Financial Analysis
BearingPoint Inc.

For the fiscal periods ending on June
in the years 2001, 2002, 2003

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Financial Analysis

BearingPoint Inc.

Chapter I

Past Performance

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Background on the organization: Section 3.1

BearingPoint Inc. dates back to 1897 when the original founders came together and formed a company that would eventually be called KMPG Peat Marwick. In 1987 Peat Marwick merged with Klynveld Main Goerdeler to form KPMG LLP. The consulting portion of KPMG LLP was organized into a separate and distinct division in 1997 and began operating as KPMG Consulting Inc. Although the consulting portion of the company had already split from the accounting firm two years prior, KPMG Consulting further distanced itself from KPMG LLP by forming a stand alone unit under the name of BearingPoint Inc. The decision was based on a desire to remove any appearance of a relationship in response to the Sarbanes-Oxley Act of 2002. As an independent entity, BearingPoint Inc. became a public company on February 8, 2001, completing the second-largest public offering in NASDAQ history.

BearingPoint Inc. operates about 200 offices worldwide, maintains a presence in 40 countries and employs a global workforce of approximately 15,000 professionals. BearingPoint's core competencies are management consulting and systems integration. The company provides business and technology strategy, systems design, architecture, applications implementation, network infrastructure, systems integration and managed services. Through strategic partnerships, they sell auxiliary products such as system hardware and networking services.

BearingPoint's clients include Global 2000 companies, medium-sized businesses, government agencies and other organizations. In 2001 and 2002 BearingPoint began to classify revenue into five divisions: public services, financial, operations and technology, high technology, consumer and industrial, communications and content. The industry segment focuses on specific industries such as natural gas, automotive, travel and logistics, metal or telecom. The functional practice works with issues regarding corporate finance, operations, leadership, marketing and general strategy.

In the 2003 annual report, BearingPoint stated a long-range strategy to develop a global presence capable of supporting their global client base and completing project work throughout the world. To this end, the company has acquired KPMG Consulting AG in Austria, Germany and Switzerland, acquired and integrated additional consulting resources in the United States, Brazil, Spain, France and Japan opened a Global Development Center in Shanghai, China. According to the 2003 annual report the company has achieved three significant goals: expanded reach as a global company, returned to business revenue growth and improved in business performance areas that are critical to future success.

The top tier-consulting firms compete aggressively within a limited marketplace, with each firm targeting Fortune 500, Fortune 1000 and Global 2000 companies. According to *Consultant News*, the top 100 consulting firms compete for 76% of the industry's total revenue (Selz, 1991). BearingPoint's top three competitors are Accenture, EDS and IBM. The company also competes with A.T. Kearney, Bain & Company, Booz Allen, Boston Consulting, Capgemini and McKinsey & Company (Hoovers.com). The technology-consulting and outsourcing segment of the computer-services sector remains so fragmented that the market-leading IBM has only an 8% share of the $420 billion market, according to figures cited by John Jones, an analyst with SoundView Technology Group. The next closest competitor is Electronic Data Systems Inc. with a 5% market share, and no other company currently holds more than a 3% market share. Few other industries have such market-share figures.

Accounting policies: Section 4.1-4.4 (Retrieved from 2003 annual report-note to consolidated financial statements)

4.1 Recognizing Revenue

BearingPoint recognizes revenue from a range of consulting services, including, but not limited to, business and technology. Revenue includes all accounts that are billed or billable to clients, including out-of-pocket costs such as travel and subsistence for client service professionals. Unbilled revenues consist of recognized recoverable costs and accrued profits on contracts for which billings had not been presented to the clients as of the balance sheet date. Management anticipates that the collection of these amounts will occur within one year of the balance sheet date. Billings in excess of revenue recognized are recorded as deferred revenue until the applicable revenue recognition criteria are met.

<u>Services</u>: BearingPoint enters into long-term, fixed-price, time-and-materials, and cost-plus contracts to design, develop or modify multifaceted client-specific information technology systems. Such arrangements represent a significant portion of our business and are accounted for in accordance with AICPA Statement of Position ("SOP") 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Arrangements accounted for under SOP 81-1 must have a *binding, legally enforceable* contract in place before revenue can be recognized. Revenue under fixed-price contracts is generally recognized using the percentage-of- completion method based upon costs to the client incurred as a percentage of the total estimated costs to the client. Revenue under time-and-materials contracts is based on fixed billable rates for hours delivered plus reimbursable costs. Revenue under cost-plus contracts is recognized based upon reimbursable costs incurred plus estimated fees earned thereon.

BearingPoint periodically reviews the estimated revenue and costs on all contracts to assess if they are consistent with initial assumptions. Any changes to estimates are recognized on a cumulative catch-up basis in the period in which the change is identified. Losses on contracts are recognized when identified.

4.3 Policy for capitalizing assets

Property and Equipment Equipment, furniture and leasehold improvements are recorded at cost less allowances for depreciation and amortization. The cost of software purchased or developed for internal use is capitalized in accordance with SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Depreciation is provided for all classes of assets for financial statement purposes using the straight-line method over the estimated useful lives of the assets, and both the straight-line and accelerated methods for income tax purposes. Equipment and furniture are depreciated over three to seven years. Leasehold improvements are amortized over the lesser of the remaining term of the respective lease or the expected life of the asset. Software purchased or developed for internal use is amortized over an estimated useful life ranging to five years. When assets are sold or retired, the Company removes the asset cost and related accumulated records any associated gain or loss in the consolidated statement of operations.

Goodwill represents the cost of acquired companies in excess of the fair value of the net assets acquired. Goodwill is not amortized but instead tested for impairment at least annually. The Company has elected to perform this review annually on April 1 or whenever events or significant changes in circumstances indicate that the carrying value may not be recoverable.

Long-lived assets and intangible assets subject to amortization are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. For property and equipment and finite-lived intangible assets to be held and used, impairment is determined by a comparison of the carrying account of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If such assets are determined to be impaired, the impairment recognized is the account by which the canning value of the assets exceeds the fair value of the assets. Property and equipment to be disposed of by sale is carried at the lower of its current canning value or fair value less cost to sell.

Assets and liabilities of consolidated foreign subsidiaries, whose functional currency is the local currency, are translated to US. dollars at fiscal year end exchange rates. Revenue and expense items are translated to U.S. dollars at the average rates of exchange prevailing fiscal year. Transactions denominated in currencies other than the functional currency are recorded based on exchange arise.

