Annual Report 2004

- Net sales: + 7,2%
- EBIT: + >100%
- EPS: + >100%

it+

www.brainforce.com

it+

Annual Report 2004

BRAIN FORCE SOFTWARE AG

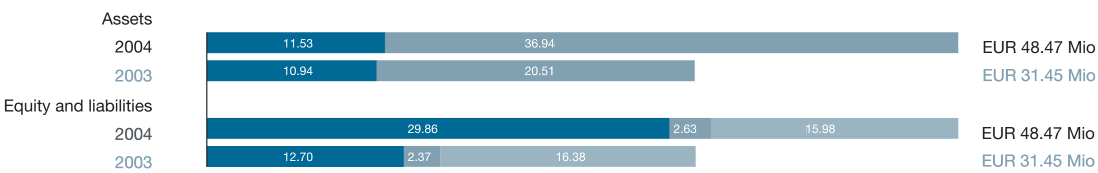
BRAIN FORCE SOFTWARE AG – at a glance

Key figures for the BRAIN FORCE SOFTWARE Group according to IFRS

		2004	2003	Change in %
Balance sheet figures				
Balance sheet total	in EUR million	48.47	31.45	54.1
Non-current assets	in EUR million	11.53	10.94	5.4
Current assets	in EUR million	36.94	20.51	80.1
Equity[1]	in EUR million	29.86	12.70	> 100.0
Non-current liabilities	in EUR million	2.63	2.37	11.0
Current liabilities	in EUR million	15.98	16.38	-2.4
Equity ratio	in %	61.6%	40.4%	-
Working capital	in EUR million	20.96	4.13	> 100.0
Earnings				
Net sales	in EUR million	64.42	60.10	7.2
EBITDA	in EUR million	4.13	3.01	37.5
EBIT	in EUR million	2.39	0.18	> 100.0
Profit before taxes	in EUR million	3.36	0.43	> 100.0
Profit for the period	in EUR million	2.03	-1.95	> 100.0
Earnings per share[2]	in EUR	0.21	-0.52	> 100.0
EBITDA margin	in %	6.4%	5.0%	-
EBIT margin	in %	3.7%	0.3%	-
Return on sales	in %	5.2%	0.7%	-
Return on equity	in %	15.8%	3.6%	-

[1] Equity including minority interest
[2] Not including shares held in treasury

Comparison of capital structure



Caption

Assets
non-current assets
current assets

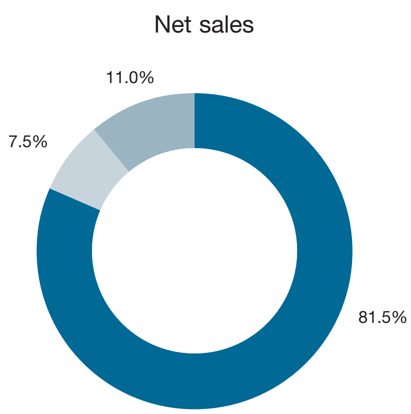
Equity and liabilities
equity and minority interest
non-current liabilities
current liabilities

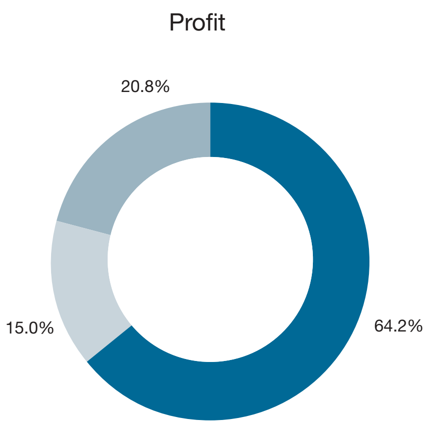
Ratios by segment 2004

	Professional Services	Communication Networks	Financial Solutions	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	52,532,522.11	4,808,826.27	7,079,580.75	0.00	**64,420,929.13**
Segment operating result	2,471,405.25	576,729.90	803,039.35	-1,460,898.02	**2,390,276.48**
Financial result					**570,242.69**
Share of profit of associates			400,416.66		**400,416.66**
Result before taxes					**3,360,935.83**
Income taxes					**-1,334,779.65**
Result for the period					**2,026,156.18**
Segment assets	20,308,263.20	4,928,151.80	7,327,863.17	15,909,701.00	**48,473,979.17**
Segment liabilities	14,723,373.70	783,242.58	2,292,199.37	817,020.34	**18,615,835.99**
Segment capital expenditure	444,857.81	518,403.18	1,214,670.30	0.00	**2,177,931.29**
Segment depreciation and amortisation	508,554.77	551,275.96	683,198.59	0.00	**1,743,029.32**

	Segment net sales		Segment assets		Segment capital expenditure	
Geographical segments	2004 TEUR	2003 TEUR	2004 TEUR	2003 TEUR	2004 TEUR	2003 TEUR
Austria	12,058	12,152	17,907	4,132	64	136
Germany	33,544	31,090	16,474	14,721	1,751	4,688
Italy	16,809	15,518	12,265	11,464	242	248
Other regions	2,010	1,339	1,828	1,133	121	127
	64,421	**60,099**	**48,474**	**31,450**	**2,178**	**5,199**

Breakdown by segment





PS Professional Services
FS Financial Solutions
CN Communication Networks

it+ strategy

it+

the only constant in our life is change. information technology (it) – once a word of almost mystical properties, describing at best a vision for the future – is evolving into an irreplaceable component of our lives. there is hardly any part of our civilisation untouched by modern technology, be it a text message of love, an important business conference or a trip through the city – information technology is always at our side. whether we see it or not, in a pile of cables or in the global network, none of that matters. the most precious thing about modern technology is that it gives us real prospects for the future and is there to assist us, whenever and wherever needed.

in 2004, the BRAIN FORCE SOFTWARE Group pressed on with its mission to become a leading european it solutions provider. our prospects for future profitable growth are excellent. step by step, we have significantly strengthened our portfolio in key strategic areas. our it+ strategy highlights ways to work together more efficiently, to learn from each other and to get better and better as a result – for the benefit of our clients and our shareholders.



it – identification + transparency

We at BRAIN FORCE SOFTWARE AG are highly committed to transparency. We identify with the aims of the Corporate Governance Code and thus with the aims and needs of our shareholders. The Board of Management provides both regular and specific updates to the Supervisory Board to enable its members to fulfil their supervisory duty properly.

it

+

Corporate Governance

Foreword by the Board of Management

Ladies and Gentlemen,

In 2004, we laid the foundations for our successful buy-and-build strategy in 2005 – to make our ambitious objectives of our 2005 strategy reality.

At first we had a strong headwind to contend with: conditions on capital markets were precarious for IPO's and issues at the beginning of the year. Two planned IPO's were called off in Germany at short notice. Even long-established companies like the Post Office Bank were forced to discount their shares to find buyers.

We managed to place two capital increases successfully amidst this difficult climate. What's more we managed to gain listings on the Vienna Stock Exchange and became a member of the ATX Prime Standard. We raised a total of EUR 15.49 million through the capital increases.

Our figures for the year have also taken a great leap forwards. Net sales rose 7.2% year-on-year to EUR 64.42 million. EBITDA is up 37.5% to EUR 4.13 million and EBIT grew by EUR 0.18 million to EUR 2.39 million.

These excellent figures prove that our range of solutions, products and services is hitting the exact spot in terms of meeting market requirements. The rise in net sales goes to show how much trust our customers place in us.

Moreover, the constantly widening circle of new customers shows just how brilliantly we are holding our own amidst fierce competition. We are winning market share not through dumping, after all, but thanks to quality and consistently high performance. The increasing profitability of BRAIN FORCE SOFTWARE AG is the proof.

It pays to be persistent: in 2004 earnings per share was positive for the first time since 2000. We want our shareholders to share in the success of the 2004 business year. This is why we are proposing a dividend of 6 cents per share.

Our share price climbed constantly in the second half of 2003 but came under pressure in 2004. In the second half of 2004 it even slipped under the EUR 3 price of the capital increase for a short time, due to the sharp rise in the number of shares. After all, 5.4 million new shares came onto the market, more than doubling share volume.

However, it was not just the number of shares that jumped. Average trading volume picked up substantially, too. To us, this shows that our shares are becoming more and more attractive to investors, as the value of a share is not only reflected in its price, but also in its tradability, in our opinion.

This increased attractiveness of our share is really "paying dividends”. Our share performance started to turn the corner in November and got right back on track in December, rallying by significantly more than EUR 3 at times. One of our aims for 2005 is to continue to support this upwards trend.

Helmut Fleischmann
Chief Executive Officer

Wolfgang Lippert
Chief Finance Officer

Günter Pridt
Chief Operations Officer

Gunter Reißmann
Chief Technology Officer

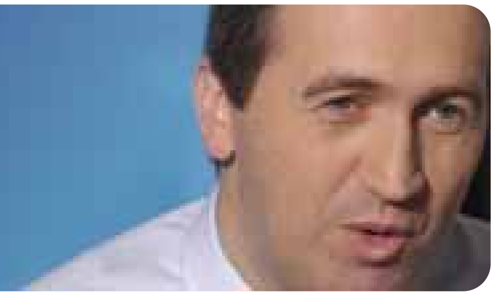
Helmut Fleischmann
Chief Executive Officer

it – vision is making headway

Investors and capital markets trust us. Two successful capital increases in 2004 prove it. Our customers and target markets trust us, too, evidenced by net sales growth and earnings figures. This reinforces us in the path we have chosen to embark on, to grow and strengthen our brand position through acquisition of companies or parts of businesses. We have named this concept "buy and build".

Wolfgang Lippert
Chief Finance Officer

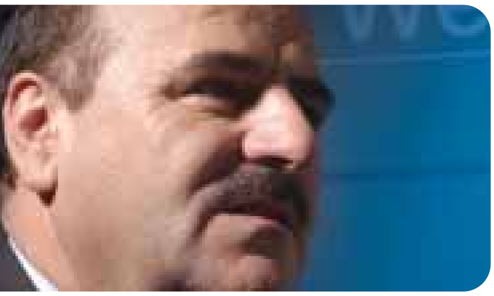
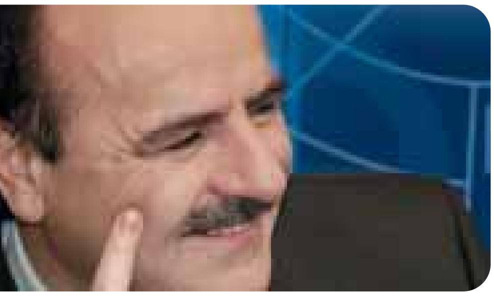
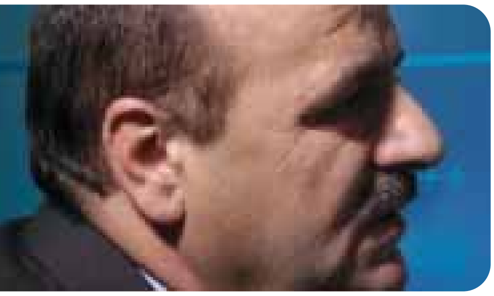
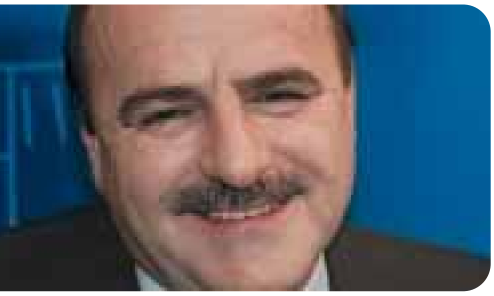
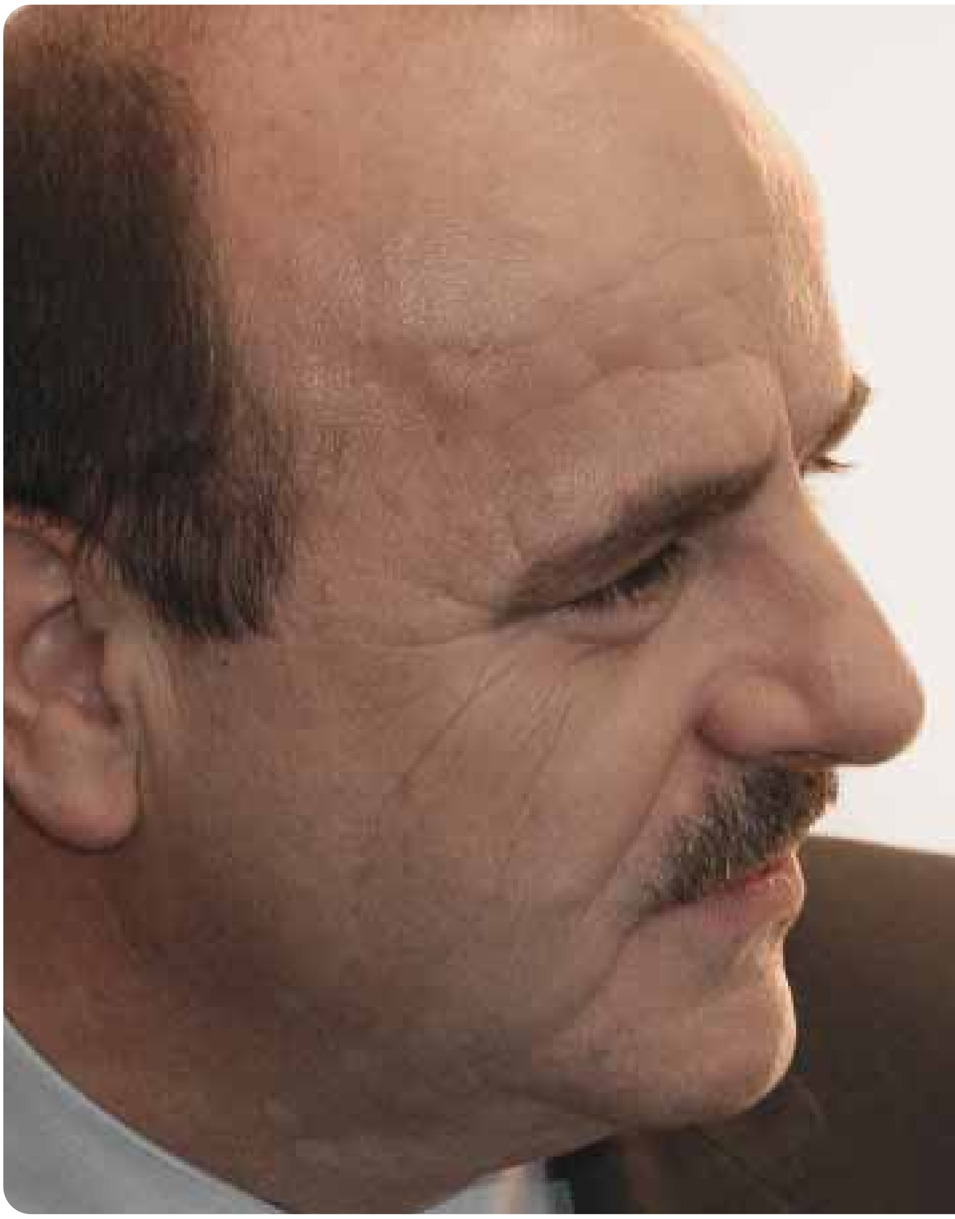



it – the foundation for growth and expansion

Over time we have developed into a real public limited company with a large freefloat and a highly tradable share. Both capital increases were the foundation for further inorganic growth, and our new organisational structure will strengthen and support us in implementing our expansion strategy.

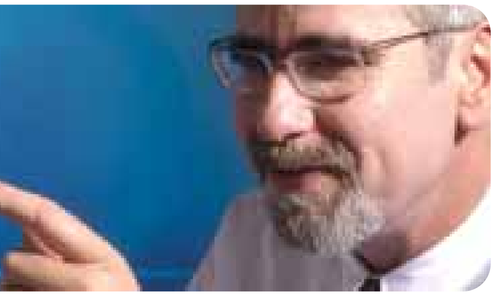
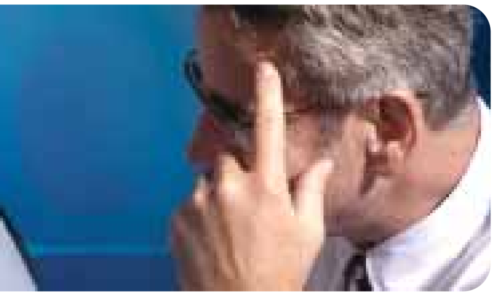
Günter Pridt
Chief Operations Officer

it – using opportunities

BRAIN FORCE SOFTWARE made real headway in its development as a solutions provider in 2004 – the first hosting project for a major customer from the financial services sector was a real milestone. I wish the company and its staff every success in the future in exploiting market opportunities to the best of our potential.

Gunter Reißmann
Chief Technology Officer

it – shaping the future successfully

The Communications Segment can look back to a highly successful year 2004. We achieved break-even and a dramatic increase in profitability – net sales and EBIT grew by more than 10 percent. We have also done the ground work on our portfolio: from cable management solutions based on java to real hosting. And the whole group will profit from introducing common, integrated systems such as lotus notes. This will enable our staff to become even more successful than before.

Report of the Supervisory Board

In performing its duties as stipulated by law and in the company's memorandum and articles, the Supervisory Board held nine meetings during the course of 2004.

The Board of Management regularly informed the Supervisory Board, orally and in writing, about the operating activities and situation of the company and its associates.

The financial statements of BRAIN FORCE SOFTWARE AG including the management report, and the consolidated financial statements including the management report at December 31, 2004, compiled in accordance with International Financial Reporting Standards (IFRS), were audited by PwC INTER-TREUHAND GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, certified public accountants, auditors and tax consultants, duly appointed in accordance with § 270 HGB (Austrian Commercial Code).

The audit confirmed that the accounting, the financial statements and the consolidated financial statements are in accordance with the statutory requirements, and that the provisions of the company memorandum and articles have been observed. The audit's findings did not highlight any discrepancies, and the auditor therefore issued an unqualified opinion. The management report is in accordance with the financial statements and the consolidated financial statements.

The Supervisory Board has approved the 2004 financial statements and the management report. It agrees with the proposal of the Board of Management to distribute a dividend of 6 cents per share minus shares held in treasury from the balance sheet profit of EUR 776,170.19 on share capital and to carry forward the remainder. The financial statements have thus been approved in accordance with § 125 AktG (Companies Act). The Supervisory Board has also approved the consolidated financial statements and the consolidated management report.

Vienna, March 24, 2005

The Supervisory Board

Roman Gregorig
Supervisory Board Chairman

Corporate Governance Code

We, as BRAIN FORCE SOFTWARE AG support the Austrian Code of Corporate Governance (ÖCGK) and identify with its objectives. We have selected the following points that illustrate how we live this code in our company. In addition, we have listed any deviations from the ÖCGK and explain them accordingly (in line with the principle "comply or explain").

Commitment to transparency

BRAIN FORCE SOFTWARE gained a vast number of new shareholders through both capital increases. This is why the company feels highly committed to transparency. We publish all relevant information in a detailed annual report, in quarterly reports, at conferences for analysts and through our ongoing public relations work.

Equal treatment of all shareholders Point 1 ÖCGK

BRAIN FORCE SOFTWARE informs its shareholders by providing a vast number of publications – such as ad-hoc-info on preliminary results. We point this out in advance in our company diary of important events. All information is published on our website under "investors/reports" and "…/presentations". This is available to all shareholders and analysts in real time and may be used long-term by any interested parties.

All shares carry the same rights Point 2 ÖCGK

No differentiation is made between old shares, on the one hand, and new issues, on the other. All shares are ordinary shares and therefore carry the same rights. We are committed to the principle of "one share – one vote".

Supervisory and Management Boards Points 9 and 11 ÖCGK

The Board of Management updates the Supervisory Board at regular meetings (at least once a quarter). Additional meetings are called as required: for example, to prepare an annual shareholders' meeting, to consult on the budget and to discuss strategic decisions. The Supervisory Board therefore has all the information it needs to perform its supervisory function.

Internal audit without staff position Point 18 ÖCGK (deviation)

Due to the current size of the business, a separate staff position for an internal auditor does not seem justifiable to us on cost grounds. Instead, these activities are carried out by a newly established "Support and Control Center", staffed by members of the financial controlling, sales and project controlling departments and by the internal legal department.

Board of Management remuneration Point 27 ÖCGK

Board of Management remuneration contains performance-related and fixed components. The notes include total remuneration paid to the Management Board of BRAIN FORCE SOFTWARE AG, broken down into one sum for variable and one for fixed components.

