.81	21,163,705.27
Segment investments	300,165.74	390,362.56	1,088,786.05	0.00	1,779,314.35
Segment writedowns	376,617.15	391,882.83	488,246.68	0.00	1,256,746.66

► **Other entries**

BRAIN FORCE SOFTWARE AG held its sixth ordinary shareholders' meeting on June 18, 2004. Amongst other things, the decision was taken to authorise the Executive Board to acquire its own shares in accordance with § 65 subsection 1 line 8 of the Public Limited Companies Act, whereby the shares to be acquired may not exceed 10 percent of the capital stock, the authorisation applies for a period of 18 months from the time of the resolution and the equivalent value must be between EUR 1.00 and EUR 15.00. This authorisation may be exercised in full or in several parts and in pursuance of one or more objectives by the company, its group companies or by third parties on their account.

With its publication of July 30, 2004, the Executive Board of BRAIN FORCE SOFTWARE AG decided to exercise this authorisation in view of a partial amount. The repurchase programme started on 4th August 2004 and is expected to end on June 30, 2005. The repurchase programme relates to ordinary shares of BRAIN FORCE SOFTWARE AG (ISIN AT0000820659); it is intended to provide for the repurchase of up to 250,000 ordinary shares, equivalent to around 2.44% of the capital stock. The buying-in price for the repurchase must be a minimum of EUR 2.50 and a maximum of EUR 4.00. The repurchase may be performed through the stock exchange or outside of the stock exchange. The measure is being carried out to extend the option of utilising own shares in the case of acquisitions, i.e. as consideration in the acquisition of companies, plants, sub-undertakings or shares in one or more companies at home or abroad.

No options were held by the Executive Board or the supervisory board as of key date September 30, 2004.

The staffing level (salaried staff and subcontractors) stood at 849 employees (854 on 30.09.2003); orders on hand amounted to EUR 14.29 million (EUR 15.82 million on 30.09.2003).

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

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

Taking profit before taxes of EUR 1.98 million, net payment means from operating activities displayed an inflow of TEUR 342 (previous year: + EUR 1.14 million); the main reason for the reduction in year-on-year comparison was the utilisation of the provision for restructuring costs and the increase in trade debtors.

Cash flow from capital expenditure activity was EUR -8.62 million (previous year: TEUR -129). This includes payment means outflows linked to acquisitions of subsidiaries in earlier periods of TEUR -100 (previous year: EUR +716 million) and investment in tangible and other intangible assets of EUR -1.70 million (previous year: TEUR -861). The acquisition of other financial assets and short-term financial assets was counterbalanced by a payment means outflow of EUR -6.96 million.

Cash flow from financing activity of EUR 15.80 million (previous year: TEUR -15) displays proceeds resulting from capital increases of EUR 15.49 million and the TEUR 482 increase in financial payables (previous year: TEUR -15). Dividends received of TEUR 243 relate to distributions performed in respect of the associated company as well as Topcall AG.

Cash inflow for the reporting period consequently stood at EUR 7.53 million (previous year: EUR 1.0 million).

As of key date September 30, 2004, payment means of EUR 11.87 million (31.12.2003: EUR 4.35 million) and short-term assessed financial assets of EUR 3.94 million were available to the BRAIN FORCE SOFTWARE group.

TIMETABLE//:

+++ +++ at September 30, 2004 +++ +++

▶ Corporate timetable

2005

Date	Event
March 31	Report on the financial year 2004
March 31	Analysts' conference
May 30	Report on the 1 st quarter
June 10	Annual shareholders' meeting

Imprint

Responsible for content:
BRAIN FORCE SOFTWARE AG
Gumpendorfer Strasse 83
A-1060 Vienna

Compiled by:
BRAIN FORCE SOFTWARE GmbH
Carl-von-Linde-Strasse 38
D-85716 Unterschleissheim

www.brainforce.com

Concept/layout:
Paul Lauer

Editorial:
Martin Koegel

Setting/lithography:
Uwe Koehler

Printing:
Mediahaus Biering GmbH



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BRAIN FORCE SOFTWARE AG
Gumpendorfer Strasse 83
A-1060 Vienna

Tel.: +43 1 5 99 51 0
Fax: +43 1 5 99 51 13
info@brainforce.co.at

www.brainforce.com