4.4 Accounting policies and procedures

Long-Term Incentive Plan

On January 31, 2000, the Company adopted the 2000 Long-Term Incentive Plan (the "Plan"), pursuant to which the Company is authorized to grant stock options and other awards to its employees and directors. The number of shares of common stock that are authorized for grants or awards under the Plan (the "Authorized Shares") is equal to the greater of (i) 35,084,158 shares of common stock and (ii) 25% of the sum of (x) the number of issued and outstanding shares of common stock of the Company and (y) the Authorized Shares. Stock options are granted with an exercise price equal to the common stock's fair market value at the date of grant. Generally, stock options granted have 10-year terms and generally vest over four years from the date of grant.

In connection with our initial public offering, the Company granted 16.1 million stock options with an exercise price of $18 per share to employees. These options vest over three and one-half years with 25% vesting on August 8, 2001 and an additional 25% vesting on August 8 in each of the years 2002 through 2004. On February 1, 2002, the Company filed with the Securities and Exchange Commission a tender offer relating to all stock options with an exercise price of $55.50. Under the offering, holders of such options (other than executive officers and directors of the Company) had the opportunity to surrender their options as of March 1, 2002 and, in exchange, receive an equal number of options issued in September 2002 with an exercise price equal to 110% of the then fair market value of the Company's common stock. On September 3, 2002, the Company issued 4,397,775 replacement options at an exercise price of $11.01. The replacement options vest ratably over three years.

Financial analysis: Section 7.1-7.7 (see schedules 1.1-1.4, 1.6)

Basis of Presentation- The following report compares the income statements for the fiscal years 2001, 2002 and 2003 ending in June. The company is recognized under various names in pursuit of the following: As of January 31, 2000, KPMG LLP transferred its consulting business to KPMG Consulting, Inc. in an attempt to distance itself from the accounting services division of KPMG LLP. As of October 2, 2002 financials the company was changed to the name BearingPoint and on October 3rd moved from the NASDAQ to the NYSE and began trading under the symbol BE.

Company Overview:

BearingPoint's financial statements during the years 2001, 2002 and 2003 clearly illustrates that the company has not been spared the troubles that have plagued the consulting industry. Tough economic conditions, exasperated by the dot com failures, the introduction of new technology, globalization and government regulation have had a significant impact on the consulting industry. Moreover, dismal corporate profits in 2001 and 2002 have resulted in an overall reduction in consulting dollars spent.

In an attempt to maintain top line revenue growth and create a global positioning, the company has aggressively pursued acquisitions. As a result, they have achieved an expansive global footprint but it has been at the expense of the corporate culture, indebtedness and overall profitability of the company. The long-term affect and whether the strategy will prove to be successful has yet to be known, causing many to question shareholder value.

Income statements analysis 7.1 as reflected on schedule 1.1

The fiscal year ending on June 30, 2001, KPMG Consulting earned $35 million net income on revenues of $2.9 billion. The shareholders experienced a net loss of $127 million, in part due to a net non-cash preferred stock conversion discount of $131.3 million relating to the conversion of its Series A Preferred Stock into common stock in connection with the initial public offering, completed in February 2001. Gross profit as recognized prior to SG&A was 25% of revenue. Margins after SG&A were 8%. An impairment charge of $7.8 million was incurred because of an overvalued amortization schedule. During the fiscal year the company maintained an overhead employee count of 10,000 which yielded $286 in revenue per employee.

The fiscal year ending on June 30, 2002, KPMG Consulting reported a loss of $26.9 million, with a revenue decrease of 17% from $2.9 billion in the prior fiscal year to $2.4 billion. This included non-operating charges and a change in accounting principle which reduced income by more than $82 million. The company continued to aggressively pursue acquisitions and broadened the global footprint with the acquisition of 17 consulting businesses. An impairment charge as a result of improper accounting for goodwill accumulated during acquisitions reduced income by $23.9 million.

Bearingpoint was forced to reduce discretionary spending in response to the sagging sales in a soft IT services market. Additionally, a workforce reduction was needed to right size the company after recent acquisitions. The company gained nearly 3,000 employees as a result of an acquisition of KPMG Consulting AG in Germany, Switzerland and Austria and 1,400 former Andersen Business Consulting employees in the U.S as a result of the acquisitions of former Andersen Business Consulting practices in Australia, Brazil, China, Finland, France, Sweden and Switzerland. The final employee count for the year ended at 16,000 or $149 revenue per employee.

In an attempt to overcome a continuing decline in both revenue and stock prices, the company announced a new strategy at the end of 2002. They decided to focus on managed services if an effort to gain market share, which at the time accounted for 5 percent of total revenue.

The fiscal year ending on June 30, 2003 BearingPoint Inc. reported a net income of $41 million on revenues of $3.1 billion. Weak economic conditions in Europe led to a below expectation in earnings. Gross profits increased by 19% from 2002, due to an increase in the total cost of service. The additional expense was partially due to layoff-related costs as the company reduced its workforce by 3% during the fiscal year. The final count of employees by the end of fiscal year totaled 15,000, which was down by 1000 from 2002 and up 5000 from 2001. The buoyancy of the workforce has caused many internal problems as well as added to the overall cost of doing business. The effect of the rapid acquisition which resulted in layoffs and restructuring caused expenses to increase by 19%. The operating income decreased by $18 million from the previous year; however, it should be noted that a non-cash amortization expense of $44.7million which represents an increased $41.7 million over the previous year.

Balance sheet analysis 7.2 as reflected on schedule 1.2

The following presents a comparison of the fiscal years 2001, 2002, 2003 ending in June. Cash reserves as a percentage of total assets increased in the year 2002 to 28% up from 6% in 2001, only to drop back in 2003 to 5%. Current assets increased 18% in 2002 to 2003, mostly due to an increase of property and equipment with Goodwill accounting for the largest portion. The primary cash outflows went to fund acquisitions and fund raising activities were used to repay debt.

With respect to the asset side of the balance sheet, the activity reveals heavy investing in non-current assets at the expense of cash reserves and (to date) without the result of an up-tick in revenue as a benefit gained from the investments.

Total liabilities increased almost three fold as additional debt and incurred employee liabilities were added to the balance sheet. As a result, notes payable increased 22% as debt was used to finance growth. Accounts payable increased; however as a percentage of assets it decreased by 2%. Accrued payroll and employee benefits increased partially from layoff expenses incurred during acquisitions.

Common stock and additional paid in capital increased due to fund raising activities and retained earnings yielded a positive number for the first time in several years.

Statement of cash flows 7.3 (see attached)

Cash received from operating activities increased from $85 million to $267 million in 2002, only to drop back to $154 million in 2003. In the year 2003, amortization and depreciation from acquisitions accounted for 75% of the cash flow. Accounts receivables comprised of only 1% of the net cash provided by operating activities. In the years 2002 and 2003 the next highest cash outlay was in the form of accrued payroll and employees benefits which resulted in a cash decrease of $48 million and $42 million respectively.