Supervisory Board Committees Points 39, 41 ÖCGK

The Supervisory Board sets up committees that focus on specific topics. These are the audit committee and the personnel committee. The Chairman of the audit committee is not a former member of the Board of Management. The committee chairpersons regularly report to the Supervisory Board.

Supervisory Board is informed of strategy at all times
Point 42 ÖCGK (deviation)

The Board of Management develops the company strategy and communicates this regularly to the Supervisory Board. The latter is thus comprehensively informed at all times. As the whole Supervisory Board is involved in issues concerning strategic direction, we do not consider it expedient to establish a separate strategy committee – even though this is stipulated by the Corporate Governance Code.

No Supervisory Board member serves on a competitor's board
Point 45 ÖCGK

BRAIN FORCE SOFTWARE AG declares that the Supervisory Board Chairman Roman Gregorig serves on the Supervisory Board of TeleTrader Software AG. However, these two companies are not competitors, they work together as partners on the market. We have elected to provide this information purely for reasons of transparency towards our shareholders, but we are not required to do so.

Supervisory Board represents all shareholders
Point 51 ÖCGK (deviation)

The Supervisory Board's main task is to monitor management in accordance with § 95 of the Austrian Companies Act. This task is fully performed by the appointed members of the Supervisory Board. There are no appointed members assigned to a specific group of shareholders. Instead, the supervisory function is performed by all members independently in keeping with statutory requirements.

Employee representation
Point 57 ÖCGK (deviation)

The statutory provisions relating to employee representation are fully applied in our company. To date, our staff have not elected a shop steward for BRAIN FORCE SOFTWARE AG. For this reason, there is no employee representative on the Supervisory Board.

Corporate Governance
Point 58 ÖCGK

Each year, BRAIN FORCE SOFTWARE renews its pledge to adhere to the Corporate Governance Code, including any deviations. This document can be accessed online at www.brainforce.com under "Investors".

Comprehensive information to shareholders
Points 60 to 72 ÖCGK

The shareholders of BRAIN FORCE SOFTWARE AG are given regular and timely information within the required deadlines through regular publications. The reports are compiled in accordance with International Financial Reporting Standards. All documents are accessible via the Internet. This means that private shareholders also have full access to all information. This includes annual reports and much more – details on our strategic direction, for example – extending far beyond the minimum requirements. Our diary of important events is an additional source of information. This can be found on page 106.

Review of 2004

it – informative + in touch

At BRAIN FORCE SOFTWARE AG we keep you right up-to-date. Our homepage doesn't just give you access to information of interest to investors. We regularly take part in analyst conferences. We use our annual report to inform you of events over the past year and to give you an insight into the future.

it

www.brainforce.com

_ The year 2004
_ Share performance
_ Events of relevance to investors

Events of 2004

JANUARY

January 4: The US space probe "Spirit" lands on Mars and beams black-and-white pictures to earth. The European space probe "Marsexpress" transmits colour pictures shortly afterwards and delivers proof that water exists.

January 24: Florian Gerster, Chairman of the German Federal Agency for Labour, is fired. He came into the firing line because of controversial contracts with consultants and dubious tender awards.

January 22: BRAIN FORCE SOFTWARE supports an energy supplier in rolling out Windows XP across 28,000 workspaces across Germany.

FEBRUARY

February 6: German Federal Chancellor Gerhard Schröder resigns as Chairman of the SPD after five years in office. His successor is Franz Müntefering.

February 12: South Korean scientists clone a human embryo for the first time and remove stem cells from it.

February 12: The Board of Management decides to increase the share capital of BRAIN FORCE SOFTWARE AG by issuing 2,417,394 shares at a nominal value of EUR 7,252,183.

MARCH

March 11: Devastating bomb attacks at three suburban train stations in Madrid: 200 commuters are killed and 1,400 wounded by Al-Qaeda terrorists.

March 1: EWE AG extends its contract with BRAIN FORCE SOFTWARE, relating to the development and expansion of cable network administration, for a further two years.

March 22: BRAIN FORCE SOFTWARE AG is listed in the Prime Market of the Vienna Stock Exchange with immediate effect.

March 24: The operating year 2003 in figures: net sales rise EUR 60.10 million, up 1.9% year-on-year. EBITDA rises 57.84 percent. EBIT triples in comparison to 2002.

APRIL

April 5: The birth rate in Germany fell in 2003 for the 31st year running according to the Federal Office for Statistics.

April 16: The President of the Bundesbank Ernst Welteke resigns over the luxury hotel affair.

April 8: The Baden-Würtembergische Bank decides to purchase FINAS web and signs a licensing agreement with Brain Force Financial Solutions AG.

April 14: The annual shareholders' meeting supports a resolution to issue new shares up to a nominal value of EUR 3 million as part of a cash capital increase.

MAY

May 1: Ten nations from Southern and Eastern Europe join the European Union on May 1.

May 3: A new computer virus spreads rapidly. "Sasser" infects PCs just by being connected to the network.

May 19: The Helvetia insurance group orders FINAS classic with a modern look-and-feel.

May 26: Hypovereinsbank lists BRAIN FORCE SOFTWARE AG as a Premium Partner with immediate effect.

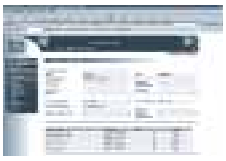
JUNE

June 28: 14 months after the fall of Saddam Hussein, Iraq regains its sovereignty. The US civil administration returns power two days earlier than planned.

June 23: A sales agreement is concluded with Teletrader Software AG.

JULY

July 22: The verdict in the Mannesmann trial is not guilty for Deutsche Bank boss Josef Ackermann and the former CEO Klaus Esser. The judges consider Vodafone's accusation that they took bribes as unproven.



July 1: BRAIN FORCE SOFTWARE uses FINAS web CRM from Brain Force Financial Solutions AG to support all its business segments in sales and marketing.

July 16: IZB Soft GmbH extends its contract for software updates with Brain Force Financial Solutions AG until the end of 2005.

AUGUST

August 13: The 28th Olympic Games begin in Athens. At ten billion dollars, expenditure is double the budget. Of the 5.3 million tickets available, 1.7 million remain unsold.

August 22: Numerous visitors watch dumbfounded as art thieves steal two world-famous works by the Norwegian artist Munch "The Scream" and "Madonna" from the Oslo Munch Museum.

August 30: The figures from the half-year report: EBIT is EUR 1.03 million with EBITDA of EUR 1.82 million and net sales amounting to EUR 31.80 million.

SEPTEMBER

1. September: Chechen terrorists kidnap up to 1,000 children, parents and teachers at a school in Beslan (South Ossetia, Russia). 330 of them die during the bloody liberation by the Russian security forces, and hundreds are injured.

September 1: New company slogan "we make it".

September 10: Due to the results generated over the past business year, Microsoft Business Solutions declares BRAIN FORCE SOFTWARE Italy its preferred Navision partner.

September 29: BRAIN FORCE SOFTWARE provides a complete solution in the field of Application Outsourcing for a major South German bank.

OCTOBER

October 15: On GM-management's announcement to axe 10,000 jobs in Germany, a wild-cat strike at Opel in Bochum paralyses production for ten days.

October 24: Provisional President Hamid Karsai emerges victorious at the first free elections in the history of Afghanistan. 30,000 international police and soldiers provide security.

October 1: Our subsidiary in Prague is registered as "BRAIN FORCE SOFTWARE a.s."

October 12: A new group structure is presented, one of the aims of which is to support further expansion.

NOVEMBER

November 3: The incumbent president George W. Bush wins the US presidential elections, beating the democratic candidate John Fitzgerald Kerry.

November 11: Palestinian President Yasser Arafat dies aged 75.

November 2: 3rd quarter results are announced: BRAIN FORCE SOFTWARE AG boosts its operating result by over 100 percent!

November 4: BRAIN FORCE Financial Solutions AG wins the contract to extend the online portal of the Gothauer Group.

DECEMBER

December 26: Earthquake under the Indonesian island of Sumatra, leading to a tsunami of catastrophic proportions, devastating the coastal regions of the Indian Ocean and those living there. Over 300,000 lives are claimed, millions are left homeless.

December 18: BRAIN FORCE SOFTWARE AG supports a supplier of mobile telephony in developing solutions for future generations of devices.

December 31: COO Günther Pridt leaves the Board of Management of BRAIN FORCE SOFTWARE AG.

Share performance

	2004	2003
Share capital in EUR	10,257,828	4,834,789
Number of shares	10,257,828	4,834,789
Average number of shares traded daily[1]	60,503	9,664
Closing price (year-end) in EUR	2.89	3.50
Market capitalisation (year-end)	29,645,123	16,921,762
Earnings per share in EUR	0.21	-0.52
Distribution per share in EUR	0.06[2]	0.00

[1] at XETRA, Frankfurt and Vienna stock exchanges
[2] proposed

The BRAIN FORCE SOFTWARE share

Capital increase oversubscribed by 216 percent

The BRAIN FORCE SOFTWARE AG share was influenced by two capital increases in 2004. The subscription period for the first capital increase ended on March 15. In the course of the capital increase, 2,417,394 new bearer shares were issued. Share capital consequently rose from EUR 4,834,789 to EUR 7,252,183. Over 80 percent of rights were taken up. All in all, the capital increase was oversubscribed by 216 percent. Since then, BRAIN FORCE SOFTWARE AG has been listed on the Vienna Stock Exchange.

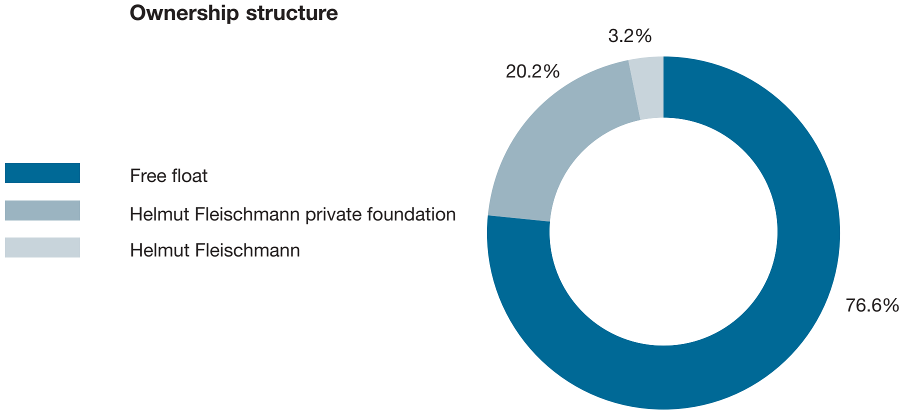
The number of rights taken up in the first capital increase was unexpectedly high – the figure expected was under the 20 percent mark. As a result, several important investors received no allocation at all or a lower allocation than they had expected. Consequently, the Board of Management decided shortly afterwards to bring forward the capital increase planned for the beginning of 2005 and to increase capital again.

Second capital increase placed successfully

The subscription period for the second capital increase finished on June 2, 2004. Despite the pressure on capital markets since mid-March, 3,005,645 new shares were issued. Share capital rose to EUR 10,257,828.

The cash flow raised through the capital increases was EUR 15.49 million. These resources will be used by the company to finance its "buy and build” strategy (see chapter on "strategic

Ownership structure



direction"). The proportion of shares held in free float has risen from 50.3 percent at the end of 2003 to 76.6 percent at the end of 2004.

Trading develops positively on Vienna Stock Exchange

The trading volume of BRAIN FORCE SOFTWARE shares rocketed year-on-year: whereas daily trading volume averaged just 10,000 shares in 2003, this figure rose six-fold in 2004 to over 60,000. The initially low trading volume on the Vienna Stock Exchange – as was to be expected – picked up substantially towards year-end as well, and almost reached the level on the trading floor of the Frankfurt Stock Exchange.

Trading volume and the size of the free float are key criteria in winning institutional investors. The sharp increase in shares held in free float substantially increased the supply of BRAIN FORCE SOFTWARE shares on the markets. Due to this and to bearish markets in general, the price had lost ground substantially by the end of September.

Share price catches up by year-end

The DAX and the TecDAX managed to halt their downhill slide by mid-August, rising constantly from then on until the year-end. The BRAIN FORCE SOFTWARE share did not rally until November when it published strong figures for the third quarter. After that, the share managed to catch up the TecDAX by the end of the year.

The Board of Management announced a share buy-back programme on July 30. The intention is to buy back up to 250,000 ordinary shares of BRAIN FORCE SOFTWARE AG at prices between EUR 2.50 and EUR 4.00. By the balance sheet date, the company had bought back 152,645 shares at a total cost of EUR 410 thousand. The programme ended on June 30, 2005.

Announcement of proposed dividend

The Board of Management intends to propose a dividend payout of EUR 0.06 per share at the Annual Shareholders' Meeting on June 10, 2005.

Share data	
ISIN	AT0000820659
Stock Exchange Code	BFC
Reuters Instrument Code	BFCG.DE
Type of share	No-par bearer shares
Stock Exchanges	
XETRA	Prime Standard
Frankfurt	Regulated Market Prime Standard
Vienna	ATX Prime
Munich	Regulated Unofficial Market
Stuttgart	Regulated Unofficial Market
Hamburg	Regulated Unofficial Market
Berlin-Bremen	Regulated Unofficial Market
Dusseldorf	Regulated Unofficial Market
Hanover	Regulated Unofficial Market

Share performance

Legend

BFS
TDXP
DAX

Overview of events of relevance to investors

1 **March 16, 2004 – first capital increase**

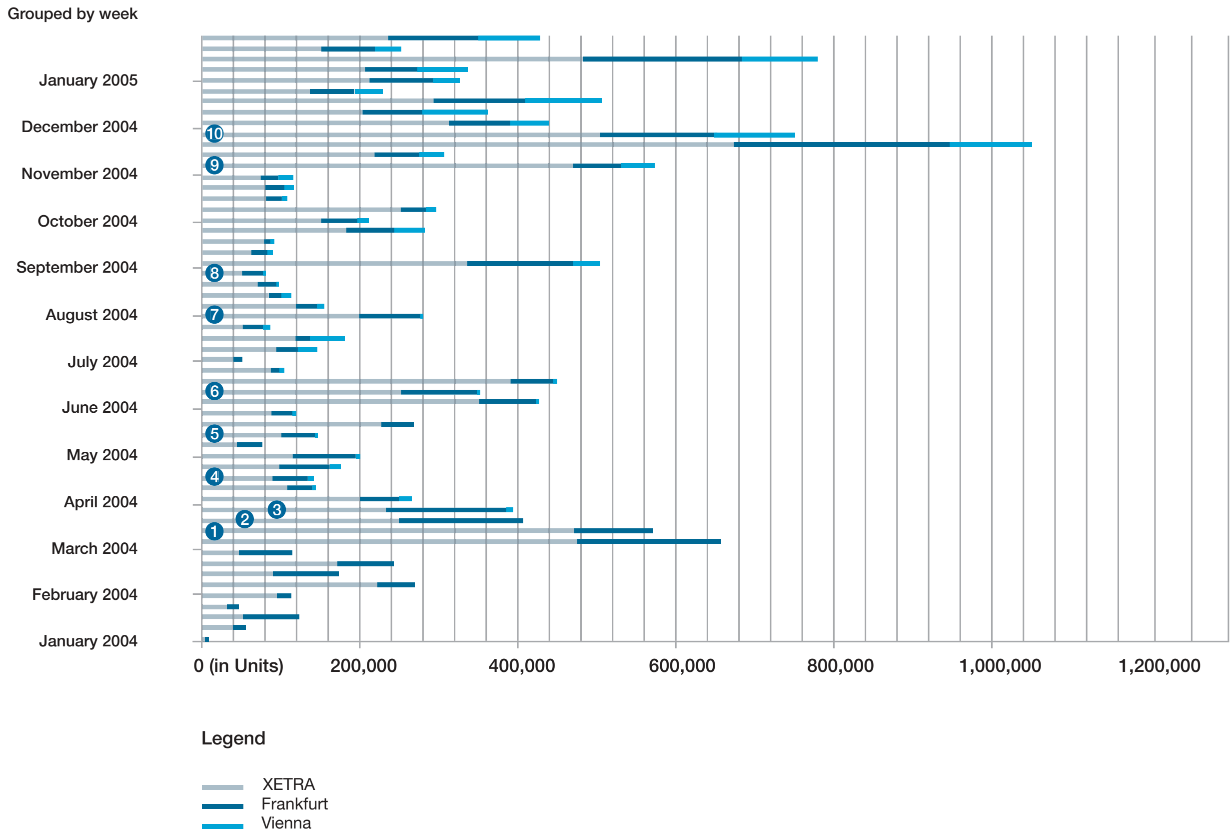
2 **March 24, 2004 – announcement of preliminary results for 2003**
EBIT in 2003 trebles on previous year, EBITDA up 58 percent

3 **March 31, 2004 – presentation of annual report 2003**

4 **April 21, 2004 – announcement of preliminary first quarter results for 2004**
Net sales, EBITDA and EBIT clearly up year-on-year

5 **May 17, 2004 – announcement of final first quarter results for 2004**
The final figures significantly exceed the preliminary figures published on April 21 as well as the figures for the previous year

Development of trading volume



6 **June 7, 2004 – second capital increase**

7 **August 2, 2004 – announcement of preliminary first half results for 2004**
EBIT 1.7 million up on prior year

8 **August 30, 2004 – announcement of final first half results for 2004**
Profit for the period for the first half of 2004 up EUR 1.69 million on prior year

9 **November 2, 2004 – announcement of preliminary third quarter results for 2004**
Earnings per share at EUR 0.09 at the end of third quarter 2004

10 **November 23, 2004 – announcement of final third quarter figures for 2004**
Profit for the first nine months of 2004 up EUR 2.33 million on previous year

it – investment + trend

You invest in our company, we invest in the right trends on the information technology and communications market. Customer relationship management, security, and business process outsourcing today are some of the hot topics with real growth potential in the coming years. We are perfectly placed to capture and grow our share in these markets.

it

Group Management Report

_ Economic climate
_ Business development
_ Outlook

Group Management Report

Economic climate

Surge in exports ends stagnation

Since the end of 2003 the economy in the euro zone has moved out of a longer phase of stagnation. Despite the strong euro, it was a surge in exports to North America, East Asia and to the new EU member states that triggered the changing trend. The domestic euro zone economy remained weak throughout 2004. According to a forecast by the IFO Institute for Economic Research at the beginning of the year, gross domestic product in the euro zone was expected to rise by 1.6 and 2.0 percent in 2004 and 2005 respectively.

The first half of 2004 surprisingly bore witness to strong economic growth of 2.4 percent in the euro zone, sparked off by strong foreign demand and by a welcome rise in consumer confidence. Growth forecasts for 2004 as a whole were revised gradually to 1.8 and then to 1.9 percent.

The downturn in the global economy and the consequent fall in exports clearly put the brakes on economic growth in the euro zone in the second half of the year, although this development was offset to some extent by the modest, but positive rise in private consumption. The recessionary phase of the past few years regarding investments in areas crucial to the BRAIN FORCE SOFTWARE Group began to tail off towards the middle of the year, but a real rise in capital expenditure has yet to set in.