In the year 2003, investing activities in the form of business, property and equipment acquisitions resulted in a cash flow decrease of $548 million. The total net cash used for investing in the years 2001, 2002 and 2003 was $106 million, $86 million and $548 million respectively.

Debt and equity financing activities bridged the cash difference from operations. In 2003 BearingPoint issued new stock to raise $27 million and increased note payable debt to $1.6 billion in order to payback $1.4 billion of notes payable due. The cash surplus acquired through both debt and equity financing provided a cash balance of $293 million. Given the fact that the company generated revenues of only $2.9 billion, the accumulated debt seems excessive. The net cash for the periods ending in 2001, 2002 and 2003 were $45 million, $204 million and $105 million respectively.

Key Performance Measures 7.4 as reflected on schedule 1.4-1.5

The liquidity ratios measure a firm's ability to meet current liabilities as they become due. The current portion represents assets that can be converted to cash within a one-year timeframe or liabilities that will require payment within a one-year timeframe. Therefore, the **current ratio** considers the quality and adequacy of the assets.

BearingPoint's current ratio was 200% in the years 2001 and 2002 but by 2003 the current ratio decreased to 100%. The net changes in the composition of the assets and liabilities are of special note. Between the years 2001-2003 there was very little change in current assets relative to the changes occurring in the liabilities; therefore, the reduction in the current ratio is directly related to a reduction in cash and the addition of notes payable, accrued payroll and employee benefits.

The current ratio is a key indicator used by financial institutions to determine lending capacity. For this reason, the reduction of the current ratio is of a special concern since it can adversely affect the cost of capital. A higher cost of capital can exasperate the already precarious financial condition. Also worth noting is the composition of BearingPoint's asset base, as demonstrated on the balance sheet. The greatest portion is comprised of goodwill and amortization. This is an added concern given the soft consulting market demand and the inability to quickly convert such assets to cash.

The **days sales outstanding ratio (DSO)** is often referred to as the average collection period. It measures the time period from when a sale is made until the client receives cash. As a consulting firm BearingPoint's revenue is divided between accounts receivable and unbilled revenue. As stated in section 4.1 the company recognizes revenue when it is realized or realizable and earned based on signed contracts. Unbilled revenue represents income for services performed that have not been billed; however, external liabilities and internal resources may have already been used in the transaction. Since the unbilled revenue may represent resources already utilized, it was included as revenue when calculating the DSO. Contrarily, deferred revenue was not included since it does not represent a contractual agreement and therefore maintains a somewhat "questionable" status.

DSO was at 72 days in the year 2003 after taking a decline from 64days to 57 days, in the years 2001 and 2002 respectively. Unbilled revenue represented 48% in 2001, 52% in 2002 and 51% in 2003 therefore showing that the DSO increase of 26% in years 2002 and 2003 was not due to an aggressive increase in unbilled revenue.

Total asset turnover is a measure of a company's efficiency in using its assets. The higher the number, the better, and relatively speaking the higher a company's asset turnover, the lower its profit margin tends to be.

BearingPoint is trending negatively in both total asset and fixed asset turnover. For the years, 2001 and 2002 BearingPoint had a turnover rate of 3 which declined to 1 in the year 2003. Recent acquisitions that have caused an increase in assets and therefore the number could be somewhat skewed.

The **fixed asset turnover ratio** measures how effectively the firm uses its plant and machinery. This analysis is subject to interpretation since it is unknown as to the date of purchase of the assets or the current market value. It is especially subjective in the case of Bearingpoint since many of the assets have been obtained through recent international acquisitions. Moreover, BearingPoint's business is driven by intellectual assets rather than traditional fixed assets.

The calculations reveal a negative trend with 43%, 39% and 15% for the years 2001, 2002 and 2003 respectively. This would suggest that BearingPoint is using the assets more intensively in 2003 than the company had in previous years.

Total debts to total assets is a metric used to measure a company's financial risk by determining how much of the company's assets have been financed by debt. This is a very broad ratio as it includes short- and long-term debt as well as all types of assets whether tangible or not. This is especially worth noting in the case of BearingPoint given that the largest portion of assets is comprised on goodwill and amortization.

In the year 2001, the company's ratio of 37%; however by 2002 a reduction in notes payable caused the ratio to fall to 32%. The trend severely reversed itself and by 2003 the total debts to total assets had reached 42%. The following information extracted from the 2002 annual report may shed some light on the situation.

According to the 2002 business plan, the company "*began*" acquiring Andersen Business Consulting practices in Australia, Brazil, China, Finland, France, Hong Kong, Japan, Korea, Norway, Peru, Singapore, Spain, Sweden and Switzerland resulting in an additional 1,400 employees. It appears as if the expenses did not reach the financials until 2003; however, the debt raising activities had already taken place, therefore leaving a disproportionate balance. Future looking the success of the asset allocation will become known.

The **times interest earned ratio** indicates the extent to which earnings are available to meet interest payments. A lower times interest earned ratio means less earnings are available to meet interest payments and that the business is more vulnerable to increases in interest rates. BearingPoint's ability to service debt is trending down as the year 2003 represents a lower number than in previous years.

Profitability ratios provide an indication of how successful the company is at generating profits. The low profit margins experienced by BearingPoint are reflective of the amount of debt and high operating cost. Although 2003 shows an increase, the results are too low to make any positive statements.

Basic Earning Power measures profitability without considering interest and tax payment. The ratios are trending down beginning with 22% in 2001, 15% in 2002 and the most recent year showing a decline to 6%.

Return on total assets is a measurement of how effectively the firm's assets are being used to generate profits. Although the ratios are trending in the right direction—the results are still poor with 2003 being the first year to reflect a positive number. This is even less impressive when you consider the fact that the assets are comprised mostly of goodwill and amortization.

Return on common equity is the bottom line ratio that indicates the return that shareholders receive on the money they have invested. The shareholders have experienced disappointing returns. The years 2001 and 2002 resulted in a negative ratio.

7.7 Historical free cash flow analysis as reflected on schedule 1.6

The historical cash flow analysis shows a positive free cash flow rate of 32%. The available free cash is being put to work through acquisitions and investments in plant and equipment. With the year 2003 being a snapshot in time the disadvantages (cost) of their global strategy is apparent while the long range gains have not yet materialized. Therefore, revenue recognition depends on future looking forecasting into the years 2005 and 2006.

With that being said, even the most advantageous acquisitions require funding to fuel operations and to allow a full emergence of the newly acquired companies. BearingPoint's free cash flow raises serious questions as to whether the company can maintain enough cash flow to fund future operations, especially given the poor performance and disappointing earnings. Additionally shareholder confidence has been eroding which could eliminate the ability to raise additional capital.

Dupont analysis section 9.1-9.4 (see schedules 1.7-1.10)

Dupont extended as reflected on schedule 1.7

The Dupont extended articulates BearingPoint's disappointing performance of over the past several years. Although they are trending in the right direction, (except for assets turnover ratio which is declining) the result is still not amenable to shareholders, especially given the alternative investment choices in today's equity markets.

The ROE in the years 2001 and 2002 showed a negative return on equity with -20% and -4.5% respectively. Although ROE increased to a 3.5% in the year 2003 much of the gain was achieved by raising additional capital through both debt and equity activities. Moreover, of the three years presented (2001-2003) the year 2003 was the first that seen a positive net income.

Dupont detailed: BearingPoint's situation is complicated and requires a comprehensive turn-around strategy. To this end, the strategy involves reducing expenses, increasing revenue and shareholder confidence. In combination, the three steps will provide the desired ROE.

The plan is based on a fundamental belief that BearingPoint's global strategy "*developing a global presence capable of supporting their global client base and completing project work throughout the world*" negatively affected the company and the shareholders. The company did not allow ample time to successfully integrate the new businesses and refuel cash reserves; therefore, it is not the global expansion that is being questioned but rather the profligacy at which is was pursued..

The continued drain on capital, stock value and internal moral has placed BearingPoint in a precarious financial position. In a softening market where profit margins are already being squeezed, time would have better spent ameliorating operations. Moreover, many unintended consequences have caused unnecessary expenses and the Street to excoriate the value of the company. The 2003 annual report demonstrates the inefficiency formed through the aggressive acquisition strategy.

> *The company intends to reduce global office space, which will lead to a restructuring charge of $70 million in the year 2004 (due to lease contracts of which BearingPoint became liable for through acquisitions). The total cost of operations also accounts for professional compensation, which according to the footnotes in the annual report consists of payroll and related benefits associated with client services professional staff (including cost associated with reductions in workforce stemming from the additional business units acquired.)*
>
> *Separately, BearingPoint restated earnings for the previous three quarters of fiscal 2003, which it attributed to accounting adjustments related to a series of acquisitions. The adjustments lowered earnings in the previous three quarters by a total of $10.8 million, or five cents a share. BearingPoint shares fell 23%, or $2.41, to $7.90 each at 4 p.m. in New York Stock Exchange composite trading.*

Plan Overview:

Step 1 involves an abeyance of the aggressive acquisition strategy. This would rescind $300 million in added expense and allow an increase in ROE and shareholder value. Step 2 focuses on the internal operations of the company. Top line revenue growth is increased by focusing on the core competencies of the company and leveraging the current profit centers. Additionally, through leadership the "vision" is articulated in order to bring consonant within the company. Step 3 offers a one-time dividend payment in hopes of bringing back shareholder confidence and improving access to capital.

The three steps will allow BearingPoint to gain stability and improve the financial condition of the company. This is contrarian to the current situation, which has resulted in a severe reduction in cash, waning shareholder confidence and an increase in debt and overhead expenses.

Dupont detailed schedule 9.2-STEP 1

Step 1-expenses are reduced by 10% ($300 million).

A $300 million reduction in overhead expenses will bring the operating expenses back in line with 2002 levels, while still allowing some room for growth and expansion. If BearingPoint had been more selective in the companies it acquired during 2003 it could have kept operating cost from escalating. The net effect of this change would have been an increase in ROE from 3.5% to 12.6% and a better financial position going forward.

Dupont detailed schedule 9.2- STEP 2

Step 2- increase sales by $100 million

The majority of the revenue originates from the public and technology sector as demonstrated in the revenue breakdown show below. International revenue accounted for only 30% of the revenue (up from 8% the year prior) yet has received the greatest amount of attention and resources. The copy contained in the 2003 annual report details the sectors that have performed well and further supports this statement.

Despite the overall economic environment, our Public Services and international operations continued to show strong growth during fiscal year 2002 of 11 percent and 35 percent, respectively. However, these increases were more than offset by declines in our High Technology (58 percent), Financial Services (50 percent) and our other commercial business units including Communications & Content and Consumer & Industrial Markets. Revenue growth in Public Services is attributed to increased demand for technology modernization and improved access to government services at the U.S. federal, state and local levels as well as the U.S. government's new Homeland Security initiatives. As a result, our Public Services business unit generated 41 percent of our fiscal year 2002 revenue, up from 31 percent in fiscal year 2001. International and other revenue increased as a result of a combination of acquisitions, organic growth and redeployment of some resources, primarily to the Asia Pacific region.

The chart below indicates the amount of operating income gained as a percentage of revenue. Although the company proudly claims that 30% of revenue was achieved through international acquisitions is fails to mention the disappointing operating income and bottom line profitability. Therefore, a reduction in global acquisitions and expansion efforts will allow the company to better focus on the existing profit centers and promote top line revenue growth. The net effect of this change would provide an increase in ROE from 3.5% to 15.4% and a better financial position going forward.

2003	Revenue	Operating Income	
PublicServices	$1,094,754	$313,573	28%
CommunicationsandContent	350,694	96,100	27 %
FinancialServices	236,773	55,210	23 %
ConsumerandIndustrialMarkets	368,692	80,270	21%
HighTechnology.......................................	155,251	34,687	22%
EMEA	567,581	66,819	11%
AsiaPacific	293,258	27,988	9%
LatinAmerica	73,743	19,745	26%
Corporate/Other(1)......................................	-1,469	-579,920	0%
	$3,139,277	$114,472	3%
2002			
PublicServices	$966,422	$311,140	32%
CommunicationsandContent	473,269	121,097	25%
FinancialServices..	229,993	31,520	13%
ConsumerandIndustrialMarkets	311,144	79,838	25%
HighTechnology	194,751	38,938	19%
EMEA...	16,089	1,543	9%
AsiaPacific..	128,145	630	0.49%
LatinAmerica	44,054	-3,648	0%
Corporate/Other(1)	3,760	-448,026	0%
Total	$2,367,627	$133,032	5%

Dupont detailed schedule 9.4-STEP 3

Step 3- one-time dividend payment of $50,000,000

Shareholder confidence is at an all time low, the cost of capital is rising and the analyst have begun to downgrade the stock. In an attempt to boost stock performance, a one-time dividend payment will be offered. The net effect of this change would have been an increase in ROE from 3.5% to 12.2% and the ability to build back investor confidence.