Reduced growth forecast for 2005

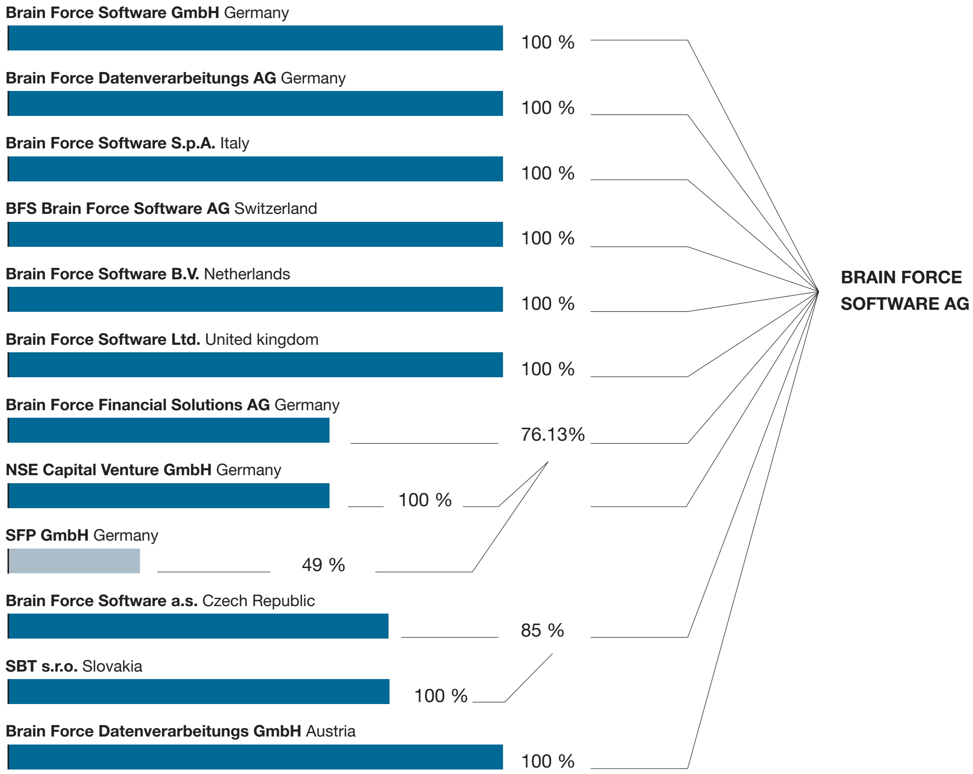
In their joint study entitled "Euro-zone economic outlook" of January 12, 2005, the analysts from the IFO Institute, INSEE and ISAE concluded that after a surprisingly clear slow-down in the third quarter, GDP growth in the euro zone looked set to rise slightly again. Experts predicted a quarterly growth rate of 0.4 percent for the fourth quarter of 2004 and the first two quarters of 2005. The forecast for the whole of 2004 was set at 1.8 percent, but growth predictions for 2005 were revised down to 1.5 percent. The almost unchanged company surveys conducted by the three institutes over the past few months support these moderate growth estimates. Industrial output will pick up slightly in the first half of the year, according to their estimates. Following quarterly growth of 0.4 percent in the last quarter of 2004 and a decline to 0.3 percent in first quarter of 2005 due to weak exports, economists are predicting growth of 0.5 percent for the second quarter. As far as domestic demand is concerned, private consumption is likely to stabilise at a growth rate of 0.3 percent per quarter until the second quarter of 2005.

Situation more favourable for IT and telecommunications suppliers

The overall economic picture is more favourable in Europe for IT and telecommunications suppliers. EITO (European Information Technology Observatory) Institute analysts predicted that the west European market would grow 3 percent to EUR 611 billion. According to the EITO, companies are still benefiting from the increasing networking of processes beyond company boundaries. This is coupled with the clearing up of the investment backlog of the past few years. To sum up, even those exporting companies experienced growth in net sales are only investing to a limited extent in Western Europe – and this also applies to IT investments. Companies with a strong base on the west European domestic market, such as retailers, suffered at the hand of consumer pessimism until autumn. A turnaround here would also reflect positively on investments in IT systems as well, needless to say.

Group structure

Group structure of BRAIN FORCE SOFTWARE AG (shares in percent)



Changes in group structure

One change on the previous year related to the former SBT a.s. in Prague. This was reformed as Brain Force Software a.s. at October 1, 2004. BRAIN FORCE SOFTWARE AG, Vienna, purchased the shares in Brain Force Software a.s., Prague formerly held by Brain Force Financial Solutions AG, Munich by contract dated December 29, 2004. Furthermore, Brain Force Datenverarbeitungs GmbH, Vienna, Austria (registration in register of firms on November 23, 2004) was founded, as was Brain Force Datenverarbeitungs AG, Unterschleißheim, Germany (registration in register of firms on November 24, 2004). Neither company commenced business operations over the past financial year.

Net sales and earnings

Results increase significantly

The economic climate over 2004 may not have met the very positive expectations at the beginning of the year in all respects, but it was at least good enough to lead the BRAIN FORCE SOFTWARE Group out of its consolidation phase in 2002 and 2003 back into a growth period. Having optimised its cost structure in previous years, increases in net sales actually translated into a substantial rise in results.

The BRAIN FORCE SOFTWARE Group achieved net sales of EUR 64.42 million in 2004 (prior year: EUR 60.10 million), exceeding the figure for the previous year by 7.2 percent. Group net sales came in at just above EUR 16 million after a traditionally weak first quarter.

Net sales by quarter

EBITDA up 37.5 percent

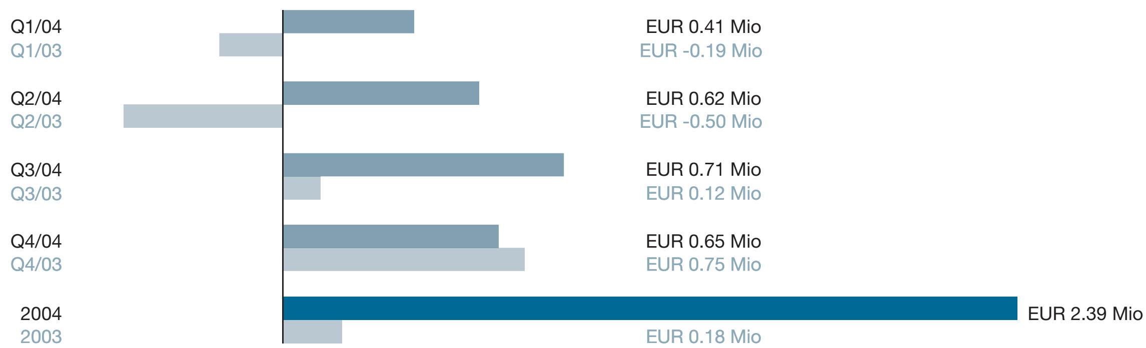
The BRAIN FORCE SOFTWARE Group managed to achieve higher increases in EBITDA and EBIT than in net sales. EBITDA reached EUR 4.13 million (prior year EUR 3.01 million). This is a rise of 37.5 percent on the previous year.

EBIT is influenced by the removal of scheduled amortisation of goodwill due to the introduction of IFRS 3 (see Notes item 23). EBIT in 2004 amounted to EUR 2.39 million, which is a more than twelve-fold rise in comparison to last year's figure (EUR 182 thousand). However, these figures are not truly comparable due to the accounting change mentioned above. Once the prior year's figure is adjusted for scheduled amortisation of goodwill, EBIT for 2003 would have amounted to EUR 1.45 million. The real EBIT growth rate is therefore 65.4 percent.

The quarterly breakdown of both ratios shows that earnings were spread fairly evenly across the year and were not subject to strong seasonal fluctuations, in contrast to the previous year. This development enables us to plan with a far greater degree of certainty.

EBITDA by quarter

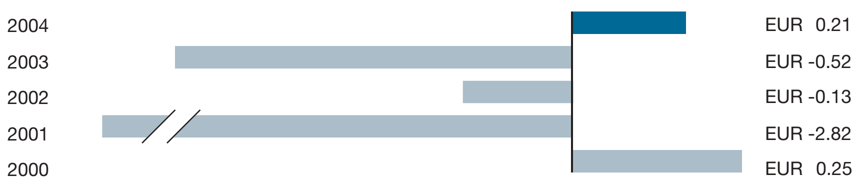
EBIT by quarter



First positive result since 2000

The group recorded a profit for the period for the first time since the year 2000, which also meant that earnings per share were positive, too. Following a loss of EUR -1.95 million in the previous year or EUR -0.52 per share, the BRAIN FORCE SOFTWARE Group realised a positive result this year amounting to EUR 2.03 million or EUR 0.21 per share.

EPS development



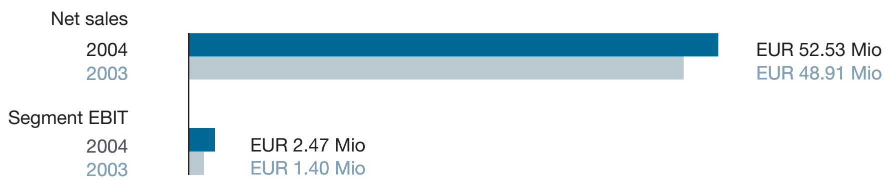
Development of primary segments

Professional Services

Net sales up 7.4 percent

The services portfolio of the Professional Services segment continues to be the backbone of the BRAIN FORCE SOFTWARE Group. Segment net sales grew from EUR 48.91 million in 2003 by 7.4 percent to EUR 52.53 million in 2004. This segment thus achieved the highest growth rate of all three segments based on net sales. This rise did not go hand in hand with a significant increase in distribution costs, which meant that the segment result was 76.1 percent up year-on-year at EUR 2.47 million (prior year: EUR 1.40 million). The EBIT margin of the segment thus rose 2.9 percent in 2003 to 4.7 percent in 2004.

Ratio of net sales to EBIT



Increase in orders

This positive development can be attributed to orders from major new customers as well as existing key accounts, which significantly boosted order volume in 2004.

In Germany, the Professional Services segment played a significant role in BRAIN FORCE SOFTWARE's becoming a successful solutions provider. Several projects from the banking sector bear witness to this: the first hosting project was realised in the fourth quarter.

Moreover, the scope of two existing major projects was extended significantly. These projects comprise user helpdesk outsourcing and applications operations including support in the investment banking sector. Hypovereinsbank selected BRAIN FORCE SOFTWARE as its Preferred Supplier due to its know-how as a solutions provider. The traditional services business was also given a clear boost by invoicing services provided by time and material. This enabled us to win several new customers from the energy, telecommunications and financial services sectors. However, a fixed price project for one company in the media sector went negatively, producing a six-figure negative effect on EBIT.

Our evolution to provider of complete solutions can also be felt in Austria. The Business Process Outsourcing project with IBM is worth particular mention here: the fact that our payroll application was extended and the number of employees raised to 25 percent shows how satisfied our customer is. Moreover, companies from a variety of sectors became new customers. In addition to a leading bank, new customers include Datenverarbeitung Tirol, Sun Microsystems and the automotive supplier Hella.

Largest Microsoft partner in Italy

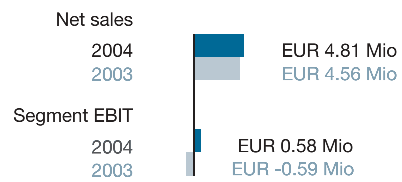
Our continuing progress as a solutions provider is also evidenced by Brain Force Software Italia. The subsidiary of the Carglass Group is worth particular mention here. This company required a system that would enable individual sales offices to access its central ERP software, amongst other requirements. With its solution consisting of Microsoft Navision and Sharepoint Portal Server, Brain Force Software even managed to beat the SAP application in place at other Carglass subsidiaries. In addition, Brain Force Software won several projects to maintain 24/7 operations at the computer centers operated by Hewlett-Packard for a leading telecommunications provider. In the meantime, no other system integrator and partner of Microsoft Business Solutions in Italy has achieved the net sales figures of Brain Force Software Italia. Microsoft therefore named the company its most important partner in this field. It was also accepted into Microsoft Business Solution's Inner Circle, the partner network for their most important partners world-wide.

Communication Networks

EBIT margin of 12 percent

Communication Networks achieved the highest jump in EBIT of all three segments. With net sales amounting to EUR 4.81 million (2003: EUR 4.56 million), segment EBIT was up EUR 1.17 million from a negative EUR -594 thousand in 2003 to plus EUR 577 thousand in 2004. The 5.5 percent rise in net sales was lower than expected, however, the EBIT margin was above expectations at 12.0 percent. The positive margin development is mainly due to the efficient management of major key accounts projects. In addition, several significant new customers joined the segment's portfolio. Business focuses on the cable network management system beusenKNV, whose performance has been improved thanks to new features.

Ratio of net sales to EBIT



Numerous new orders

Swiss Federal Railways (SBB), who placed an order for beusenKNV, are among the new customers. An insurance company chose the integrated control and billing system INKAS SQL to manage its telecommunications systems. Deutsche Steinkohle AG ordered beusenKNV, as did a power plant operator and a transport company in Berlin. The project with a North German utilities company with a project value of EUR 1 million went particularly well, as did an order from a South German conglomerate (project scope EUR 800,000).

Financial Solutions

Different periods of inclusion in 2003 and 2004

The Financial Solutions segment was part of the BRAIN FORCE SOFTWARE Group for the whole accounting period for the first time in 2004. The segment was established on May 1, 2003 by the initial consolidation of BRAIN FORCE Financial Solutions AG and its investments. Due to the different periods of inclusion in the group in 2003 and 2004, the figures are not wholly comparable with the prior year.

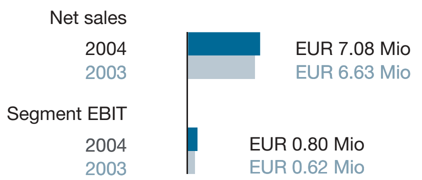
The restructuring programme introduced after the takeover in 2003 was completed in 2004. These measures already accounted for the loss of a major customer in the banking sector. The loss of this client also explains the relatively small rise in net sales in spite of the longer period of inclusion. Net sales of EUR 7.08 million (2003: EUR 6.63 million) were generated in 2004, which is a rise of 6.8 percent.

EBIT margin up 11.3 percent

EBIT developed well. Despite a weak start to the year, which was not counted to the previous year, EBIT rose 28.2 percent from EUR 627 thousand in 2003 to EUR 803 thousand in 2004. The EBIT margin developed from 9.4 percent in 2003 to 11.3 percent in 2004.

The successful project for Baden-Württembergische Bank contributed significantly to this result. This is the first joint implementation of the FINAS web CRM application and the construction finance application.

Ratio of net sales to EBIT



As planned, the comprehensive project – 1,000 users can use the system – was realised within the space of only eight months. That cannot be taken for granted with projects of this size and is down to exact planning and efficient execution.

Several successful projects for Gothaer Insurance

Additions were made to the internet-based "Gothaer Pension Portal" already launched for Gothaer Insurance, enabling insurers to offer the so-called "Rürup-Rente" in addition to the pension products already available. Moreover, existing solutions for "Riester-Rente", pension fund, direct insurance and relief fund were adapted, as was the insurance calculator – "Gothaer Vorsorge-Optimierung". Users can access this themselves to check the various insurance products available online to find the product that suits them best.

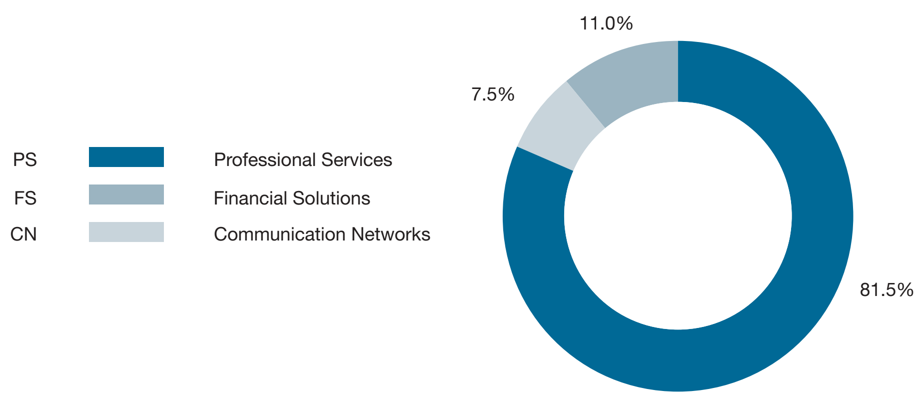
Asstel direct insurance also belongs to the Gothaer Group. 100 jobs were added to its call center, which is equipped with several consulting solutions from Brain Force Financial Solutions.

The first new projects since the takeover were initiated in the Czech Republic. Two financial institutions belonging to the Austrian ERSTE BANK Group and a Czech subsidiary of the Société Générale Group purchased the portfolio management system Jupiter ProSpekt or ProFi. In addition, the new version (2.0) of the bank information system Rebecca was installed at VUB Slovakia, which belongs to Banca Intesa.

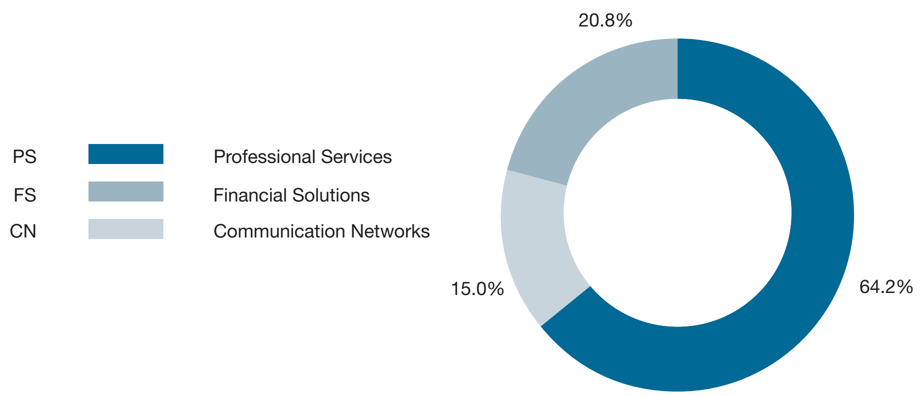
CN and FS segment generate 35.8 percent of total EBIT.

If we compare segment margins, we can see that although net sales of the Communications Network and Financial Solutions segments account for only 18.5 of net sales overall, they make up 35.8 percent of EBIT. The Board of Management sees this as further confirmation of its decision to supplement its pure services offer by a strong range of products and solutions.

Net sales by segment



EBIT by segment

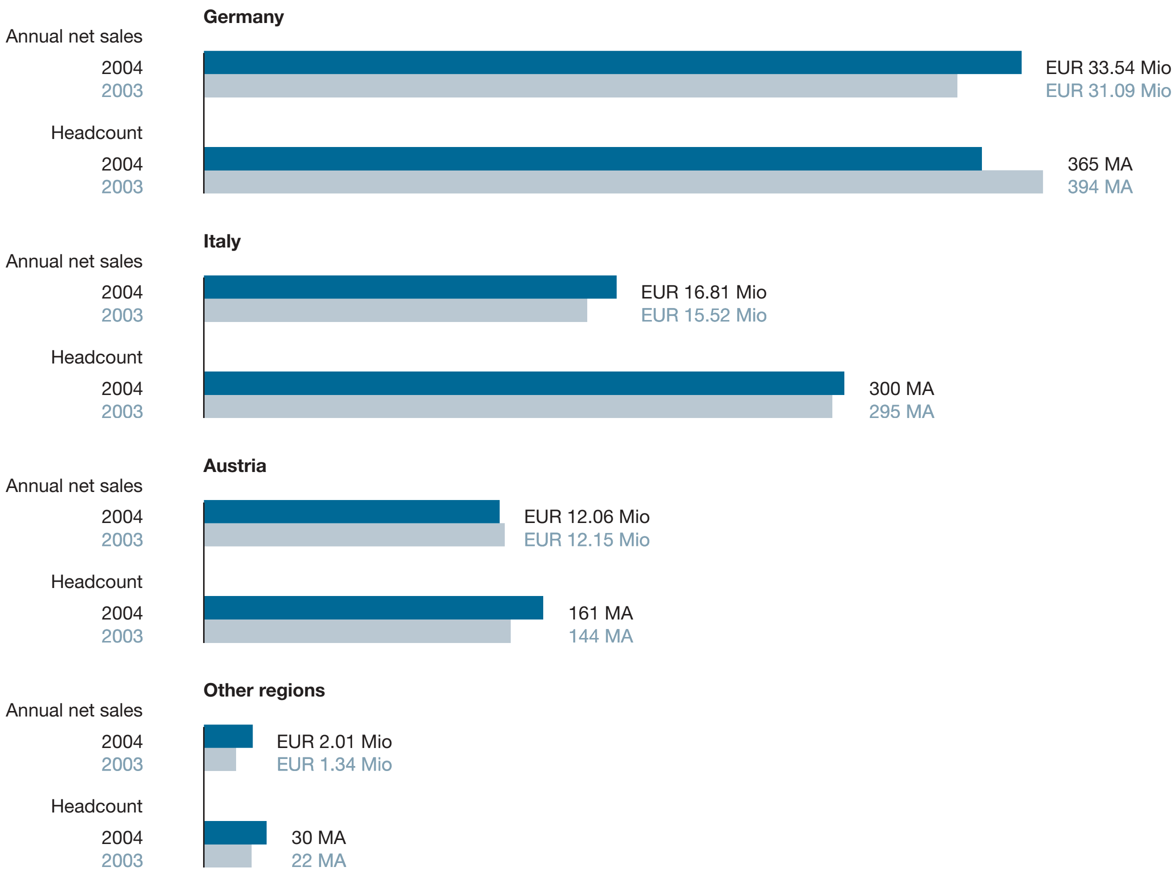


Intense marketing and sales activities

Group costs not contained in the three segments' EBIT rose to EUR 1.46 million (2003: EUR 1.25 million) due to increased capital expenditure on cross-segment marketing and sales activities and to expenditure on investor relations.