Income Sheet

Horizontal/Vertical Analysis Schedule 1:1	Year 2001	Year 2002	Years 2002 vs 2001		Year 2003	Years 2003 vs 2002	
Revenue	**2,855,824**	**2,367,627**	**(488,197)**	**-17.1%**	**3,139,277**	**771,650**	**32.6%**
Total Revenue	**2,855,824**	**2,367,627**	**(488,197)**	**-17.1%**	**3,139,277**	**771,650**	**32.6%**
			-			-	
Professional Compensation	**1,084,751**	**940829**	**(143,922)**	**-13.3%**	**1422691**	**481,862**	**51.2%**
	50.7%	53.3%	0	5.1%	58.7%	0	10.2%
Other direct contract expense	**751,951**	**592634**	**(159,317)**	**-21.2%**	**721217**	**128,583**	**21.7%**
	35.1%	33.5%	(0)	-4.5%	29.8%	(0)	-11.3%
Other cost of service	**296,548**	**209,398**	**(87,150)**	**-29.4%**	**280,098**	**70,700**	**33.8%**
	13.9%	11.9%	(0)	-14.4%	11.56%	(0)	-2.5%
Impairment Charge	**7,827**	**23,914**	**16,087**	**205.5%**	**0**	**(23,914)**	**-100.0%**
	0.3656%	1.3535%	0	270.3%	0.00%	(0)	-100.0%
Total cost of service	**2,141,077**	**1,766,775**	**(374,302)**	**-17.5%**	**2,424,006**	**657,231**	**37.2%**
	75.0%	74.6%	0.00	-0.5%	77.2%	0.03	3.5%
Gross Profit	**714,747**	**600,852**	**(113,895)**	**-15.9%**	**715,271**	**114,419**	**19.0%**
	25.03%	25.38%	0	1.4%	22.78%	(0)	-10.2%
Amorization	**18,176**	**3,014**	**(15,162)**	**-83.4%**	**44,702**	**41,688**	**1383.1%**
	1.6%	0.1%	(0)	-91.9%	0.6%	0	354.8%
SGA	**475,090**	**464,806**	**(10,284)**	**-2.2%**	**556,097**	**91,291**	**19.6%**
	19.5%	19.6%	0	0.8%	15.1%	(0)	-22.9%
Operating income	**221481**	**133032**	**(88,449)**	**-39.9%**	**114472**	**(18,560)**	**-14.0%**
Net interest expense	**14,789**	**(896)**	**(15,685)**	**-106.1%**	**12,729**	**13,625**	**-1520.6%**
	0.4%	0.0%	(0)	-108.5%	0.5%	0	-1344.8%
Other income (expense)	**69,844**	**(658)**	**(70,502)**	**-100.9%**	**2,677**	**3,335**	**-506.8%**
	0.1%	0.0%	(0)	-129.6%	2.2%	0	-8105.5%
Pretax Income	**136,848**	**134,586**	**(2,262)**	**-1.7%**	**99,066**	**(35,520)**	**-26.4%**
	3.5%	5.7%	**0**	**63.9%**	4.4%	(0)	-23.3%
Income taxes	**101,897**	**81,524**	**(20,373)**	**-20.0%**	**57,759**	**(23,765)**	**-29.2%**
	2.0%	3.4%	0	70.2%	3.2%	(0)	-5.7%
Net Income before other	**34,951**	**53,062**	**18,111**	**51.8%**	**41,307**	**(11,755)**	**-22.2%**
	1.4%	2.2%	0	54.9%	1.1%	(0)	-50.3%
Cummulative effect of change	**-**	**(79,960)**			**0**		
Net Income	**34,951**	**(26,898)**	**(61,849)**	**-177.0%**	**41,307**	**68,205**	**-253.6%**
	1.2%	-1.1%	(0)	-192.8%	1.3%	0	-215.8%
Dividend on Series A Preferred Stock	**(31,672)**	**0**			**0**		
Preferred stock conversion discount	**(131,250)**	**0**			**0**		
Net income applicable to stock holders	**(127,971)**	**(26,898)**			**41,307**		
Headcount	**10000**	**16000**			**15000**		
Revenue per employee	**286**	**148**			**209**		

BEARINGPOINT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Years Ended June 30, 2003	2002	2001
Revenue	$ 3,139,277	$ 2,367,627	$ 2,855,824
Costs of service:			
Professional compensation	1,422,691	940,829	1,084,751
Other direct contract expenses	721,217	592,634	751,951
Other costs of service	280,098	209,398	296,548
Impairment charge	—	23,914	7,827
Total costs of service	2,424,006	1,766,775	2,141,077
Gross profit	715,271	600,852	714,747
Amortization of purchased intangible assets	44,702	3,014	—
Amortization of goodwill	—	—	18,176
Selling, general and administrative expenses	556,097	464,806	475,090
Operating income	114,472	133,032	221,481
Interest income	2,346	3,144	2,386
Interest expense	(15,075)	(2,248)	(17,175)
Gain on sale of assets	—	—	6,867
Equity in losses of affiliate and loss on redemption of equity interest in affiliate	—	—	(76,019)
Other income (expense), net	(2,677)	658	(692)
Income before taxes	99,066	134,586	136,848
Income tax expense	57,759	81,524	101,897
Income before cumulative effect of change in accounting principle	41,307	53,062	34,951
Cumulative effect of change in accounting principle, net of tax	—	(79,960)	—
Net income (loss)	41,307	(26,898)	34,951
Dividend on Series A Preferred Stock	—	—	(31,672)
Preferred stock conversion discount	—	—	(131,250)
Net income (loss) applicable to common stockholders	$ 41,307	$ (26,898)	$ (127,971)
Earnings (loss) per share—basic and diluted:			
Income (loss) before cumulative effect of change in accounting principle applicable to common stockholders	$ 0.22	$ 0.34	$ (1.19)
Cumulative effect of change in accounting principle	—	(0.51)	—
Net income (loss) applicable to common stockholders	$ 0.22	$ (0.17)	$ (1.19)
Weighted average shares—basic	185,461,995	157,559,989	107,884,143
Weighted average shares—diluted	185,637,693	158,715,730	107,884,143

The accompanying notes are an integral part of these consolidated financial statements.

Balance Sheet

Horizontal/Vertical Analysis Schedule 1:2	2001	2002	2002 VS 2001 $	%	2003	2003 VS 2002 $	%
Cash	45,914	203,597	157,683	343.4%	105,198	(98,399)	-48.3%
	4.6%	22.7%			5.1%		
A/R	377,476	246,792	(130,684)	-34.6%	377,422	130,630	52.9%
	37.8%	27.6%			18.4%		
Unbilled revenue	180,355	128,883	-51472	-28.5%	190,918	62035	48.1%
	18.0%	14.4%			9.3%		
Deferred Income taxes	0	-	-	#DIV/0!	36,195	36,195	#DIV/0!
	0.0%	0.0%			1.8%		
Prepaid expenses	0	-	-	#DIV/0!	30,932	30,932	#DIV/0!
	0.0%	0.0%			1.5%		
Other current assets	101,014	67,941	(33,073)	-32.7%	20,187	(47,754)	-70.3%
	10.1%	7.6%			1.0%		
Total current assets	704,759	647,213	-57546	-8.2%	760,852	113639	17.6%
Property & equipment	66,947	60,487	(6,460)	-9.6%	208,785	148,298	245.2%
	6.7%	6.8%			10.2%		
Goodwill	135,777	87,663	(48,114)	-35.4%	1,024,830	937,167	1069.1%
	13.6%	9.8%			50.0%		
Other intangible assets	53,606	75,652	22046.0	41.1%	18,883	-5676900.0%	-75.0%
	5.4%	8.5%			0.9%		
Deferred Income tax	0	0	0.0	#DIV/0!	24,606	24606.0	#DIV/0!
	0.0%	0.0%			1.2%		
Other assets	38,546	24,116	(14,430)	-37.4%	11,856	(12,260)	-50.8%
	3.9%	2.7%			0.6%		
Total Assets	999,635	895,131	(104,504)	-10.5%	2,049,812	1,154,681	129.0%
Notes Payable	11,594	1,846	(6,518)	-77.9%	8,364	9,748	528.1%
	1.2%	0.2%			0.4%		
Accounts Payable	65,632	62,810	(40,292)	-39.1%	103,102	2,822	4.5%
	6.6%	7.0%			5.0%		
Accrued payroll & employee benefits	174,884	130,554	-44330	-25.3%	213,046		
	17.5%	14.6%			10.4%		
Deferred revenue	0	0	0	#DIV/0!	50,752		
	0.0%				2.5%		
Income tax payable	0	0	0	#DIV/0!	39,857	39,857	#DIV/0!
	0.0%	0.0%			1.9%		
Other current liabilities	101,999	88,085	(16,911)	-16.1%	104,996	13,914	15.8%
	10.2%	9.8%			5.1%		
Total current liabilities	354,109	283,295	(236,822)	-45.5%	520,117	70,814	25.0%
	35.4%	31.6%			25.4%		
Notes payable less current portion	1846	0	-1846	-1	268,812	268812	#DIV/0!
	0.2%				13.1%		
Accrued employee benefits	0	0	0	#DIV/0!	47,501	47501	#DIV/0!
					2.3%		
Deferred income taxes	0	0	0	#DIV/0!	3,280	3280	#DIV/0!
					0.2%		
Other liabilities	11,568	9,966	-1602	0	20,449	10483	105.2%
	1.2%	1.1%			1.0%		
Total Liabilities	367,523	293,261	-74262	0	860,159	566898	193.3%
Common stock	1,575	1,605	30	1.9%	1,945	340	21.2%
		0.2%			0.2%		
Additional paid in capital	656,293	689,210	(397,993)	-36.6%	1,087,203	(32,917)	-4.8%
	53.0%	77.0%			65.7%		
Retained Earnings (accumulated deficit)	(14,523)	(41,421)	(49,384)	-620.2%	7,963	26,898	-64.9%
	0.4%	-4.6%			-1.5%		
Notes rec from stockholders	(7,950)	(10,151)			(9,136)		
Accumulated other comprehensive income (loss	(3,284)	(1,646)			137,405		
Treasury stock (at cost)	0	(35,727)			(35,727)		
Total Stockholders equity	632,111	601,870	(587,783)	-49.4%	1,189,653	30,241	5.0%
	58.0%	67.2%			63.2%		
Total Liabilities and Stockholders Equity	999,634	895,131	-104503	10.45%	2,049,812	1154681	129.00%

CONDENSED CONSOLIDATED BALANCE SHEETS

BearingPoint

(in thousands, except share and per share amounts)	June 30, 2002	June 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 203,597	$ 45,914
Accounts receivable, net	246,792	377,476
Unbilled revenues, net	128,883	180,355
Other current assets	67,941	101,014
Total current assets	647,213	704,759
Property and equipment, net	60,487	66,947
Goodwill, net	87,663	135,777
Other intangible assets, net	75,652	53,606
Other assets	24,116	38,546
Total assets	$ 895,131	$ 999,635
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable	$ 1,846	$ 11,594
Accounts payable	62,810	65,632
Accrued payroll and related liabilities	130,554	174,884
Other current liabilities	88,085	101,999
Total current liabilities	283,295	354,109
Notes payable, less current portion	–	1,846
Other liabilities	9,966	11,568
Total liabilities	293,261	367,523
Stockholders' equity:		
Preferred Stock, $.01 par value 10,000,000 shares authorized	–	–
Common Stock, $.01 par value 1,000,000,000 shares authorized, 161,478,409 shares issued on June 30, 2002 and 158,568,922 shares issued on June 30, 2001 (including 999,006 shares reserved)	1,605	1,576
Additional paid-in capital	689,210	656,293
Accumulated deficit	(41,421)	(14,523)
Notes receivable from stockholders	(10,151)	(7,950)
Accumulated other comprehensive loss	(1,646)	(3,284)
Treasury stock, at cost	(35,727)	–
Total stockholders' equity	601,870	632,112
Total liabilities and stockholders' equity	$ 895,131	$ 999,635

For a complete set of consolidated/combined financial statements, refer to the Company's 2002 Annual Report on Form 10-K.