Development of geographical segments

Net sales and headcount



52.1 percent of group net sales are generated in Germany

Brain Force Software GmbH in Germany generated net sales amounting to EUR 27.16 million (2003: EUR 24.78 million), 9.6 percent up on the previous year. Brain Force Financial Solutions AG realised sales of EUR 6.38 million (May to December 2003: EUR 6.31 million). Total net sales realised in Germany amounting to EUR 33.54 million make up 52.1 percent of group net sales.

BRAIN FORCE SOFTWARE AG locations

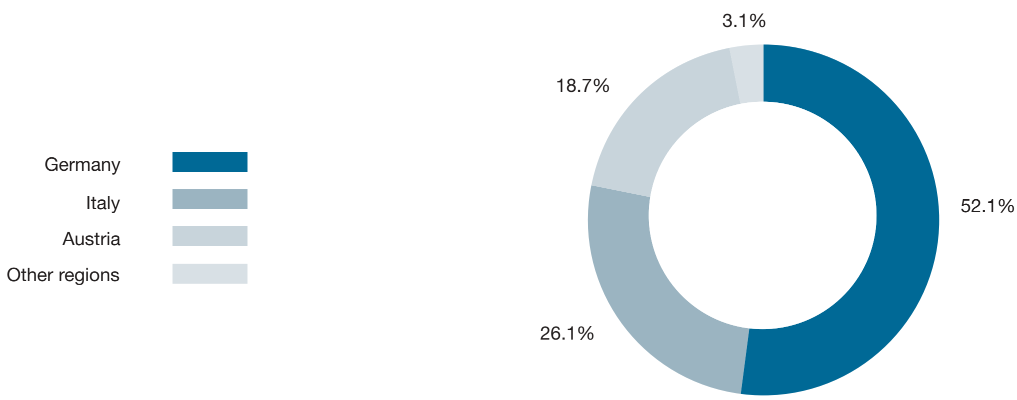
Net sales in other regions

Brain Force Software S.p.A. in Italy realised net sales of EUR 16.81 million (2003: EUR 15.52 million), accounting for 26.1 percent of group net sales.

The Austrian company contributed 18.7 percent to net sales, which amounted to EUR 12.06 million (2003: EUR 12.15 million).

Other regions made up EUR 2.01 million (2003: 1.34 million).

Net sales by country



Orders

Conservative assessment of orders

At December 31 2004, the BRAIN FORCE SOFTWARE Group had orders worth EUR 11.71 million (2003: EUR 12.42 million). This volume of signed orders is our most conservative estimate of the order situation. It is very common in our line of business for projects with large customers to be embarked on not after the lengthy process of formal negotiations, but at short notice on the basis of informal announcements, thanks to many years of good cooperation. This volume of business is not included in the value of orders stated above.

Professional Services account for EUR 7.74 million of this figure (2003: EUR 8.45 million), 8.4 percent down on the prior year.

Orders with CN segment up over 50 percent

Communications Services account for EUR 1.06 million (2003: EUR 705 thousand), 50.4 percent up year-on-year.

Financial Services account for EUR 2.91 million (2003: EUR 3.27 million), 11.0 percent down on the prior year.

The reduction in order volume of 5.75 percent on the previous year is partly influenced by the status of major projects at the balance sheet date and by generally shorter run-ups to the placement of individual orders in Professional Services. Although this gives us less certainty for planning, the management does not consider this to be an indication of a fall in orders.

Research and product development

The research and development activities of the BRAIN FORCE SOFTWARE Group are divided into the Communications Networks and Financial Solutions segments.

Communication Networks

The new functions listed below were added to stocks of new releases and existing releases upgraded to include the new functions in 2004. Approx. 1,200 man-days were required to do so:

Cable network management (beusenKNV)

Reduced costs of maintenance and system failure

beusenKNV enables IT and telecom networks to be documented and presented graphically. This enables maintenance costs to be reduced by up to 90 percent. Any errors which occur can be localised quickly, minimising damage caused when systems crucial to business operations are down.

Product development focused on:

Improved network planning and visualisation

- developing and extending the visualisation components to simplify graphic network interface processing and documentation
- extending network planning functionality with regard to reserving existing transmission lines, capacity planning, automatic line search

At the same time, work began on the design and conception phase for the successor to beusenKNV. This will upgrade the cable network management system to a state-of-the-art platform to make sure our customers get the secure future investment they require.

beusenKNV was our top-selling product in the Communications Network segment over the past year.

INKAS-SQL

INKAS-SQL is an integrated control and billing system for commercial telecom systems (PBX), with which heterogeneous multi-vendor networks can be managed.

The CISCO Call Manager was integrated into the PBX management system in 2004, as part of INKAS-SQL's ongoing development. This was in response to the growing market trend to merge telephony with internet-based systems (buzzword: Voice over IP).

Financial Solutions

FINAS-solutions optimise sales processes at financial service providers

The solutions provided by the FINAS product group optimise important customer-related processes at financial service providers – ranging from acquisition and sales to customer relationship management (CRM). Sales support focused on pension provision and construction finance, as well as on other areas.

In 2004, approx 2,300 man-days were used on developing FINAS solutions. Focus was placed on extending the functionality of web CRM and construction finance modules, reflecting the customer requirements of both major projects. In addition, a basic version of the FINAS "Vorsorgeoptimierer” was completed. This enables financial services providers to meet the latest requirements of the Pension Income Act (AltEinkG) and the EU Directive on Intermediaries. Changes in tax and other laws were built into all relevant modules.

Development of Jupiter ProFi and Jupiter ProSpekt complete

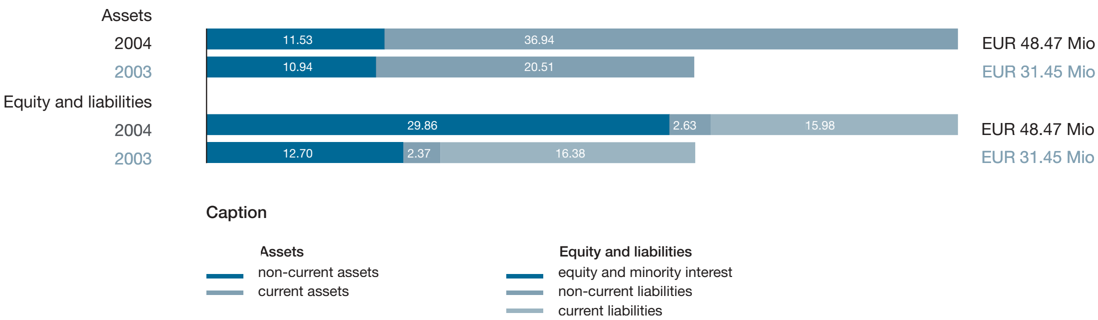
Brain Force Software a.s. in Prague completed its development of its portfolio management system Jupiter ProFi. Furthermore, the Jupiter ProSpekt version was completed for roll-out across the group.

Net worth and financial position

Capital increases raise balance sheet total

The balance sheet total rose in comparison to the previous year by 54.1 percent to EUR 48.47 million (prior year: EUR 31.45 million). This is primarily attributable to two capital increases over the past business year.

Balance sheet structure



Lower share of property, plant and equipment typical for the sector

Non-current assets account for 23.8 percent of total assets and rose by EUR 592 thousand to EUR 11.53 million (2003: EUR 10.94 million). The share of property, plant and equipment is low at EUR 970 thousand (2003: EUR 1.20 million), which is typical for the sector. Goodwill amounts to EUR 4.71 million (2003: EUR 4.72 million). This fell by EUR 14 thousand due to the sale of a share of 0.9 percent in Brain Force Financial Solutions AG. IFRS 3 was applied early, meaning that no scheduled amortisation was recognised for the past financial year. The impairment test required by the standard did not identify any impairment to the goodwill carried in the balance sheet.

Other intangible assets contain software and rights as well as development costs. Development costs account for 8.0 percent of total assets. Investments in other intangible assets amounted to EUR 1.83 million in 2004 (2003: EUR 1.18 million), offset by scheduled amortisation amounting to EUR 1.17 million (2003: EUR 803 thousand).

Other non-current assets – financial assets, other receivables and deferred tax assets – show a rise of EUR 188 thousand to EUR 1.69 million (2003: EUR 1.50 million) in comparison to the previous year.

Average trade receivables days increase

Current assets account for 76.2 percent of total assets, amounting to EUR 36.94 million at the balance sheet date (2003: EUR 20.51 million). Trade receivables increased 18.1 percent to EUR 17.46 million year-on-year (2003: EUR 14.78 million). The average number of trade receivables days is 77 (2003: 76). The increase is partly due to the increase in the share of construction contracts in total assets, and in the pressure felt internationally from buyers trying to extend their credit periods.

Investments in non-current assets amounting to EUR 3.94 million (2003: EUR 0.00) and the rise of EUR 10.20 million in cash and cash equivalents to EUR 14.55 million (2003: EUR 4.35 million) reflect earnings from the capital increases over the past year. Reference is made to the notes to the consolidated financial statements regarding the use of financial instruments and to financial risk management policy.

Equity ratio increases to 61.6 percent

Group equity rose to EUR 29.86 million (2003: EUR 12.70 million). The rise in equity capital due to the positive group profit for the year of EUR 2.03 million and the capital increases amounting to EUR 15.49 million are offset by a decrease of EUR 410 thousand owing to the buy-back of shares. The equity ratio including minority interest has risen significantly to 61.6 percent (2003: 40.4 percent). Minority interest amounts to EUR 960 thousand (2003: EUR 687 thousand).

Non-current liabilities rose by EUR 266 thousand to EUR 2.63 million (2003: EUR 2.37 million). Within this item, provisions for (non-current) post-employment benefits (statutory severance payments and pension commitments) rose 14.3 percent to EUR 2.16 million (2003: EUR 1.89 million), and deferred tax liabilities rose to EUR 456 thousand (2003: EUR 332 thousand). Other non-current provisions (2003: EUR 63 thousand) were used up.

Reduction in current liabilities

Current liabilities fell by EUR 400 thousand to EUR 15.98 million (2003: EUR 16.38 million). Financial liabilities fell significantly by EUR 413 thousand to EUR 2.49 million (2003: EUR 2.90 million). Other provisions fell by EUR 515 thousand.

Trade payables rose by 4.3 percent to EUR 5.53 million (2003: EUR 5.30 million). Working capital (current assets minus current liabilities) amounts to EUR 20.97 million at the balance sheet date (2003: EUR 4.13 million).

Other liabilities remained almost unchanged and amount to EUR 7.45 million (2003: EUR 7.63 million). This is mainly due to headcount, which has remained fairly constant in comparison to the previous year, and therefore to payables to staff, social security and revenue authorities.

Tax provisions rose to EUR 480 thousand (2003: EUR 3 thousand).

Cash flow and Investment

Cash flow from operating activities amounted to EUR 929 thousand in the past year (2003: EUR 2.06 million). The decline is due to the rise in average trade receivables days and to the consequent increase at the balance sheet date. The use of the provision for restructuring costs reduced cash flow from operating results by EUR 426 thousand.

Capital expenditure

Cash flow from investing activities amounts to EUR -5.35 million (2003: EUR -738). Of this figure, EUR 100 thousand relates to the acquisition of subsidiaries in the past year. Capital expenditure on property, plant and equipment and other intangible assets amounts to EUR 2.10 million (2003: EUR 1.37 million). A total of EUR 7.05 million was spent on acquiring other financial assets, of which EUR 3.15 million are accounted for by the acquisition of around 8.3 percent in Topcall International AG.

Cash flow from the sale of Topcall shares amounts to EUR 3.75 million. Cash flow from the sale of shares in Brain Force Financial Solutions AG amounts to EUR 142 thousand.

Share buy-back and retirement of financial liabilities

Cash flow from financing activities amounts to EUR 14.62 million. Cash flow from the issue of 5,423,039 shares amounts to EUR 15.49 million. This is offset by EUR 410 thousand spent on buying back shares and EUR 455 thousand used to repay financial liabilities.

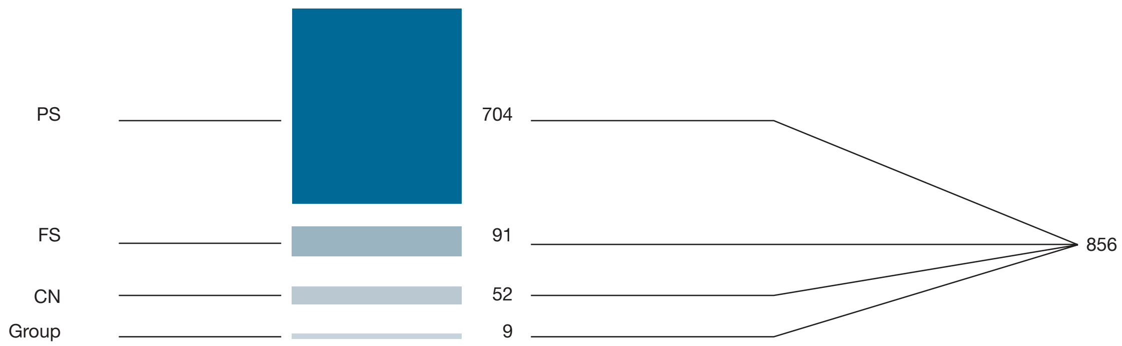
The funds available to the BRAIN FORCE SOFTWARE Group at December 31, 2004 amount to EUR 18.49 million (2003: EUR 4.35 million).

Human Resources

At December 31, 2004, the BRAIN FORCE SOFTWARE Group employed 856 people including salaried employers and sub-contractors (2003: 855).

Broken down by segment, headcount has risen by 42 to 704 in the Professional Services segment. The Communications Network and Financial Solutions segments had reduced headcount by 7 and 36 to 52 and 91 staff respectively at the balance sheet date. 9 members of staff are employed solely in a group role.

Headcount by segment

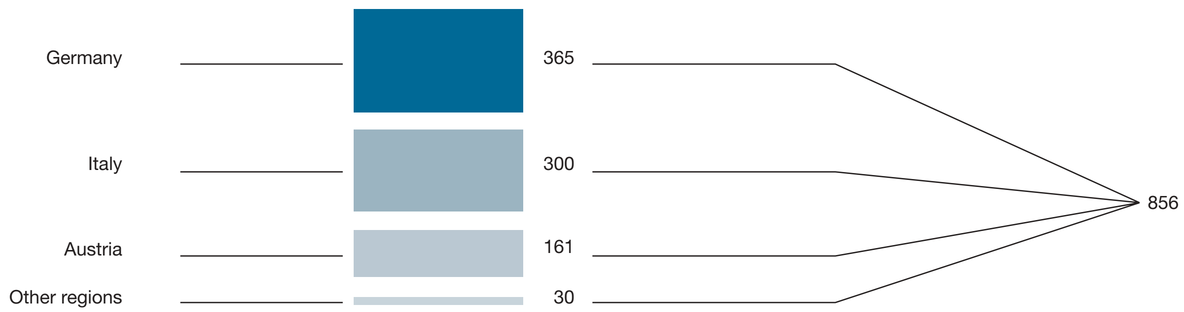


More staff in Italy and Austria

Broken down by country, headcount has risen in Austria by 12 percent to 161 and has fallen by 7 percent in Germany to 365. The headcount of Brain Force Software GmbH rose 5 percent to 302, that of Brain Force Financial Solutions AG was affected by the restructuring programme completed in 2004, as a result of which headcount fell by 41 percent to 63 staff.

Headcount rose slightly in Italy to 300. In other regions (Switzerland, Czech Republic and Slovakia), 30 staff are employed by the BRAIN FORCE SOFTWARE Group.

Headcount by country



Events after the balance sheet date

There were no events affecting the consolidated financial statements for the year after the balance sheet date.

Outlook

The Board of Management is cautiously confident that economic developments will support the 2005 operating year. As in the previous year, economic growth in the euro zone is predicted to be in the low one-digit range. Growth of the IT sector is expected to be somewhat higher at around 3 percent, in line with the EITO's study.

Rise in earnings per share expected

The Board of Management currently expects the BRAIN FORCE SOFTWARE to grow faster than the market overall and to gain new market share. We are expecting around 10 percent organic growth in 2005. This should translate into net sales of EUR 70 million in 2005 for the companies belong to the group at the balance sheet date. Based on our current planning, this will generate EPS of EUR 0.19, not adjusted for the earnings effects of measures to optimise the average tax rate and planned sales of business combinations. Earnings per share relating to 2004 (adjusted for the Topcall transaction) amounted to EUR 0.16, which is a rise in EPS of about 19 percent year-on-year.

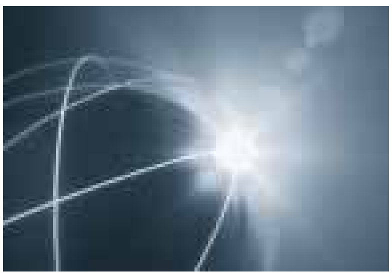
The year 2004 also saw the foundations being laid to access more growth potential across the group. Both capital increases raised EUR 15.49 million in cash. This stronger equity capital base enables us to finance acquisitions with an equity and debt capital mix at better conditions.

Management reorganisation at group and regional level

Furthermore, the stage was set at the end of 2004 for organisational changes to the group. Operative units were divided along regional lines and given their own management teams. The Board of Management, supported by the Support and Control Center SCC, is in charge of controlling and strategic development in the BRAIN FORCE SOFTWARE Group, particularly for M&A activities.







it – individual + team-based

Enterprise Services offers tailor-made solutions. We have extensive know-how in all state-of-the-art technologies. Either working in a team with our customers or on own, we meet all demands – from providing project support as and when required from implementation and roll-out to the operation and maintenance of complete systems. Being flexible is our top priority.

it

it+

Enterprise Services

_ Consulting and Programming
_ Integration and Migration
_ Rollout and Support
_ Operation and Maintenance

it – integration + transaction

BRAIN FORCE SOFTWARE has developed from a services to a solutions provider. It has done so by acquiring suitable companies that already have established Business Solutions. Now we have a diversified portfolio focused on providing added value. Our results in 2004 prove that we got our sums right: 1 + 1 = 3.

it

Business Solutions

_ Outsourcing Solutions
_ Financial Solutions
_ Enterprise Solutions

it – intelligence + technology

BRAIN FORCE SOFTWARE creates the best possible technical infrastructure for the companies it serves. The real challenge is to cope with the pace of developments and requirements of systems in place to meet those needs. To keep the technology under control we provide solutions for network and systems management. In addition to individual projects we have intelligent products that provide optimal technical support to our customers: from cable management to content switching.
Once we've got the big picture, we home in on security – with a wide range of consulting services and security audits including the integration of security products.

it

Technology and Infrastructure

_ Network Solutions
_ Communication Solutions
_ Security Solutions

Strategic Direction

Strategy

Our priority in 2005 is to press on with our buy-and-build strategy. This concept was first announced when we went public back in 1999 and envisages inorganic growth through further acquisitions. This will ensure that BRAIN FORCE SOFTWARE AG grows far more quickly than the market.

Strategic acquisitions

Not all companies are suitable strategic targets for acquisition; only those that meet certain requirements. These include products already brought to market, real customer relations and net sales of over 10 million euros annually. We may also purchase smaller firms, but only if we can integrate them quickly and cost-effectively.

Organisational restructuring

With further acquisitions to come, it is crucial to consider the implications of this strategy on BRAIN FORCE SOFTWARE AG itself. We have decided on a limited restructuring of the organisation to optimise the duties and competencies of top management. The Board of Management expects considerable benefit to be derived from these changes.

One element of this reorganisation is the creation of a holding structure, the aim being to clearly divide responsibilities between operational units on the one hand, and the holding, on the other. The latter is responsible for strategic tasks, which include, in particular, doing the groundwork for acquisitions.

Support- and Control-Center (SCC)

The recently established Support and Control Center (SCC) actively supports the Board of Management in carrying out its holding function. Furthermore, it acts as an interface between the holding and the newly established sales regions of Central Europe (A, CH, CZ, D, GB, NL, SL) and Southwest Europe (I and E), with subsidiaries being attributed to their countries.

The tasks of the SCC include planning, controlling and monitoring operative processes in the regions and countries. Specific tasks are set, processes defined (for example project execution or sales), as well as audits and consulting.

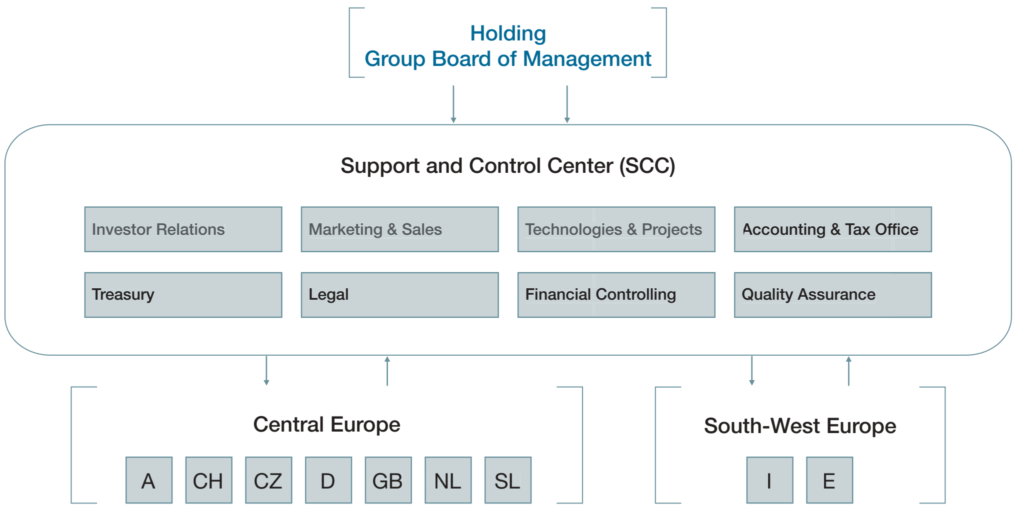
In addition, the SCC strategically manages the groundwork for and execution of further acquisitions – such as market intelligence or due diligence. If necessary, SCC staff also work on divestment decisions.

Sales regions responsible for operative activities

Operative tasks are carried out primarily by the Southwest and Central Europe regions. Prior to this, the operative management of each of the segments Professional Services (PS), Communication Networks (CN) and Financial Solutions (FS) have been allocated to the Management Board members.

We have dispensed with this sectoral-based structure as part of our reorganisation. Instead, we have strengthened our sales regions which are vertically organised and largely autonomous in managing operations. Each region is managed by a top manager. The aim of this strategy is to focus on customer requirements as best as possible.

Holding-Structure



Further strategic development

The transfer of operational management to regional managers will free up the Board of Management substantially, as they no longer have to deal with operational details – apart from special situations requiring their intervention. This enables the Board of Management to focus its attentions wholly on further strategic development and management of the M&A processes. This is the blueprint that will facilitate the planned scope of further growth.

With the exception of the SCC and the Board of Management, all employees focus solely on operations. The managers of the regional companies will even be held more accountable than before for operating activities.

No financial holding or investment company

The reorganisation of BRAIN FORCE SOFTWARE AG does not, therefore, mean its metamorphosis into a financial holding or an investment company. The holding structure is an important means of generating inorganic growth at a rate outstripping the market. The required financial resources are certainly available, thanks to the capital increases of the past year.

Acquisition plans

Three new segments

Up to now the company has been organised in three segments for historical reasons, namely Professional Services, Communication Networks and Financial Solutions. The company underwent reorganisation in the course of 2004. From now on, the company will be run under the mantle of the three segments Enterprise Services (ES), Technology and Infrastructure (TI) and Business Solutions (BS). The first comprises services such as consulting, programming, integration, migration, rollout and support and represents the original core cells of BRAIN FORCE SOFTWARE.

High demand for Enterprise Services

Enterprises Services' recipe for success lies in its excellent calculability, a very high degree of flexibility and individually tailored products and services to adapt to and meet customer requirements exactly. Services range from highly complex projects such as the outsourcing of entire business processes, on the one hand, to very compact services of lesser scope, on the other. The result is high customer demand for these services, leading to a great number of successful sales contacts with growth potential.

TI and BS: long-term orders and high contribution to profit

Several acquisitions focusing on IT and telecommunications infrastructure solutions extended the range of services offered. The former beusen Solutions GmbH, acquired in 2002, has been the most recent acquisition. This has now become part of Technology and Infrastructure. This segment offers Network Solutions, Communication Solutions and Security Solutions. All TI solutions lead to long-term orders, generating high contributions to profit in the project and licence business.

The portfolio was extended further in 2003 by the takeover of NSE Software AG. Their FINAS solutions which support the customer-centred processes of financial service providers can now be found in the third segment, Business Solutions, and are called Financial Solutions, side by side with Outsourcing Solutions and Enterprise Solutions. Business Solutions also result in long-term orders, generating high contributions to profit in the project and licence business.

In-demand services become solutions

One of the advantages of the new organisational structure is that it enables us to better exploit the synergies resulting from acquisitions. Furthermore, the services business is ideally combined with the range of solutions on offer. Services that are repeatedly requested are offered in the form of solutions. Responsibility then shifts from Enterprise Services to Business Solutions or Technology and Infrastructure.

The latest example of this is the order for the complete operation and maintenance of an application critical to business at a leading bank in the Business Solutions segment. The same solution had previously been provided as an individually adapted major project at another financial services provider of Enterprise Services (formerly Professional Services). This proves the success of the concept.

Regions to become stronger with BS and TI

To round off the portfolio described, when making investment decisions we look primarily for opportunities for existing regions to add to their strengths in BS and TI, for example, by extending their focus on financial services (BS) or via solutions building on the existing range of information and telecommunications services including billing, accounting and cable management (TI).

Apart from the FINAS solutions family, focus until now has mainly been on technical infrastructure and technology management. Future portfolio extensions will aim to identify solutions dealing with business-critical information at business process level, thus delivering a direct business benefit.

Organisational structure

BRAIN FORCE SOFTWARE is divided into three segments with immediate effect: these are Enterprise Services (ES), Technology and Infrastructure (TI) and Business Solutions (BS).

Services and Solutions

Services

- **Enterprise Services**
  - Consulting
  - Programming
  - Infrastructure
  - Integration
  - Migration
  - Rollout
  - Operation
  - Support
  - Maintenance

Solutions

- **Technology and Infrastructure**
  - Network Solutions
    - beusenKNV
    - Network- and Systems-Management
    - B100
  - Communication Solutions
    - Telephone Systems Management
    - Billing & Accounting Solutions
    - Software for intelligent Networks
  - Security Solutions
    - Security Consulting & Auditing
    - Security Projects for Basel II
    - Security Products
- **Business Solutions**
  - Outsourcing Solutions
    - Business Process Outsourcing
    - Application Management Services
    - User Help Desk (1st, 2nd and 3rd Level)
  - Financial Solutions
    - FINAS web CRM
    - FINAS
      - web Altersvorsorge
      - web Baufinanzierung
      - web Finanzplanung
      - Wiederanlage-Management
    - Jupiter
    - Rebecca
  - Enterprise Solutions
    - ERP
    - CRM
    - Paris

Consulting Here we offer a wide range of "consulting” services ranging from technical or business-oriented analysis, elaboration of relevant concepts, assessment of available options with or without explicit recommendations

Programming "Programming” provides customers with technical or business-oriented design, individual programming, testing of individual modules, system tests and other testing services

Infrastructure "Infrastructure” comprises the installation and set-up of PC’s and servers and the implementation of middleware or databases, plus analysis and consulting services, network and system management as well as database, user and system administration.

Integration Customers can use "integration” to benefit from an audit of their systems regarding completeness, technical tests, packaging and technical documentation. Planning, preparation, testing fallback solutions and transferring integrated systems into productive status are also worth mentioning.

Migration "Migration” comprises projects covering switching to Windows XP/2000, Lotus Notes and from IBM-Host to Unix/Sun Solaris or from HP 3000 servers to HP-UX/Unix. We can also manage the switch from Assembler to Cobol or C++, as well as analysing and setting up pilot systems.

Rollout-Services "Rollout” Services help companies to rollout middleware, database, operations systems or other software, i.e. communication platforms or security policy.

Operation "Operation" encompasses the range of services for network or systems management, systems, database or user administration as well as operating and job preparation.

Support Customers requiring "support" can choose between first, second or third level support, either remote or on-site.

Maintenance "Maintenance" covers numerous services from warranty provision, bug-fixing, troubleshooting, implementation of changes or legal requirements and continuing development.

The TI segment has three competence centers: Network Solutions, Communication Solutions and Security Solutions. The first provides solutions for cable management (beusenKNV), systems and network management and IP load balancing/content switching (B 100).

Communication Solutions Communication Solutions combines solutions for telephone systems management (beusenINKAS), billing/accounting (beusenBAS) and for intelligent networks in mobile telephony.

Security Solutions Security Solutions provides security consulting/auditing, security projects for Basel II and security products.

The BS segments also consists of three competence centers, namely outsourcing solutions, financial solutions and enterprise solutions.

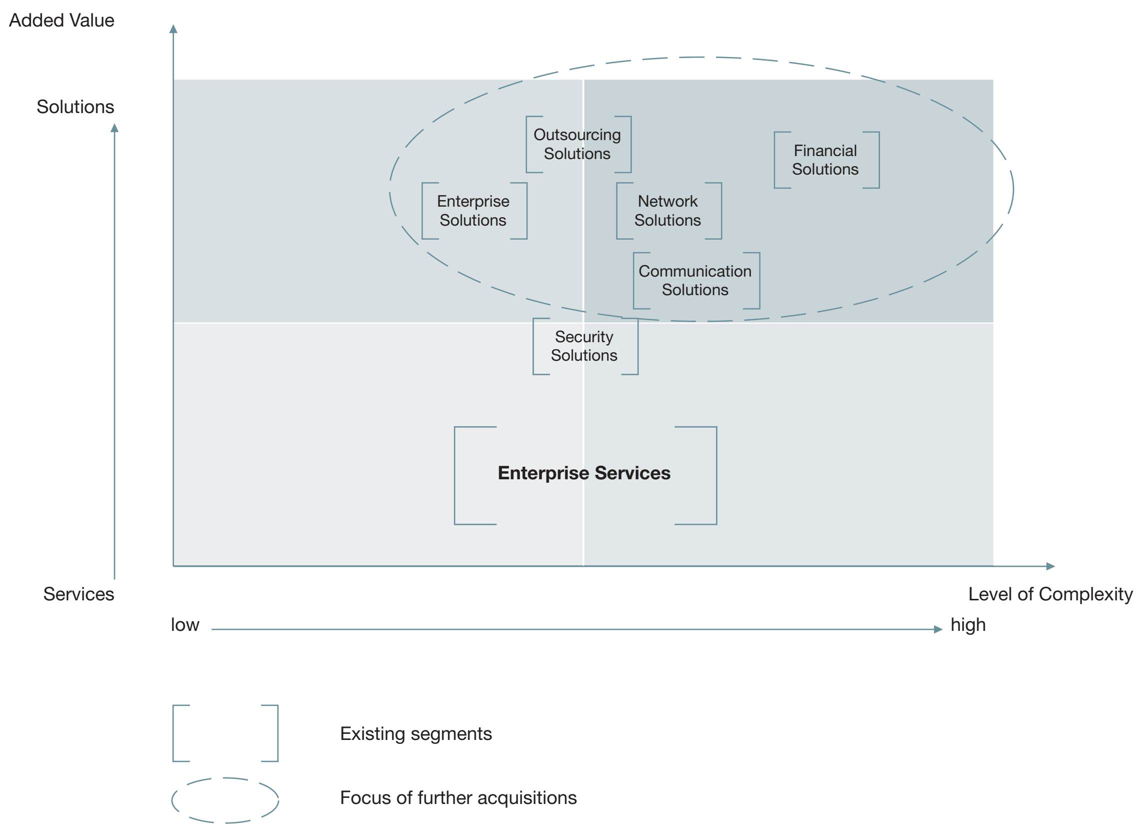
Outsourcing Solutions Outsourcing Solutions range from business process outsourcing and application management services to first, second and third level user help desks.

Financial Solutions The Financial Solutions Competence Center offers leading market solutions for financial services providers (FINAS), covering CRM, sales solutions, portfolio management (Jupiter) and back office solutions (Rebecca).

Enterprise Solutions Enterprise Solutions covers an extensive range of sector-specific solutions for areas crucial to business, focusing on and around Microsoft Business Solutions Navision, particularly the ERP and CRM applications it offers, in addition to billing/accounting (beusenBAS) and management reporting (Paris).

The range of BRAIN FORCE SOFTWARE AG's aligned services and solutions is simply enormous – from individual, compact services to the complete outsourcing of entire business processes. Customers find just the right solution to perfectly meet their requirements and their expectations in terms of the relation between the degree of complexity and added value.

Range of services



Exploiting the new organisational structure

The new organisational structure ensures that BRAIN FORCE SOFTWARE will exploit group synergies in offering its services and solutions. In addition, multinational customers profit from the pan-European network.

it – institution + tasks

Our financial statements were compiled in accordance with generally accepted accounting principles based on the International Financial Reporting Standards (IFRS) drawn up by the International Accounting Standards Board (IASB).

it

Consolidated financial statements

_ Balance sheet
_ Income statement
_ Cash flow statement
_ Statement of changes in equity
_ Notes to the consolidated financial statements 2004

Consolitated Financial Statements

Consolidated balance sheet as at December 31, 2004

Assets	Notes	31.12.2004 EUR	31.12.2003 EUR
Non-current assets			
Property, plant and equipment	3, 22	969,684.00	1,204,751.33
Goodwill	5, 23	4,706,826.78	4,721,141.78
Other intangible assets	5, 6, 24	4,160,161.38	3,507,564.64
Investments in associates	7, 25	535,221.85	510,154.30
Other financial assets	7, 26	187,180.22	184,178.23
Other receivables and other assets	11, 31	169,396.72	125,786.95
Deferred tax assets	20, 27	799,886.96	683,271.20
		11,528,357.91	**10,936,848.43**
Current assets			
Inventories	9, 28	295,634.98	147,735.22
Trade receivables	10, 11, 29	17,458,047.06	14,777,505.53
financial assets	12, 30	3,941,418.00	0.00
Other receivables and other assets	11, 31	699,313.18	1,242,882.19
Cash and cash equivalents	13, 32	14,551,208.04	4,345,280.20
		36,945,621.26	**20,513,403.14**
		48,473,979.17	**31,450,251.57**

Equity and liabilities	Notes	31.12.2004	31.12.2003
		EUR	EUR
Equity			
Equity attributable to equity holders of the parent			
Share capital	33	10,257,828.00	4,834,789.00
Reserves	33	15,544,408.42	5,446,985.64
Retained earnings		3,506,217.91	1,731,178.51
Own shares		-410,267.40	0.00
Minority interest		959,956.25	687,292.30
		29,858,143.18	**12,700,245.45**
Non-current liabilities			
Financial liabilities	14, 35	0.00	41,926.14
Other liabilities	14, 37	16,558.00	40,786.71
Provisions for post-employment benefits	16, 34	2,163,242.00	1,892,606.84
Deferred tax liabilities	20, 27	456,355.69	332,246.34
Other provisions	15, 39	0.00	62,600.00
		2,636,155.69	**2,370,166.03**
Current liabilities			
Financial liabilities	14, 35	2,486,734.49	2,900,150.19
Trade payables	14, 36	5,527,841.90	5,297,856.63
Other liabilities	14, 37	7,452,360.60	7,631,273.87
Tax provisions	20, 38	480,035.08	3,311.36
Other provisions	15, 39	32,708.23	547,248.04
		15,979,680.30	**16,379,840.09**
		48,473,979.17	**31,450,251.57**

Consolidated income statement for the operating year ended 2004

	Notes	2004	2003
		EUR	EUR
1. Net sales	17, 40, 52	64,420,929.13	60,099,106.10
2. Changes in work in progress		123,242.76	-189,950.83
3. Other own work capitalized		1,664,900.06	1,055,943.75
4. Other operating income	41	1,109,964.05	825,612.95
5. Material and production costs	18, 42	-46,203,842.12	-42,036,033.21
6. Employee benefits costs	43	-10,804,091.79	-10,918,489.04
7. Depreciation and amortisation expense	44	-1,743,029.32	-2,824,229.32
8. Other operating expenses	45	-6,177,796.29	-5,830,119.41
9. Operating result		**2,390,276.48**	**181,840.99**
10. Financial result	46	570,242.69	-157,132.02
11. Share of profit of associates		400,416.66	402,016.44
12. Result before income taxes	25	**3,360,935.83**	**426,725.41**
13. Income taxes		-1,334,779.65	-2,378,726.55
14. Result for the period	20, 47	**2,026,156.18**	-1,952,001.14
Result for the period attributable to:			
Equity holders of the parent		1,775,039.40	-2,087,241.02
Minority interest		251,116.78	135,239.88
		2,026,156.18	**-1,952,001.14**
Earnings per share	53	0.21	-0.52

Consolidated cash flow statement for the operating year ended 2004

	Notes	2004 EUR	2003 EUR
Cash flow from operating activities	48		
Result before taxes		3,360,935.83	426,725.41
Adjustments for:			
+ Depreciation		1,743,029.32	2,824,229.32
+/- Financial result		-570,242.69	157,132.02
- Share of profit of associates		-400,416.66	-402,316.44
- Gain on disposal of property, plant and equipment and other intangible assets		-95,644.68	-897.39
+/- Changes in provisions for post-employment benefits		-306,504.65	111,108.40
+/- Changes in inventories		-232,711.20	177,662.74
+/- Changes in receivables		-2,234,134.33	1,832,633.43
+/- Changes in payables		126,807.79	-2,281,206.56
+/- Currency translation differences		9,468.80	23,485.67
		1,400,587.53	**2,868,556.60**
- Interests paid		-93,939.41	-157,132.02
+ Dividens received		243,273.54	0.00
- Taxes on income paid		-621,337.57	-648,078.85
Net cash flow from operating activities		**928,584.09**	**2,063,345.73**
Cash flow from investing activities	49		
+/-Acquisition of subsidiaries		-99,964.50	609,794.62
- Cash outflow for investments in property, plant and equipment and other intangible assets		-2,095,472.99	-1,369,660.50
- Cash outflow for investments in other financial assets		-7,051,993.06	-6.30
+ Cash inflow from the disposal of shares in group companies		141,543.31	0.00
+ Cash inflow from the disposal of property, plant and equipment and other intangible assets		3,760,265.04	21,860.04
Net cash flow from investing activities		**-5,345,622.20**	**-738,012.14**
Cash flow from financing activities	50		
+ Proceeds from issue of ordinary shares		15,488,575.19	992,547.27
- Purchase of own shares		-410,267.40	0.00
- Repayments of financial liabilities		-455,341.84	-513,372.41
Net cash flow from financing activities		**14,622,965.95**	**479,174.86**
Increase / decrease in cash and cash equivalents	51	**10,205,927.84**	**1,804,508.45**
Cash and cash equivalents at beginning of year		4,345,280.20	2,540,771.75
+/-Increase / decrease		10,205,927.84	1,804,508.45
Cash and cash equivalents at end of year		**14,551,208.04**	**4,345,280.20**

Consolidated statement of changes in equity

	Notes
Balance January 1, 2003	
Fair value adjustments of securities	
Currency translation differences	
Revaluation of assets	
Net income recognised directly in equity	
Result for the period	
Total result for the period	
Issue of share capital in kind	
Transaction costs related to issue of share capital	
Transfer to cover losses	
Initial consolidation of subsidiaries	
Balance December 31, 2003	33
Fair value adjustments of securities	
Currency translation differences	
Net income recognised directly in equity	
Result for the period	
Total result for the period	
Issue of share capital in kind	
Transaction costs related to issue of share capital	
Purchase of own shares	
Other movements within minority interest	
Balance December 31, 2004	33

	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
	0.00	0.00	269.44	0.00	0.00	269.44	0.00	269.44
	0.00	0.00	-48,653.41	0.00	0.00	-48.653.41	0.00	-48,653.41
	0.00	0.00	110,262.00	0.00	0.00	110.262.00	0.00	110,262.00
	0.00	0.00	61,878.03	0.00	0.00	61.878.03	0.00	61,878.03
	0.00	0.00	0.00	-2,087,241.02	0.00	-2.087.241.02	135,239.88	-1,952,001.14
	0.00	0.00	61,878.03	-2,087,241.02	0.00	-2.025.362.99	135,239.88	-1,890,123.11
	1,049,646.00	2,060,095.14	0.00	0.00	0.00	3.109.741.14	0.00	3,109,741.14
	0.00	-119,475.73	0.00	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	0.00	0.00	552,052.42	552,052.42
	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	3,001.99	0.00	0.00	3.001.99	0.00	3,001.99
	0.00	0.00	28,884.60	0.00	0.00	28.884.60	-3,553.89	25,330.71
	0.00	0.00	31,886.59	0.00	0.00	31.886.59	-3,553.89	28,332.70
	0.00	0.00	0.00	1,775,039.40	0.00	1.775.039.40	251,116.78	2,026,156.18
	0.00	0.00	31,886.59	1,775,039.40	0.00	1.806.925.99	247,562.89	2,054,488.88
	5,423,039.00	10,846,078.00	0.00	0.00	0.00	16.269.117.00	0.00	16,269,117.00
	0.00	-780,541.81	0.00	0.00	0.00	-780.541.81	0.00	-780,541.81
	0.00	0.00	0.00	0.00	-410,267.40	-410.267.40	0.00	-410,267.40
	0.00	0.00	0.00	0.00	0.00	0.00	25,101.06	25,101.06
	10,257,828.00	**15,738,974.70**	**-194,566.28**	**3,506,217.91**	**-410,267.40**	**28.898.186.93**	**959,956.25**	**29,858,143.18**

Notes to the consolidated financial statements 2004

The company

BRAIN FORCE SOFTWARE AG, Vienna, operates internationally in the design of concepts for the strategic integration of hardware and software systems. The company's head office is located at Wagramer Straße 17, 1220 Vienna, Austria.