BEARINGPOINT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	June 30, 2003	June 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 105,198	$203,597
Accounts receivable, net of allowances of $18,727 at June 30, 2003 and $28,645 at June 30, 2002	377,422	246,792
Unbilled revenue	190,918	128,883
Deferred income taxes	36,195	27,390
Prepaid expenses	30,932	18,743
Other current assets	20,187	21,808
Total current assets	760,852	647,213
Property and equipment, net	208,785	125,928
Goodwill	1,024,830	87,663
Other intangible assets, net	18,883	10,211
Deferred income taxes	24,606	14,604
Other assets	11,856	9,512
Total assets	$2,049,812	$895,131
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable	$ 8,364	$ 1,846
Accounts payable	103,102	62,810
Accrued payroll and employee benefits	213,046	130,554
Deferred revenue	50,752	19,072
Income tax payable	39,857	—
Other current liabilities	104,996	69,013
Total current liabilities	520,117	283,295
Notes payable, less current portion	268,812	—
Accrued employee benefits	47,501	—
Deferred income taxes	3,280	—
Other liabilities	20,449	9,966
Total liabilities	860,159	293,261
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred Stock, $.01 par value 10,000,000 shares authorized	—	—
Common Stock, $.01 par value 1,000,000,000 shares authorized, 195,475,392 shares issued and 191,663,142 shares outstanding on June 30, 2003 and 161,478,409 shares issued and 157,666,159 shares outstanding on June 30, 2002	1,945	1,605
Additional paid-in capital	1,087,203	689,210
Retained earnings (accumulated deficit)	7,963	(41,421)
Notes receivable from stockholders	(9,136)	(10,151)
Accumulated other comprehensive income (loss)	137,405	(1,646)
Treasury stock, at cost (3,812,250 shares)	(35,727)	(35,727)
Total stockholders' equity	1,189,653	601,870
Total liabilities and stockholders' equity	$2,049,812	$895,131

The accompanying notes are an integral part of these consolidated financial statements.

Performance Parameters
Schedule 1.4-1.5

			2001	2002	2003	COMPEITOR 1 YEAR X	COMPEITOR 2 YEAR X	OTHER YEAR X
	FROM FIN: (C)							
	LIQUIDITY							
	CURRENT	CURRENT ASSETS	704,759	647,213	760,852			
		CURRENT LIABILITIES	354,109	283,295	520,117			
			199.02%	**228.46%**	**146.28%**			
	QUICK / ACID TEST	CURRENT ASSETS - INVENTORY	same as above-service bus no inventories					
		CURRENT LIABILITIES						
	DSO	ACCOUNTS RECEIVABLE	557,831	375,675	568,340			
		ANNUAL SALES / 360	8,720	6,577	7,933			
			64	**57**	**72**			
	ASSET MANAGEMENT							
	INVENTORY TURNOVER	SALES	not applicable-no inventories					
		INVENTORIES						
	FIXED ASSET TURNOVER	SALES	2,855,824	2,367,627	3,139,277			
		NWT FIXED ASSETS	66,947	60,487	208,785			
			43	**39**	**15**			
	TOTAL ASSET TURNOVER	SALES	3,139,277	2,367,627	2,855,824			
		TOTAL ASSETS	999,635	895,131	2,049,812			
			314.04%	**264.50%**	**139.32%**			
	DEBT MANAGEMENT							
	TOTAL DEBTS TO TOTAL ASSETS	TOTAL LIABILITIES	367523	293261	860159			
		TOTAL ASSETS	999,635	895,131	2,049,812			
			36.77%	**32.76%**	**41.96%**			
	TIMES-INTEREST-EARNED	EBIT	114,472	133,032	221,481			
		INTEREST CHARGES	15,075	2,248	17,175			
			8	**59**	**13**			
(A)	EBITDA COVERAGE	EBITDA + LEASE PAYMENTS	information not available					
		INTEREST + PRINCIPAL PAYMENTS + LEASE PAYMENTS						
	PROFIT MARGIN							
	PROFIT MARGIN ON SALES	NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	**(0)**	**(0)**	**1.32%**			
		SALES						
	BASIC EARNINGS POWER	EBIT	**22.16%**	**14.86%**	**5.58%**			
		TOTAL ASSETS						
	RETURN ON TOTAL ASSETS	NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	**-12.80%**	**-3.00%**	**2.02%**			
		TOTAL ASSETS						
	RETURN ON COMMON EQUITY	NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	**-20.24%**	**-4.47%**	**3.47%**			
		COMMON EQUITY						
	MARKET VALUE							
(B)	PRICE / EARNINGS	MARKET PRICE PER COMMON SHARE						
		EARNINGS PER COMMON SHARE						
(B)	MARKET /BOOK	MARKET PRICE PER COMMON SHARE						
		BOOK VALUE PER COMMON SHARE						
(D)	**OTHERS -- FOR EXAMPLE**							
	SALARIES / EMPLOYEE							
	UTILIZATION							
	REVENUE / CUSTOMER							
	SUBSCRIBER GROWTH							

(A) SKIP THIS RATIO IF DATA ARE NOT READILY AVAILABLE TO YOU.

(B) MARKET VALUE MAY NOT BE AVAILABLE IF YOU ARE LOOKING AT EITHER:
- A COMPANY WHOSE STOCK IS NOT PUBLICLY TRADED.
- A DIVISION OR SUBSIDIARY OF A LARGER ORGANIZATION.

(C) EXPLAIN RATIONALE FOR SKIPPING ANY RATIOS FROM FIN, OTHER THAN THOSE MENTIONED IN **(A)** OR **(B)**.

(D) EACH INDIVIDUAL CHOOSES WHAT RATIOS TO CALCULATE IN THIS SECTION. THE ONES PRESENTED IN THE TEMPLATE ARE OFFERED AS POSSIBLE RATIOS TO CONSIDER.

Historical Free Cash Flow-Schedule 1.6					
FREE CASHFLOW	ACTUAL 2001	ACTUAL 2002	YEAR -2 VS YEAR -3 $	ACTUAL 2003	YEAR -1 VS YEAR -2 $
Pretax Income	136,848	134,568	(2,280)	99,046	(35,522)
Interest Expense / (Income)	0	0	(0)	0	0
EBIT	136,848	134,568	(2,280)	99,046	(35,522)
Tax Rate	40.0%	40.0%		40.0%	-
Income Taxes	101,897	81,524	(20,373)	57,759	(23,765)
NOPAT	34,951	53,044	18,093	41,287	(11,757)
Current Assets	704,759	647,213	(57,546)	760,852	113,639
Less: S/T Investments	203,597	45,914	(157,683)	105,198	59,284
Current Assets - Working	501,162	601,299	100,137	655,654	
Current Liabilities	354,109	283,295	(70,814)	520,117	236,822
Less: S/T Notes Payable	11,594	1,846	(9,748)	8,364	6,518
Current Liabilities - Working	342,515	281,449	(61,066)	511,753	230,304
Net (operating) Working Capital	158,647	319,850	161,203	143,901	(175,949)
Net PP&E	66,947	60,487	(6,460)	208,785	148,298
(Total) Net Operating Capital (NOC)	225,594	380,337	154,743	352,686	(27,651)
Previous Year-end NOC		225,594		380,337	
Change in NOC (Year Over Year)		154,743		(27,651)	
Free Cashflow = NOPAT - Change in NOC		(101,699)		68,938	#REF!
Free Cashflow Growth Rate				32.2%	