Accounting principles

(1) Basis of preparation

The Consolidated Financial Statements at December 31, 2003 were compiled in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). The consolidated financial statements were compiled in keeping with the principle of historical cost, with the exception of available-for-sale securities and financial assets held for trading, which are measured at market value on the balance sheet date.

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions, which influence the amount and presentation of assets and liabilities in the balance sheet, disclosed contingent assets and liabilities at the balance sheet date, and incomes and expenses recorded during the reporting period. Although these estimates are made by the Board of Management to the best of their knowledge and are based on current transactions, actual values may eventually differ from the estimates.

Since the financial year 2003 the group has applied IAS 1 (revised in 2003) early. Other International Accounting Standards revised in the course of the Improvements Project have not been applied early. The changes have no material effect on the net worth position, financial and earnings situation of the company.

IASB published IFRS 3 "Business Combinations" on March 31, 2004. Application of the new regulations is mandatory for operating years from March 31, 2004 onwards. The Group has applied IFRS 3, IAS 36 and IAS 38 (revised 2004) early. The main difference is that goodwill is not amortised systematically but is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired and is written down accordingly. Other published IFRS have not been applied early.

(2) Principles of consolidation

Subsidiaries, i.e. those firms in which the group holds more than half of the voting rights either directly or indirectly, or is in another way able to exercise control, were consolidated. Subsidiaries are consolidated from the day on which the group actually assumes control and ends on the day control ceases to exist.

The financial statements included in consolidation were all drawn up with a uniform consolidated balance sheet date at December 31, 2004 and all adhere to IFRS principles.

Consolidated group

SBT a.s., Prague, Czech Republic was renamed Brain Force Software a.s. in 2004.

Furthermore, Brain Force Datenverarbeitungs GmbH, Vienna (registration in register of firms on November 23, 2004) and Brain Force Datenverarbeitungs AG, Unterschleissheim, Munich, Germany (registration in register of firms on November 24, 2004) were founded in the reporting period. Both companies have been fully consolidated in these financial statements.

TEMA Consulting s.r.l., Milan, Italy was liquidated in the reporting period and deconsolidated as of December 28, 2004.

The consolidated financial statements comprise BRAIN FORCE SOFTWARE AG, Vienna, and all the subsidiaries and associates listed below:

Company	Share in %
Brain Force Datenverarbeitungs GmbH, Vienna	100
Brain Force Software GmbH, Unterschleissheim, Munich, Germany	100
Brain Force Datenverarbeitungs AG, Unterschleissheim, Munich, Germany	100
Brain Force Software S.p.A., Milan, Italy	100
Brain Force Software B.V., Amsterdam, Netherlands	100
BFS Brain Force Software AG, Zurich, Switzerland	100
Brain Force Financial Solutions AG, Munich, Germany [1)]	76.13
Brain Force Software Ltd., Cambridge, UK	100
Brain Force Software a.s., Prague, Czech Republic	85
SBT s.r.l., Bratislava, Slovakia [2)]	100
NSE Capital Venture GmbH, Munich, Germany [3)]	100
SFP Software für FinanzPartner GmbH, Munich, Germany [3)]	49

1) The share held at 31.12.2003 amounted to 77.05 %; 0.19 % of the shares were sold in the reporting period.
2) The investment is held by Brain Force Software a.s.
3) The investment is held by Brain Force Financial Solutions AG.

Methods of consolidation

Capital consolidation was carried out in accordance with the principles of IAS 22 (revised 1998) for acquisitions up to December 31, 2003. The historical costs of the investments in the consolidated companies plus direct acquisition costs were offset against the share in net assets based on the fair values of the assets and liabilities of these companies at the time of acquisi-tion or transfer of control. The positive difference between the carrying amount of the invest-ments in subsidiaries and the corresponding shareholders' equity has been recognised as goodwill. A negative difference was recognised as negative goodwill in accordance with IAS 22 (revised 1998) and was treated in accordance with the provisions of IAS 22.

No acquisition was made in the financial year 2004.

Intragroup receivables and liabilities, income, expenses and any interim results are netted.

Currency translation

Net sales are denominated in euros and Swiss francs as well as in Czech and Slovak crowns. Net sales in these currencies account for around 3 % of consolidated net sales. The exchange risks are therefore of minor importance to the group. Financial statements in foreign currencies were translated at the rates prevailing on the balance sheet date. Due to the immaterial effects on earnings due to exchange rate fluctuations, average rates were not applied in the translation of the income statement.
The following exchange rates were used:

		Rate at balance sheet date 2004	Rate at balance sheet date 2004
		1 EUR	1 EUR
CHF	Swiss francs	1.5470	1.5600
GBP	British pounds	0.7090	0.7050
CZK	Czech crowns	30.5000	32.5500
SKK	Slovak crowns	38.8500	41.2000

The differences resulting from the translation of financial statements were recognised in shareholders' equity, not affecting net income.

Exchange rate differences resulting from the translation of transactions and balance sheet items in foreign currencies are recognised at the rate prevailing at the time of the transaction or measurement.

(3) Property, plant and equipment

Property, plant and equipment is stated at historical cost less scheduled depreciation. PP&E is depreciated on a straight-line basis over the expected useful life of the assets.
Scheduled depreciation is based on the following useful lives, uniform for the group:

Depreciation for	
Building investments in non-owned facilities	10 years
IT equipment	3 to 5 years
Office machines	4 to 5 years
Other office equipment	5 to 10 years

If an asset is impaired, the carrying amount is reduced to its recoverable amount (see note 8).

Maintenance expenses

Maintenance expenses are recognised in the income statement in the period in which they are incurred.

(4) Leases

Due to the nature of the contracts concluded, leases have been classified as operating leases. Therefore lease payments are recognised as an expense.

(5) Intangible assets

According to IFRS 3 goodwill arising from capital consolidation shall not be amortised.

Other purchased intangible assets are recognised at cost and amortised on a straight-line basis over their estimated useful lives. The useful lives for software are usually 3 to 5 years, for licenses and distribution rights 3 years, and 10 years for registered trademarks.

If an asset is impaired, the carrying amount is reduced to its recoverable amount (see note 8). In addition, goodwill shall be tested annually for impairment.

(6) Research and development

Expenditure on research is recognised as an expense. Development costs, both for bought-in goods and services and also for internal development costs arising from development projects are recognised as assets resulting from development (intangible assets) in accordance with IAS 38 to the extent that such expenditure is expected to generate future economic benefits. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are amortised on a straight-line basis over the expected useful life of each product, currently 3 to 5 years.

(7) Financial assets

Investments in associates, i.e. companies in which the group holds 20% or more of the voting power, directly or indirectly, or in another way can exercise a significant influence in the financial and operating policies of the investee, are accounted for using the equity method. Under the equity method, investments are initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The income statement reflects the investor's share of the results of operations of the investee.

Other financial assets include securities held for an undetermined period that may be sold for liquidity requirements or due to changes in interest rates. They are classified as "available-for-sale".

All purchases or sales are recognised at the date of settlement; acquisition costs include transaction costs. The financial assets available for sale are subsequently measured at fair value (based on market information), with non-realised changes in value in equity being recognised immediately within other reserves.

(8) Impairment of non-current assets

Property, plant and equipment, goodwill and other intangible assets are examined to assess whether events and altered circumstances could indicate that the carrying amount is no longer recoverable. If an asset is impaired, the carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. In order to assess impairment, assets are grouped in cash-generating units, i.e. in the smallest identifiable group of assets that generates cash inflows independent of other assets or groups of assets.

(9) Inventories
Inventories are recognised at the lower of cost or net realisable value in accordance with IAS 2.

(10) Construction contracts
The profit from construction contract work in progress is recognised as soon as it can be reliably estimated. The group uses the percentage of completion method to determine the appropriate amount in a period. The stage of completion is shown as the number of hours worked up to the balance sheet date in proportion to all the hours allocated to the project. Losses are recognised at the earliest possible date.

(11) Receivables and other assets
Receivables and other assets are recognised at cost less any writedowns required. Receivables in foreign currencies are measured at the exchange rate prevailing at December 31, 2004.

(12) Financial assets
Financial assets held for trading are measured at fair value through profit or loss.

(13) Cash and cash equivalents
Cash and cash equivalents are measured at fair values. Deposits held in foreign currencies are measured at the translation rate prevailing at December 31, 2004.

(14) Liabilities
Liabilities are recognised at cost or at the amount repayable, if different. Liabilities in foreign currencies are measured at the exchange rate prevailing on December 31, 2004.

(15) Provisions
Provisions are measured if the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle this obligation, and that the amount can be reliably estimated.

(16) Provisions for post-employment benefits
Provisions for post-employment benefit obligations include long-term obligations calculated using actuarial methods in accordance with IAS 19 (revised 2000). The present value of the defined benefit obligation = DBO is calculated on the basis of the length of service, the expected development of salary and (in the case of pensions) the pension adjustment. The expense for the period to be recognised includes the service cost, the interest cost, income or expense from the amortisation of past service costs and actuarial gains and losses.

The calculation of defined benefit obligations is based on actuarial assumptions, particularly with regard to the interest rate applicable for discounting, but also regarding the rate of increase for salaries and pensions, the pensionable age and probabilities concerning labour turnover and the probability of occurrence.

The interest rate applied in calculating the present value of defined benefit obligations is based on the average market yield on government bonds with the same term to maturity.

Estimated future salary increases are derived from the average salary development of the past years, which is considered realistic for the future.

The deductions for labour turnover and for the probability of occurrence are based on figures for comparable prior periods.

The pensionable age used in the calculation of post-employment benefit obligations is derived from the actual commitments made; severance payments are calculated on the basis of average pensionable age.

Severance payments relate to obligations under Austrian and Italian law.

Severance payments under Austrian labour law are one-off employee benefits, which have to be paid on an enterprise's decision to terminate an employee's employment and when the employee goes into regular retirement. The amount of the benefit depends on the number of years of service and the remuneration paid.

Severance payments per year of service						
Years of service	3	5	10	15	20	25
No. of months remuneration	2	3	4	6	9	12

Due to changes in the law, defined contribution plans are applicable to employees who have joined the company since 2003. Starting from the second month of the employment relationship, the employer pays a regular contribution of 1.53% of monthly remuneration and any additional payments into a "Mitarbeitervorsorgekasse" (statutory severance payment scheme).

Severance payments under Italian law (TFR) are one-off employee benefits, which have to be paid as soon as an employee leaves an enterprise. The amount of the compensation is based on the number of monthly salaries (indexed), whereby a monthly salary (annual salary divided by 13.5) is earned per service year. The employee can receive an advance of up to 70 % of the entitlement under certain conditions, e.g. to purchase a home or medical supplies.

(17) Net sales

Revenue is recognised upon delivery and customer acceptance, discounts and rebates are deducted. Sales relating to the rendering of services are measured using the percentage of completion method in accordance with IAS 18.

(18) Material and production costs

Payroll costs for project workers are recognised as cost of sales to present the earnings situation fairly.

(19) Borrowing costs
Borrowing costs are recognised in the income statement in the period in which they are incurred.

(20) Income taxes
Income taxes are recognised according to the source of tax and are based on the corresponding profit of the financial year. Deferred taxes are taken into consideration due to the temporal differences arising from the recognition of income and expenses in IAS and tax accounts.

Deferred taxes are calculated on the basis of all temporary differences arising from tax values and IFRS values of all assets and liabilities using the liability method and applying the relevant national tax rates (24 to approx. 41 %). Deferred tax liabilities are part of provisions for taxes. Deferred tax assets are recognised under other long-term assets.

The most important temporary differences result from the capitalisation of development costs, the amortisation of property, plant and equipment, receivables, the tax value of provisions, construction contracts and for provisions for post-employment benefit obligations. Deferred taxes relating to tax-loss carryforwards and deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available.

(21) Financial risk management

Liquidity risk
Risk management is carried out centrally under policies approved by the Executive Board. Particular attention is paid to ensuring that there are sufficient cash and cash equivalents or credit lines available with regard to the liquidity risk. As part of established management mechanisms, monthly rolling financial planning is monitored at management level. Statistical assessments of funds available at varying points in time are used on which to base funding decisions.

Foreign exchange risk
The group is not exposed to significant foreign currency risks as part of its operating activi-ties. About 97% of its sales are generated within the euro zone, the rest in Switzerland, the Czech Republic and Slovakia.

4.2% of foreign exchange exposure results from trade receivables results not denominated in euros, and 2.2% from trade payables not denominated in euros.

Interest rate risk
The group's income and operating cash flow are not significantly affected by changes in inter-est rates. Cash and cash equivalents are invested short-term. Financial assets are invested in a fund that invests in money market instruments, variable-interest bonds and bonds maturing during the financial year. Financial liabilities are mainly short-term.

Credit risk
As far as the risk of default is concerned, the group is not exposed to significant risks relating to individual customers. Transactions are only concluded after the creditworthiness of the business associate has been checked. Receivables are not insured. The group does not use derivative instruments.

Notes on balance sheet items

(22) Property, plant and equipment

Property, plant and equipment have changed as follows:

	Building investments in non-owned facilities EUR	Office machines, IT equipment, other office equipment EUR	Total EUR
Acquisition or production costs 1.1.2004	685,086.81	3,632,538.13	4,317,624.94
Currency translation differences	711.23	13,417.80	14,129.03
Additions	25,233.37	328,501.04	353,734.41
Disposals	-1,800.79	-244,602.68	-246,403.47
Acquisition or production costs 31.12.2004	**709,230.62**	**3,729,854.29**	**4,439,084.91**
Accumulated depreciation 1.1.2004	443,635.39	2,669,238.22	3,112,873.61
Currency translation differences	42.68	12,934.28	12,976.96
Depreciation charge 2004	98,622.43	471,913.80	570,536.23
Disposals	-1,464.16	-225,521.73	-226,985.89
Accumulated depreciation 31.12.2004	540,836.34	2,928,564.57	3,469,400.91
Carrying amounts 31.12.2004	**168,394.28**	**801,289.72**	**969,684.00**

	Building investments in non-owned facilities EUR	Office machines, IT equipment, other office equipment EUR	Total EUR
Acquisition or production costs 1.1.2003	667,227.21	3,364,959.29	4,032,186.50
Currency translation differences	-258.35	-9,512.71	-9,771.06
Additions	16,960.72	170,053.44	187,014.16
Additions due to changes in consolidated group	9,476.67	388,805.65	398,282.32
Disposals	-8,319.44	-281,767.54	-290,086.98
Acquisition or production costs 31.12.2003	**685,086.81**	**3,632,538.13**	**4,317,624.94**
Accumulated depreciation 1.1.2003	345,922.43	2,284,563.08	2,630,485.51
Currency translation differences	-48.57	-6,223.51	-6,272.08
Depreciation charge 2003	105,509.66	652,522.52	758,032.18
Disposals	-7,748.13	-261,623.87	-269,372.00
Accumulated depreciation 31.12.2003	443,635.39	2,669,238.22	3,112,873.61
Carrying amounts 31.12.2003	**241,451.42**	**963,299.91**	**1,204,751.33**

(23) Goodwill

Goodwill has changed as follows:

	2004 EUR	2003 EUR
Acquisition costs 1.1.	4,721,141.78	10,152,042.74
Addition/Disposal	-14,315.00	1,265,606.60
Acquisition costs 31.12.	**4,706,826.78**	**11,417,649.34**
Accumulated amortisation 1.1.	0.00	5,432,850.46
Amortization	0.00	1,263,657.10
Accumulated amortisation 31.12.	0.00	6,696,507.56
Carrying amount	**4,706,826.78**	**4,721,141.78**

Goodwill relates to the past acquisitions of corresponding shares in Brain Force Software S.p.A., Milan, Italy (formerly: TEMA Studio di Informatica S.p.A.), beusen Solutions GmbH, Berlin, Germany (which has since merged with Brain Force Software GmbH, Unterschleissheim, Germany) and Brain Force Financial Solutions AG, Munich, Germany (formerly: NSE Software AG).

Disposals in the financial year relate to the sale of 0.92 % of the shares held in Brain Force Financial Solutions AG, Munich, Germany. The income generated amounting to EUR 102,127.25 was recorded under other operating income (see item 41). At December 31, 2004, a 76.13% share of capital stock is held. The addition in the previous year relates to the acquisition of 77.05 % of shares in Brain Force Financial Solutions AG, Munich, Germany.

At the beginning of the financial year 2004, the group decided to apply IFRS 3, IAS 36 and IAS 38 (revised 2004) early. Goodwill was therefore no longer systematically amortised but tested for impairment. No impairment requirement was identified. In accordance with the provisions of IFRS 3, accumulated amortisation amounting to EUR 6,696,507.56 was offset against acquisition costs, which were reduced accordingly from EUR 11,417,649.34 to EUR 4,721,141.78.

Goodwill has been allocated to three cash-generating units as presented below:

	EUR
Segment Communication Networks	1,504,242.00
Brain Force Software S.p.A.	2,029,773.00
Brain Force Financial Solutions AG	1,172,811.78
Carrying amount 31.12.2004	**4,706,826.78**

The Communication Networks segment is a cash-generating unit and is not subdivided into any further cash-generating units. Brain Force Software S.p.A. exclusively operates in the Professional Services segment. Brain Force Financial Solutions AG exclusively operates in the Financial Solutions segment, which consists solely of this company.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the respective business segments.

Key assumptions used for value-in-use calculations:

in %	Gross margin	Growth rate	Discount rate
Segment Communication Networks	53.0	1.5	11.1
Brain Force Software S.p.A.	28.6	1.5	8.1
Brain Force Financial Solutions AG	52.7	1.5	11.5

The gross margins listed are average values for the planning period of the business plan, based on values from previous years and on estimates regarding market developments and market position, taking cost structures into account.

The discount rate used was derived from the weighted average costs of capital (WACC), computed using the CAPM model (Capital Asset Pricing Model), reflecting the market structure and market risks inherent to the business segments.

Sensitivity analysis has shown that significant changes to individual parameters would not have given rise to impairment losses.

(24) Other intangible assets

Other intangible assets have changed as follows:

	Development costs EUR	Software, rights EUR	Total EUR
Acquisition or production costs 1.1.2004	3,602,716.73	1,185,793.28	4,788,510.01
Currency translation differences	0.00	7,386.61	7,386.61
Additions	1,749,711.50	76,838.52	1,826,550.02
Disposals	-5,811.00	-28,806.29	-34,617.29
Acquisition or production costs 31.12.2004	**5,346,617.23**	**1,241,212.12**	**6,587,829.35**
Accumulated amortisation 1.1.2004	507,301.60	773,643.77	1,280,945.37
Currency translation differences	0.00	3,035.80	3,035.80
Amortisation charge 2004	953,156.46	219,336.63	1,172,493.09
Disposals	0.00	-28,806.29	-28,806.29
Accumulated amortisation 31.12.2004	1,460,458.06	967,209.91	2,427,667.97
Carrying amounts 31.12.2004	**3,886,159.17**	**274,002.21**	**4,160,161.38**

	Development costs EUR	Software, rights EUR	Total EUR
Acquisition or production costs 1.1.2003	777,218.23	663,741.19	1,440,959.42
Currency translation differences	0.00	-299.97	-299.97
Additions	1,061,754.75	120,891.59	1,182,646.34
Additions due to changes in consolidated group	1,763,743.75	402,229.74	2,165,973.49
Disposals	0.00	-769.27	-769.27
Acquisition or production costs 31.12.2003	**3,602,716.73**	**1,185,793.28**	**4,788,510.01**
Accumulated amortisation 1.1.2003	168,542.93	312,074.72	480,617.65
Currency translation differences	0.00	-1,678.09	-1,678.09
Amortisation charge 2003	338,758.67	463,781.37	802,540.04
Disposals	0.00	-534.23	-534.23
Accumulated amortisation 31.12.2003	507,301.60	773,643.77	1,280,945.37
Carrying amounts 31.12.2003	**3,095,415.13**	**412,149.51**	**3,507,564.64**

(25) Investments in associates
Financial assets valued at equity relate to the 49% investment held in SFP Software für FinanzPartner GmbH, Munich, Germany by Brain Force Financial Solutions AG, Munich, Germany.

The carrying amount of the investment has changed as follows:

	2004	2003
	EUR	EUR
Carrying amount 1.1.	510,154.30	0.00
Addition due to acquisition	0.00	277,810.23
Profit distribution	-211,738.86	0.00
Share of profit before tax	400,416.66	402,016.44
Share of tax	-163,610.25	-169,672.37
Carrying amount 31.12.	**535,221.85**	**510,154.30**

(26) Other financial assets
Other financial assets mainly consist of securities (shares in investment funds) and serve under Austrian tax law to cover provisions for severance payments and pensions. These securities are classified as available-for-sale and are carried at fair value (stock exchange rate at balance sheet date).

	2004	2003
	EUR	EUR
Carrying amount 1.1.	184,178.23	183,902.49
Additions	3,151,226.45	6.30
Disposals	-3,151,226.45	0.00
Adjustment to fair value	3,001.99	269.44
Carrying amount 31.12	**187,180.22**	**184,178.23**

Additions and disposals relate to the purchase and sale of shares in TOPCALL International Aktiengesellschaft.

(27) Deferred taxes

Deferred tax assets are recognised under other non-current assets. Deferred tax liabilities are recognised under non-current liabilities.

Deferred taxes are calculated as follows:

	1.1.2004	Currency translation	Addition due to acquisition	Change in income statement	31.12.2004
	EUR	EUR	EUR	EUR	EUR
Deferred tax assets					
Goodwill	46,528.00	0.00	0.00	-6,646.76	39,881.24
Provisions for post-employment benefits	106,132.65	0.00	0.00	23,311.82	129,444.47
Tax-loss carryforwards	1,691,514.20	1,078.81	0.00	298,308.30	1,990,901.31
Other	0.00	0.00	0.00	20,131.30	20,131.30
	1,844,174.85	**1,078.81**	**0.00**	**335,104.66**	**2,180,358.32**
				.	
Deferred tax liabilities					
Development costs	1,234,297.00	0.00	0.00	157,158.81	1,391,455.81
Other non-current assets	107,370.18	0.00	0.00	-19,324.25	88,045.93
Receivables	151,482.81	0.00	0.00	164,160.65	315,643.46
Other	0.00	0.00	0.00	41,681.85	41,681.85
	1,493,149.99	**0.00**	**0.00**	**343,677.06**	**1,836,827.05**

	1.1.2003	Currency translation	Addition due to acquisition	Change in income statement	31.12.2003
	EUR	EUR	EUR	EUR	EUR
Deferred tax assets					
Goodwill	371,351.68	0.00	0.00	-324,823.68	**46,528.00**
Provisions for post-employment benefits	0.00	0.00	0.00	106,132.65	**106,132.65**
Tax-loss carryforwards	1,683,066.74	-11,926.77	1,131,897.97	-1,111,523.74	**1,691,514.20**
Other	1,911.91	0.00	0.00	-1,911.91	**0.00**
	2,056,330.33	**-11,926.77**	**1,131,897.97**	**-1,332,126.68**	**1,844,174.85**
Deferred tax liabilities					
Development costs	234,128.02	0.00	769,264.51	230,904.47	**1,234,297.00**
Other non-current assets	96,611.18	0.00	0.00	10,759.00	**107,370.18**
Receivables	40,117.33	0.00	91,419.44	19,946.04	**151,482.81**
Valuation reserve for tax purposes	64,350.00	0.00	0.00	-64,350.00	**0.00**
Provisions for post-employment benefits	35,913,51	0.00	0.00	-35,913.51	**0.00**
Other provisions	15,315,30	0.00	11,393.26	-26,708.56	**0.00**
	486,435,34	**0.00**	**872,077.21**	**134,637.44**	**1,493,149.99**

Deferred tax assets and deferred tax liabilities are netted and shown in the balance sheet as assets or liabilities, provided the company has an enforceable right to offset actual tax rebates against tax liabilities, and the deferred tax assets relate to income taxes levied by the same financial authorities.

The following amounts are shown in the balance sheet after netting:

	2004 EUR	2003 EUR
Deferred tax assets	799,886.96	683,271.20
Deferred tax liabilities	-456,355.69	-332,246.34
Carrying amount 31.12.	**343,531.27**	**351,024.86**

Within the next 12 months deferred tax assets to be recovered amount to EUR 61,775.80, deferred tax liabilities to 177,326.96.

Deferred tax assets are only recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Estimates are based on the available budgeted figures.

No deferred tax assets have been recognised for unused tax losses that can be carried forward for an unlimited period, nor for deductible differences.

	Basis EUR	Deferred tax assets EUR
31.12.2004		
Tax-loss carryforwards	64,522,876.09	25,061,475.25
Deductible temporary differences	5,695,204.22	1,423,801.00
	70,218,080.31	**26,485,276.25**
31.12.2003		
Tax-loss carryforwards	64,775,984.08	26,047,549.00
Deductible temporary differences	7,566,832.15	2,572,723.00
	72,342,816.23	**28,620,272.00**

The amount of deductible differences relates to the item goodwill. The scheduled amortisation of goodwill has no effect on tax, as the investment is not amortised in the individual tax balance sheet. By contrast, a writedown or loss on disposal does affect tax, provided the amount of the writedown required is not due to the company's dividend policy. The tax claims resulting from writedowns or losses on disposals are to be allocated on a systematic basis over seven years.

In the operating year, the Austrian government reduced corporate income tax as part of a comprehensive tax reform from 34% to 25%, effective from January 1, 2005.

(28) Inventories

Inventories are measured at acquisition or production cost. A writedown to the net realisable value was not necessary in the reporting periods.

	31.12.2004	31.12.2003
	EUR	EUR
Work in progress	294,411.23	146,511.47
Goods for resale	1,223.75	1,223.75
	295,634.98	**147,735.22**

(29) Trade receivables

	31.12.2004	31.12.2003
	EUR	EUR
Gross	14,990,944.18	12,562,572.54
Less allowance for doubtful accounts	-135,804.11	-130,584.54
Trade receivables for services not yet invoiced and service contracts	1,923,536.39	1,876,995.24
Gross amount due from customers for contract work	608,700.06	432,270.31
Receivables from associates	70,670.54	36,251.98
	17,458,047.06	**14,777,505.53**

Adequate writedowns were made to account for the estimated risk of default on receivables.

Contract costs incurred and recognised profits to date amount to EUR 1,374,568.07 (previous year: EUR 1.305.308,82). Advances received amount to EUR 161,758.24 (previous year: EUR 97,299.33).

(30) Financial assets

Financial assets amounting to EUR 3,941,418 (2003: EUR 0) show short-term investments in a cumulative investment fund. Price changes in 2004 measured at fair value through profit or loss amount to EUR 61,031.23.

(31) Other receivables and other assets

Other receivables and other assets comprise the following items:

	31.12.2004 EUR	31.12.2003 EUR
Non-current:		
Insurance cover for provisions	36,708.00	24,484.00
Deposits	114,921.84	65,066.19
Other	17,766.88	36,236.76
	169,396.72	**125,786.95**
Current:		
Prepayments	23,535.37	37,782.25
Revenue authorities	70,019.26	142,974.90
Maintenance and other prepaid expenses	466,462.99	826,200.07
Other	139,295.56	235,924.97
	699,313.18	**1,242,882.19**

The fair value of insurance covering pension commitments is considered a plan asset when calculating the provision for pensions in the balance sheet (see note 34), as long as the insurance is pledged in favour of the employee.

(32) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31.12.2004 EUR	31.12.2003 EUR
Cash in hand	16,018.12	10,536.75
Cash at banks	14,535,189.92	4,334,743.45
	14,551,208.04	**4,345,280.20**

(33) Equity

Share capital amounts to EUR 10,257,828 and consists of 10,257,828 individual bearer shares with no nominal value.

The company's shares are listed in the Prime Standard Segment of the Frankfurt Stock Exchange in Germany. Furthermore, its securities were approved for trading on the Vienna Stock Exchange on February 24, 2004 and have been listed in the Prime Market Segment since March 22, 2004.

At the balance sheet date authorised capital is currently EUR 5,128,914 (previous year: EUR 1,277,545).

In the financial year, shares from authorised capital amounting to EUR 2,423,039 (previous year: EUR 1,049,646) were subscribed.

The development of share capital and reserves is shown in the table below:

	Share capital EUR	Reserves EUR
Balance 1.1.2004	4,834,789.00	5,446,985.64
Capital increase in accordance with resolution of Executive Board on 12.2.2004 , authorised on 23.1.2004 and approved by the Supervisory Board on 23.2.2004 , registration in Register of Firms on 18.3.2004	2,417,394.00	4,834,788.00
Transaction costs related to issue of share capital	0.00	-174,937.65
Capital increase in accordance with resolution of Executive Board on 23.4.2004, authorised on 14.4.2004 and approved by the Supervisory Board on 26.4.2004, registration in Register of Firms on 5.6.2004	3,005,645.00	6,011,290.00
Transaction costs related to issue of share capital	0.00	-605,604.16
Other movements	0.00	31,886.59
Balance 31.12.2004	**10,257,828.00**	**15,544,408.42**

	Share capital EUR	Reserves EUR
Balance 1.1.2003	3,785,143.00	4,408,642.67
Capital increase in kind in accordance with resolution of Executive Board on 20.5.2003, authorised on 13.6.2002 and approved by the Supervisory Board on 5.6.2003, registration in Register of Firms on 6.9.2003	434,620.00	1,082,203.80
Capital increase in kind in accordance with resolution of Executive Board of 15.9.2003, authorised on 12.6.2003 and approved by the Supervisory Board on 9.10.2003, registration in Register of Firms on 14.11.2003	615,026.00	977,891.34
Used to cover losses	0.00	-964,154.47
Other reclassifications within other reserves	0.00	-57,597.70
Balance 31.12.2003	**4,834,789.00**	**5,446,985.64**

Other reserves comprise the following items at the balance sheet date:

	31.12.2004 EUR	31.12.2003 EUR
Fair value reserve of securities	1,894.66	-1,107.33
Revaluation reserve	110,262.00	110,262.00
Currency translation reserve	-306,722.94	-335,607.54
	-194,566.28	**-226,452.87**

The revaluation reserve has been recorded to reflect fair value adjustments as part of the phased purchase of net assets of Brain Force Financial Solutions AG (formerly: NSE Software AG) in 2003.

In the year under review, 152,645 shares were bought back at a price ranging from EUR 2.50 to EUR 2.78 to a total value of EUR 410,267.40.

(34) Provisions for post-employment benefits

Provisions for post-employment benefits are broken down as follows:

	31.12.2004 EUR	31.12.2003 EUR
Provisions for pensions	179,785.00	183,226.00
Provisions for severance payments	326,180.00	331,741.02
Provisions for severance payments (TFR)	1,657,277.00	1,377,639.82
	2,163,242.00	**1,892,606.84**

Provisions for pensions

Due to individual arrangements, some employees have been promised an additional pension on retirement. The size of this pension depends on the defined benefit plan.

The values recognised for provisions for pensions at the balance sheet dates were computed by actuaries based on the projected-unit-credit-method and are broken down as follows:

	31.12.2004 EUR	31.12.2003 EUR
Actuarial present value of defined benefit obligation	427,677.00	342,894.00
Fair value of plan assets	-175,745.00	-133,556.00
	251,932.00	**209,338.00**
Unrecognised past service cost	-2,653.00	-5,305.00
Unrecognised actuarial losses	-69,494.00	-20,807.00
Liability in the balance sheet	**179,785.00**	**183,226.00**

The plan assets pursuant to IAS 19 consist of the insurance cover for the pension commitments pledged in favour of employees. No expected incomes from the plan assets are shown.

The expense recorded in the income statement concerning defined benefit obligations comprises:

	2004	2003
	EUR	EUR
Current service cost	36,228.00	36,344.00
Interest cost	19,716.00	17,636.00
Amortisation of past service cost	2,652.00	2,652.00
Effects of plan curtailments/-settlements	0.00	-55,949.52
	58,596.00	**682.48**

The development of the liability recognised in the balance sheet is as follows:

	2004	2003
	EUR	EUR
Balance 1.1.	183,226.00	209,408.52
Pension costs for defined benefit obligations	58,596.00	682.48
Pension settlements	0.00	14,387.66
Pension payments	-62,037.00	-41,252.66
Balance 31.12.	**179,785.00**	**183,226.00**

The principal actuarial assumptions are:

	2004	2003
Discount rate	5 %	5.75 %
Future salary increases	3 %	3 %
Future pension increases	2 %	1 – 3 %
Pensionable age	60 – 62, 65	60 – 62, 65 Jahre
Mortality table Austria	AVÖ 1999-P, employees	AVÖ 1999-P, employees
Germany	Heubeck 1998	Heubeck 1998

In addition, fixed contributions to a pension fund are paid to some employees in Austria due to pension commitments; the payments made by the company are recognised in accordance with IAS 19 as contributions to defined contribution plans.

Total pension costs comprise:

	2004 EUR	2003 EUR
Pensions costs – defined benefit plan	58,596.00	682.48
Pensions costs – defined contribution plan	45,185.07	57,477.84
Capitalisation of premium reserves	-12,224.00	-4,914.00
	91,557.07	**53,246.32**

Provisions for severance payments (Austria)

The value of provisions for severance payments are computed in the same way as for provisions for pensions:

	31.12.2004 EUR	31.12.2003 EUR
Actuarial present value of defined benefit obligation	319,608.00	402,479.02
Unrecognised actuarial gains/losses	6,572.00	-70,738.00
Liability in the balance sheet	**326,180.00**	**331,741.02**

The expense recorded in the income statement consists of:

	2004 EUR	2003 EUR
Current service cost	64,523.00	78,736.00
Interest cost	22,401.00	21,744.00
Amortisation of actuarial losses	3,473.00	4,947.00
Plan settlement	0.00	69,204.00
	90,397.00	**174,631.00**

The development of the liability recognised in the balance sheet is as follows:

	2004 EUR	2003 EUR
Balance 1.1.	331,741.02	311,820.04
Severance costs	90,397.00	174,631.00
Severance payments	-95,958.02	-154,710.02
Balance 31.12	**326,180.00**	**331,741.02**

The principal actuarial assumptions are:

	2004	2003
Discount rate	5 %	5,75 %
Future salary increases	3 %	3 %
Labour turnover	19.9 %	19,9 %
Probability of occurrence	25 %	25 %
Pensionable age	according to pension reform 2004	60
Mortality table	AVÖ 1999-P, employees	AVÖ 1999-P, employees

Provisions for severance payments (TFR)

The value of provisions for severance payments (TFR) was computed in the same way as for provisions for pensions in 2004. The balance of EUR 1,657,277.32 recognised at December 31, 2004 corresponds to the actuarial net present value of the severance payments obligation (defined benefit obligation). Actuarial gains and losses are therefore recognised in the year in which they occur.

The expense recorded in the income statement consists of:

	2004	2003
	EUR	EUR
Current service cost	365,630.00	361,533.15
Interest cost	60,620.00	51,026.00
Recognition of actuarial losses	63,048.82	55,764.00
	489,298.82	**468,323.15**

The development of the liability recognised in the balance sheet is as follows:

	2004	2003
	EUR	EUR
Balance 1.1	1,377,639.82	1,074,229.17
Severance costs	489,298.82	468,323.15
Severance payments	-209,661.64	-164,912.50
Balance 31.12.	**1,657,277.00**	**1,377,639.82**

The principal actuarial assumptions are:

	2004	2003
Discount rate	4.50 %	4.75 %
Future salary increases	3,5 %	3,5 %
Inflation	2 %	2 %
Growth rate TFR	3 %	3 %
Labour turnover	12.5 %	12.5 %
Probability of occurrence concerning advances	5 %	5 %
Pensionable age	65	65
Mortality table	80 % of ISTAT 1992 updated 1996	80 % of ISTAT 1992 updated 1996

(35) Financial liabilities

	31.12.2004	31.12.2003
	EUR	EUR
Non-current:		
Convertible bonds	**0.00**	**41,926.14**
Current:		
Convertible bonds	38,858.40	34,256.56
Bank overdrafts	2,447,876.09	2,865,893.63
	2,486,734.49	**2,900,150.19**

The item "convertible bonds" relates to the interest-bearing bonds issued by Brain Force Financial Solutions AG, Munich, Germany to its employees with a right to convert the bonds into ordinary shares of Brain Force Financial Solutions AG. The amount was not divided into equity and debt components pursuant to IAS 32 as the amount is not deemed material.

Interest on overdrafts is currently charged at 5.5 – 7.75 % (2003: 4.5 – 7 %).

Financial liabilities amounting to EUR 2.32 million are secured by trade receivables.

(36) Trade payables

	31.12.2004	31.12.2003
	EUR	EUR
Trade payables already invoiced	4,056,633.42	4,225,428.57
Prepayments	392,194.99	179,834.97
Trade payables not yet invoiced	1,079,013.49	892,593.09
	5,527,841.90	**5,297,856.63**

(37) Sonstige Verbindlichkeiten

Die sonstigen Verbindlichkeiten setzen sich wie folgt zusammen:

	31.12.2004 EUR	31.12.2003 EUR
Non-current:		
Other	**16,558.00**	**40,786.71**
Current:		
Taxes	1,782,214.77	1,610,744.64
Social security contributions	1,226,316.96	968,934.43
Holiday entitlements and overtime payables	1,072,659.61	1,792,371.56
Bonuses	777,066.09	270,106.19
Payroll	752,127.01	1,013,444.33
Deferred income from maintenance contracts	1,166,341.97	1,374,147.87
Other	675,634.19	601,524.85
	7,452,360.60	**7,631,273.87**

(38) Tax provisions

Tax provisions relate to 2004.

(39) Other provisions

	Balance 1.1.2004 EUR	Use EUR	Reversal EUR	Allocation EUR	Balance 31.12.2004 EUR
Non-current:					
Restructuring	**62,600.00**	**-46,500.00**	**-16,100.00**	**0.00**	**0.00**
Current:					
Restructuring	473,640.44	-379,432.21	-67,500.00	0.00	26,708.23
Guarantee	42,000.00	-42,000.00	0.00	6,000.00	6,000.00
Expected losses	31,607.60	-31,607.60	0.00	0.00	0.00
	547,248.04	**-453,039.81**	**-67,500.00**	**6,000.00**	**32,708.23**

The provision for restructuring relates to Brain Force Financial Solutions AG. Restructuring costs comprise redundancy payments to 5 staff members. The provision for warranties was set up for expenses incurred in correcting errors relating to individual projects.

Notes on income statement items

(40) Net sales

Net sales consist of:

	2004	2003
	EUR	EUR
Services	51,815,452.52	48,471,728.04
Construction/service contracts	6,076,667.69	4,503,845.42
Products	6,528,808.92	7,123,532.64
	64,420,929.13	**60,099,106.10**

(41) Other operating income

Other operating income includes:

	2004	2003
	EUR	EUR
Business facilitation income	246,677.48	156,929.03
Rental income	140,855.99	143,205.88
Gains from disposal of shares in group companies	102,127.25	0.00
Reversal of other provisions and closing out of other liabilities	249,569.78	207,895.49
Other	370,733.55	317,582.55
	1,109,964.05	**825,612.95**

Gains from the disposal of shares in group (consolidated) companies related to the disposal of 0.92 % of the shares in Brain Force Financial Solutions AG.

(42) Material and production costs

This item is broken down as follows:

	2004	2003
	EUR	EUR
Cost of materials		
Cost of goods sold	1,210,794.57	976,288.26
Maintenance	530,663.01	406,357.60
Licenses	118,574.62	487,178.23
	1,860,032.20	**1,869,824.09**
Other production costs		
Project workers	23,651,986.13	21,255,464.72
Subcontractors	20,691,823.79	18,910,744.40
	44,343,809.92	**40,166,209.12**
	46,203,842.12	**42,036,033.21**

(43) Employee benefits costs

Employee benefits costs are broken down as follows:

	2004	2003
	EUR	EUR
Salaries	8,520,147.74	8,490,936.37
Severance payments	626,478.94	698,252.88
Pension costs	91,557.07	53,246.32
Social security costs and payroll-related contributions	1,424,281.39	1,531,361.66
Other fringe benefits	141,626.65	144,691.81
	10,804,091.79	**10,918,489.04**

Expenses for severance payments include voluntary severance payments amounting to EUR 26,515.25 (2003: EUR 48,979.27) in addition to expenses for statutory entitlements (see note 34) and contributions to the "Mitarbeitervorsorgekasse” (statutory severance payment scheme) amounting to EUR 20,267.87 (2003: EUR 6,319.46).

(44) Depreciation and amortisation expense

This item contains depreciation of property, plant and equipment and amortisation of intangible assets.

	2004	2003
	EUR	EUR
Amortisation of goodwill	0.00	1,263,657.10
Depreciation and amortisation of other assets	1,743,029.32	1,560,572.22
	1,743,029.32	**2,824,229.32**

(45) Other operating expenses

Other operating expenses contain:

	2004	2003
	EUR	EUR
Rents and energy costs	2,102,624.32	1,881,029.00
Maintenance	315,809.09	248,769.95
Post, telecommunications	457,540.89	567,709.78
Travel expenses	321,63.88	283,350.40
Insurance	101,09.04	162,908.24
Legal, audit and consultancy fees	723,47.12	629,557.81
Marketing	516,081.07	524,504.39
Vehicle costs	953,573.95	922,648.58
Office expenditure	120,966.24	86,193.91
Other expenses	565,002.69	523,447.35
	6,177,796.29	**5,830,119.41**

(46) Financial result

The financial result is computed as follows:

	2004 EUR	2003 EUR
Income from disposal of investments	600,313.39	0.00
Interest and similar income	220,615.82	34,138.56
Interest and similar expenses	-250,686.52	-191,270.58
	570,242.69	**-157,132.02**

Gains from the disposal of financial assets related to the sale of shares in TOPCALL International Aktiengesellschaft.

(47) Income taxes

	2004 EUR	2003 EUR
Current tax expense	1,162,597.00	742,290.06
Deferred tax expense	8,572.40	1,466,764.12
Share of tax of associates	163,610.25	169,672.37
	1,334,779.65	**2,378,726.55**

Tax expenses for the year are EUR 192,061.47 (2003: EUR 2,233,639.31) higher than the calculated income taxes of EUR 1,142,718.18 (2003: EUR 145,086.64) that would result from the application of the income tax rate of 34% (= the income tax rate of the parent company) on the result before taxes.

The reasons for the difference between calculated and recognised tax expenses are as follows:

	2004	2003
	EUR	EUR
Result before income taxes	**3,360,935.83**	**426,725.41**
thereof 34 % = calculated income tax expense	1,142,718.18	145,086.64
Effect of different tax rates in other countries	578,849.99	581,491.84
Effect of changes in tax rate	1,840,012.90	0.00
Income not subject to tax	-12,873.67	-244,071.92
Expenses not deductible for tax purposes	60,194.47	559,357.31
Other permanent differences	-145,357.28	0.00
Write down of deferred tax assets	0.00	1,397,503.29
Utilisation of previously unrecognised temporary deductible differences and tax loss carryforwards	-636,353.50	-729,849.49
Other changes in unrecognised deferred tax assets	-1,498,642.25	682,996.93
Income tax expense current period	**1,328,548.84**	**2,392,514.60**
Income tax income/expense prior periods	6,230.81	-13,788.05
Income tax expense recognised	**1,334,779.65**	**2,378,726.55**

The effects of changes in tax rates include the effects of unrecognised deferred taxes in addition to the effects of recognised deferred taxes, which results in the fact that the effects of the use of unrecognised temporary differences and tax loss carryforwards and other changes in unrec-ognised deferred tax assets can be reconciled to the information in item 27. Non-tax-deductible expenses in 2003 mainly consist of scheduled amortisation of goodwill.

Notes on the cash flow statement

The cash flow statement was prepared using the indirect method.

This illustrates the change in cash and cash equivalents in the group resulting from cash inflows and outflows over the reporting period, divided into cash flow from operating, investing and financing activities.

(48) Cash flow from operating activities

Cash flow from operating activities is based on result before taxes adjusted for non-cash revenue and expenses, after changes to funds tied up in working capital and deduction of paid interest and income taxes.

(49) Cash flow from investing activities

This item shows all cash inflows and outflows relating to additions to and disposals of non-current assets and financial assets.

Cash flow from the acquisition of subsidiaries relates to the remaining payments effected in connection with the acquisition of Brain Force Financial Solutions AG in 2003 (formerly: NSE Software AG), or relate to earlier acquisitions.

(50) Cash flow from financing activities

This item shows all cash inflows and outflows relating to financing via equity and loan capital.

(51) Cash and cash equivalents

This item contains cash in hand and at banks. Cash at banks is available at short notice.

Other disclosures

(52) Segment reporting

a) Business Segments

The BRAIN FORCE SOFTWARE Group has three business segments:

- Professional Services
- Communication Networks
- Financial Solutions

The Professional Services segment optimizes companies' business processes by means of user-centred IT solutions, ranging from project-based services centred around critical business applications to the implementation of ERP, CRM or other systems. The scope of services covers the outsourcing of individual applications as well as entire business processes, for example in HR management.

Communication Networks is engaged in the creation of software, systems and applications for the entire spectrum of network management and telecommunications.

The product and technology portfolio contains solutions for the areas IP load balancing, intel-ligent networks, PBX network management, cable management, and billing & accounting.

Financial Solutions covers almost all branches of financial services firms with its innovative solutions and products. Based on the standardised, modular components of the FINAS product family, individual solutions are combined in software packages tailored to requirements. Such components include financial planning, post-employment benefits and construction financing. A central component of this modular system is FINAS CRM. The individual components are scalable, web-enabled and support all distribution channels and sales processes of the financial service provider: acquisition, analysis, consulting and sales.

The ratios for 2004 and the previous year are:

Ratios by segment 2004	Professional Services EUR	Communication Networks EUR	Financial Solutions EUR	Unallocated EUR	Total EUR
Segment net sales (consolidated)	52,532,522.11	4,808,826.27	7,079,580.75	0.00	**64,420,929.13**
Segment operating result	2,471,405.25	576,729.90	803,039.35	-1,460,898.02	**2,390,276.48**
Financial result					**570,242.69**
Share of profit of associates			400,416.66		**400,416.66**
Result before taxes					**3,360,935.83**
Income taxes					**-1,334,779.65**
Result for the period					**2,026,156.18**
Segment assets	20,308,263.20	4,928,151.80	7,327,863.17	15,909,701.00	**48,473,979.17**
Segment liabilities	14,723,373.70	783,242.58	2,292,199.37	817,020.34	**18,615,835.99**
Segment capital expenditure	444,857.81	518,403.18	1,214,670.30	0.00	**2,177,931.29**
Segment depreciation and amortisation	508,554.77	551,275.96	683,198.59	0.00	**1,743,029.32**

Ratios by segment 2003	Professional Services EUR	Communication Networks EUR	Financial Solutions EUR	Unallocated EUR	Total EUR
Segment net sales (consolidated)	48,905,766.73	4,557,605.43	6,635,733.94	0.00	**60,099,106.10**
Segment operating result	1,403,384.86	-593,828.20	626,591.68	-1,254,307.35	**181,840.99**
Financial result					**-157,132.02**
Share of profit of associates			402,016.44		**402,016.44**
Result before taxes					**426,725.41**
Income taxes					**-2,378,726.55**
Result for the period					**-1,952,001.14**
Segment assets	19,599,924.71	3,719,774.41	6,770,451.19	1,360,101.26	**31,450,251.57**
Segment liabilities	14,182,607.00	760,738.28	2,981,187.39	825,473.45	**18,750,006.12**
Segment capital expenditure	407,269.13	411,582.75	4,380,671.03	0.00	**5,199,522.91**
Segment depreciation and amortisation	1,544,681.31	604,145.52	675,402.49	0.00	**2,824,229.32**

b) Geographical segments

Geographical segments contain the figures allocated to the individual group companies for activities primarily based in the countries where the company's headquarters are located. Other regions contain the group companies in Switzerland, the Netherlands, the UK, the Czech Republic and Slovakia.

	Segment net sales		Segment assets		Segment capital expenditure	
	2004 TEUR	2003 TEUR	2004 TEUR	2003 TEUR	2004 TEUR	2003 TEUR
Austria	12,058	12,152	17,907	4,132	64	136
Germany	33,544	31,090	16,474	14,721	1,751	4,688
Italy	16,809	15,518	12,265	11,464	242	248
Other regions	2,010	1,339	1,828	1,133	121	127
	64,421	**60,099**	**48,474**	**31,450**	**2,178**	**5,199**

(53) Earnings per share

Earnings per share are computed by dividing the result for the period by the weighted average number of ordinary shares.

	2004 EUR	2003 EUR
Result for the period attributable to the equity holders of the parent	1,775,039.40	-2,087,241.02
Weighted average number of ordinary shares issued (basic and diluted)	8,393,184	4,001,359
Earnings per share (in EUR)	**0.21**	**-0.52**

(54) Notes on related party transactions

The major shareholders and the Management and Supervisory Board members of BRAIN FORCE SOFTWARE AG and its associates are deemed to be related parties.

Remuneration of Executive Board members in the reporting period was EUR 948,684.26, thereof variable portion EUR 50.400 (previous year: EUR 941,975.94, thereof variable portion EUR 10.800). Remuneration of Supervisory Board members was recognised as an expense and amounted to EUR 39,650 (previous year: EUR 35,548).

In addition, expenses for severance payments and pensions for Executive Board members were recognised at an amount of EUR 86,331.72 (previous year: EUR 48,976.54).

Neither loans were granted nor guarantees given to Executive Board or Supervisory Board members.

Fees amounting to EUR 219,874.20 for services rendered (consulting) were paid to companies in which the Supervisory Board members hold shares.

The following transaction occurred between the BRAIN FORCE SOFTWARE group and its associated company, SFP Software für Finanzpartner GmbH, Munich, Germany, (Note 25):

Brain Force Financial Solutions AG, Munich, Deutschland, renders services to SFP Software für Finanzpartner GmbH, Munich, Germany in the form of a business facilitation agreement. These services consist of provision of a general manager, the management accounting including payroll, financial controlling, back office services and the provision of office facilities. Brain Force Financial Solutions AG receives business facilitation fees amounting to EUR 246,677.48 (previous year: EUR 156,929.03) resulting from this agreement. Receivables at the balance sheet date amount to EUR 70,670.54 (previous year: EUR 136,251.98).

(55) Equity compensation benefits

The stock option programme for BRAIN FORCE SOFTWARE AG employees was discontinued on January 31, 2004. No options had been exercised prior to the expiry of the exercise period.

BRAIN FORCE SOFTWARE AG has no employee stock ownership programme at present. Neither Executive Board nor Supervisory Board members hold option rights at the balance sheet date.

Brain Force Financial Solutions AG issued stock options in three tranches for Executive Board members and senior management.

The conditions of the tranches issued up to the balance sheet date are:

	Units	Costs in Euro	Earliest exercise period
Tranche 1	17,000	13.64	30.12.2001
Tranche 2	127,380	24.46	25.05.2005
Tranche 3	260,291	1.00	05.12.2003

(56) Financial instruments

The financial instruments listed in the balance sheet are securities, cash and cash equivalents and bank accounts, receivables and supplier credits and financial liabilities. The accounting principles described for each balance sheet item are applicable to original financial instruments. No derivative financial instruments exist.

(57) Commitments from leasing transactions

	2004	2003
	EUR	EUR
Not later than one year	2,354,036.95	2,150,173.25
Later than 1 and not later than 5 years	3,728,434.05	3,769,246.60
Later than 5 years	36,847.16	0.00

(58) Angaben über Arbeitnehmer

	Average		At 31.12.	
	2004	2003	2004	2003
Number of employees (salaried)	614	598	622	634

(59) Post balance sheet events
There have been no significant events after the balance sheet date.

Notes governing exemption to compile consolidated financial statements in accordance with § 245 a HGB (Austrian Commercial Code)

Reporting in accordance with internationally accepted accounting standards
The consolidated financial statements at December 31, 2003 were drawn up according to International Financial Reporting Standards (IFRS). Pursuant to § 245 a HGB, these statements prepared in accordance with IFRS do not need to be compiled in accordance with HGB. Consequently, additional disclosures are required pursuant to § 245 a Sec. 1 lines 1 - 3 HGB.

Notes on significant differences between IAS and the 7th EC Directive
Due to the EU Regulation passed on September 29, 2003 by the EU Commission relating to the adoption of certain international financial reporting standards that are compatible with the EU Regulation of the European Parliament and the Council of July 19, 2002 and with the EU Directive passed by the European Parliament and the Council on June 18, 2003 amending the fourth and seventh EU Directives, there are no significant discrepancies between IFRS and the seventh EU Directive.

Notes on the main differences between Austrian reporting requirements (HGB) and IFRS

Development costs
Development costs are capitalised in accordance with IAS 38 and amortised over their useful lives.

Securities
According to Austrian reporting requirements, short-term and long-term securities are recognised at the lower of cost or market. Measurement according to IAS, by contrast, is at fair value, with unrealised gains/losses using the option in IAS 39 for "available-for-sale financial instruments" being recognised directly in equity.

Revenue recognition by reference to stage of completion of construction contracts / services rendered.
According to IAS 11/18, the profit from construction contracts / services rendered is recognised as soon as it can be reliably estimated, according to the stage of completion. According to HGB, recognition over and above production cost is only permitted for long-term construction contracts in the amount of the proportional administrative and distribution costs.

Foreign currency measurement
There is a difference between both reporting systems regarding the recognition of unrealised gains from the measurement of foreign currencies at the balance sheet date. According to Austrian law, only unrealised losses are recognised in keeping with the imparity principle, whereas unrealised gains must also be realised under IAS.

Deferred taxes
In contrast to HGB, deferred tax assets are recognised for loss carryforwards in accordance with IAS, provided these tax loss carryforwards will probably be used by future taxable income.

Other provisions
In contrast to the classification required under HGB, amounts that would be stated as provisions according to Austrian law are recorded under current liabilities.

Additional disclosures pursuant to § 245 a Sec. 1 line 3 HGB

Income payable after the balance sheet date
Other receivables and other assets do not include any significant income payable after the balance sheet date.

Expenses payable after the balance sheet date
Other liabilities include the following significant expenses, payable after the balance sheet date:

	2004	2003
	EUR	EUR
Provision for bonuses	777,066.09	270,106.19
Payroll liabilities	752,127.01	1,013,444.33
Other liabilities from taxes	698,364.48	625,051.64
Other liabilities from social security contributions	1,226,316.96	968,934.43

Remaining terms of receivables and payables

Subdivision into long-term and short-term balance sheet items is based on the assumption that long-term items have a remaining term of more than one year.

Expenses for post-employment benefits

Expenses for severance payments and pensions for Executive Board members and top-tier management according to § 80 AktG amount to EUR 86,331.72 (previous year: EUR 93,915.39) for other employees EUR 631,704.29 (previous year: EUR 657,583.81).

Members of the Executive and Supervisory Boards

The following served on the Executive Board in 2004:

- Helmut Fleischmann, Kitzbuehel, CEO
- Wolfgang Lippert, Langenzersdorf, Deputy CEO
- Günter Pridt, Vienna (removal from register of firms filed at December 31, 2004 but not yet effective)
- Gunter Reißmann, Fuerstenfeldbruck, Germany

The following served on the Supervisory Board in 2004:

- Roman Gregorig, Vienna, Chairman
- DDr. Hermann Wenusch, Vienna, Deputy
- Mag. Wolfgang M. Hickel, Vienna
- Mag. Christian Schamburek, Brunn am Gebirge
- Josef Schmid, Pfaffstaetten,
- Dr. Christoph Senft, Angerberg

Vienna, February 17, 2005

The Executive Board:

Helmut Fleischmann Chief Executive Officer	Wolfgang Lippert Chief Finance Officer	Gunter Reißmann Chief Technology Officer

Auditor's Report

To the Management and Supervisory Boards of BRAIN FORCE SOFTWARE AG:
We have audited the accompanying consolidated financial statements of BRAIN FORCE SOFTWARE AG, Vienna, as of December 31, 2004, prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with internationally accepted auditing standards (International Standards on Auditing (ISA)) issued by the International Federation of Accountants (IFAC) and in accordance with Austrian Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the financial position of BRAIN FORCE SOFTWARE AG, Vienna at December 31, 2004 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

According to the provisions of the Austrian Commercial Code, we have a duty to audit the group management report and to confirm that the legal requirements governing exemption from the obligation to compile consolidated financial statements in accordance with Austrian law have been met.

We certify that the group management report corresponds with the consolidated financial statements and that the legal requirements for exemption from the obligation to prepare consolidated financial statements in accordance with Austrian law have been met.

Vienna, February 17, 2005

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:
Mag. Karl Hofbauer
Certified Public Accountant

signed:
Mag. Gerhard Prachner
Certified Public Accountant

Information

Important dates

Date	Event
31.03.05	Annual Report 2004
14.04.05	Extraordinary Shareholders' Meeting
15.04.05	Press conference to present financial results
30.05.05	Report on first quarter
10.06.05	Annual Shareholders' Meeting
20.06.05	Ex-dividend Day
23.06.05	Dividend Payout day
29.08.05	Report on first six months
28.11.05	Report on third quarter

Imprint

Content:
BRAIN FORCE SOFTWARE AG
IZD Tower
Wagramer Straße 17
A-1220 Vienna

Produced by:
Brain Force Software GmbH
Carl-von-Linde-Straße 38
D-85716 Unterschleißheim

www.brainforce.com

Concept/Design:
Paul Lauer

Editors:
Klaus Göbbel, Martin Kögel

Layout/Lithography:
Uwe Köhler

Photos:
Fotostudio Eva Kubinská
FontShop

Translation:
Elizabeth Hull

Print:
Mediahaus Biering GmbH

Our warmest thanks go in particular to all our staff involved in the making of this annual report.

Glossary

Ratios

Cash Flow	Earnings ratio for company analysis, describing the inflow of cash over a given period
EBIT margin	Earnings Before Interest and Taxes in relation to net sales
EBIT	Earnings Before Interest and Taxes
EBITDA margin	Earnings Before Interest, Taxes, Depreciation and Amortisation in relation to net sales
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
Equity ratio	Ratio describing equity in relation to total net worth
IASB	International Accounting Standards Board; association of independent persons entrusted with achieving world-wide convergence in the field of international financial reporting
IFRS	International Financial Reporting Standards
ÖCGK	Austrian Corporate Governance Code – guidelines governing the management and control of companies
ROE	Return on Equity; profit (before tax) in relation to average equity capital
ROS	Return on Sales; profit (before tax) in relation to net sales
Working Capital	Used to cover cash expenditure required to run the business and to meet short-term fluctuations

Segments

CN	Segment Communication Networks
FS	Segment Financial Solutions
PS	Segment Professional Services

Solutions and Services

Application management	Services ranging from business process and architecture consulting, design and development of applications, maintenance and management of applications to application operations
B-100 Load Balancer	Product to ensure high availability of server farms
bAV	Company pension provision – component of FINAS
beusenBAS	Billing & Accounting solution, through-invoicing of telecommunications services
beusenKNV	Communication and cable network administration
Business process outsourcing	Outsourcing of one or several business processes to an external provider, i.e. payroll accounting
CRM	Customer Relationship Management
FINAS	Financial Information and Sales Support System
INKAS-SQL	Integrated control and billing system – PBX management
Intelligent networks	Part of CN, controlling architecture for telecommunications services
Outsourcing	Outsourcing of extensive areas/processes to external service providers
Outtasking	Outsourcing of individual tasks to external providers
PBX management	Management of private telecommunication systems
User help desk	Single point of contact; all user requirements are expressed via this central telephone number

BRAIN FORCE SOFTWARE AG
IZD Tower
Wagramer Strasse 17
1220 Vienna
Austria

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

www.brainforce.com