BEARINGPOINT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended June 30,		
	2003	2002	2001
Cash flows from operating activities:			
Net income (loss)	$ 41,307	$ (26,898)	$ 34,951
Adjustments to reconcile to net cash provided by operating activities:			
Cumulative effect of change in accounting principle, net of tax	—	79,960	—
Equity in losses of affiliate and loss on redemption of equity interest in affiliate	—	—	76,019
Deferred income taxes	(22,461)	(7,286)	(13,213)
Gain on sale of assets	—	—	(6,867)
Debt conversion discount	—	—	1,698
Stock awards	15,217	1,862	—
Depreciation	71,501	46,306	42,846
Amortization of purchased intangible assets	44,284	3,014	—
Amortization of goodwill.	—	—	18,176
Impairment charge	—	23,914	7,827
Minority interests	—	—	140
Changes in assets and liabilities:			
Accounts receivable	1,195	132,054	(51,864)
Unbilled revenues	(26,384)	52,990	59,180
Prepaid expenses and other current assets	4,198	35,795	(1,190)
Other assets	509	2,999	1,321
Accrued payroll and employee benefits	(42,205)	(47,561)	27,519
Accounts payable and other current liabilities	50,311	(29,914)	(38,945)
Distribution payable to managing directors	—	—	(73,230)
Other liabilities	16,510	(416)	—
Net cash provided by operating activities:	153,982	266,819	84,368
Cash flows from investing activities:			
Purchases of property and equipment	(126,070)	(50,603)	(74,888)
Businesses acquired, net of cash acquired	(422,247)	(33,203)	(13,599)
Investment in affiliate	—	—	(9,945)
Purchases of equity investments	—	(2,234)	(7,500)
Net cash used in investing activities	(548,317)	(86,040)	(105,932)
Cash flows from financing activities:			
Proceeds from issuance of common stock	26,927	29,908	563,492
Repurchases of common stock	—	(35,727)	—
Proceeds from notes payable	1,647,045	—	283
Repayment of notes payable	(1,380,595)	(13,512)	(54,670)
Repayment of acquisition obligations	—	—	(42,033)
Repayment of Series A Preferred Stock	—	—	(378,329)
Repurchase of minority interest in subsidiary	—	(2,093)	(1,914)
Notes receivable from stockholders	95	(1,672)	(1,588)
Dividends paid on Series A Preferred Stock	—	—	(44,754)
Net cash provided by (used in) financing activities	293,472	(23,096)	40,487
Effect of exchange rate changes on cash and cash equivalents	2,464	—	—
Net (decrease) increase in cash and cash equivalents	(98,399)	157,683	18,923
Cash and cash equivalents—beginning of period	203,597	45,914	26,991
Cash and cash equivalents—end of period	$ 105,198	$203,597	$ 45,914
Supplementary cash flow information:			
Interest paid	$ 15,355	$ 1,351	$ 20,900
Taxes paid	$ 42,255	$ 62,975	$ 149,585
Supplemental non-cash investing and financing activities:			
Issuance of common stock for business acquisition	$ 364,437	—	—
Acquisition obligations from business acquisition	—	—	$ 42,880
Conversion of acquisition obligations to common stock	—	—	$ 65,362
Conversion of Series A Preferred Stock to common stock	—	—	$ 802,921
Series A Preferred Stock conversion discount	—	—	$(131,250)

The accompanying notes are an integral part of these consolidated financial statements.

Dupont Extended Schedule 1.7

		R.O.E	=	PROFIT MARGIN (A) NET INCOME / REVENUE	X	ASSET TURNOVER REVENUE / ASSETS	X	EQUITY MULTIPLIER ASSETS / COMMON EQUITY
ACTUAL	2001			(127,971) / 2,855,824		2,855,824 / 999,635		999,635 / 632,111
		-20.2%		-4%		2.86		1.58
ACTUAL	2002			(26,898) / 2,367,627		2,367,627 / 895,131		895,131 / 601,870
		-4.5%		-1%		2.65		1.49
ACTUAL	2003			41,307 / 3,139,277		3,139,277 / 2,049,812		2,049,812 / 1,189,653
		3.5%		1%		1.53		1.72

Note: ***IF*** YOUR COMPANY HAS PREFERRED STOCK, THE NUMERATOR FOR THE PROFIT MARGIN CALCULATION, SHOULD BE NET INCOME AFTER PREFERRED DIVIDENDS.

Bearingpoint PLAN 1 YEAR 2003

	ORIGINAL	CHANGES	CHANGES	ADDITIONAL DIVIDENDS OR STOCK REPURCHASE	AFTER CHANGES
I/S					
Sales	3,139,277				3,139,277
Operating expenses	2,982,780	(300,000)			2,682,780
Depreciation	44,702				44,702
Interest expense	12,729				12,729
Total Costs	**3,040,211**	**(300,000)**	**-**		**2,740,211**
Pretax Income	**99,066**	**300,000**	**-**		**399,066**
Income Taxes (Remember to adjust for changes)	57,759				159,626
Net Income *(Before Preferred Dividends)*	**41,307**	**300,000**	**-**		**239,440**
Preferred Dividends					-
Net Income (After Preferred Dividends) ***	**41,307**	**300,000**	**-**		**239,440**
B/S					
Cash	1,211,886	300,000			1,511,886
ST Inv	-				-
AR	629,141				629,141
Inventory	-				-
LT Inv	-				-
Net Plant/Eq & Intang	208,785				208,785
Total Assets	**2,049,812**	**300,000**	**-**	**-**	**2,349,812**
AP	103,102				103,102
Notes Payable	8,364				8,364
All other liabilities	748,693				748,693
Pref Eq	-				-
Common Eq (total equity - pref eq)	1,189,653	300,000	-	-	1,489,653
Total Liabilities and Owners Equity	**2,049,812**	**300,000**	**-**	**-**	**2,349,812**
CHECK THAT BALANCE SHEET BALANCES!!!! ---->>>>>>	**OK**	**OK**	**OK**	**OK**	**OK**

*** Net income is net income after payment of dividends on preferred stock, if any.

Thank you, Carey Capra, for preparing first draft of this template!

	ROE =	PM	ASSET T/O	EQUITY MULT
AFTER CHANGES	**16.1%**	**239,440 / 3,139,277**	**3,139,277 / 2,349,812**	**2,349,812 / 1,489,653**
	16.1%	**7.6%**	**1.34**	**1.58**
ORIGINAL	**3.5%**	**41,307 / 3,139,277**	**3,139,277 / 2,049,812**	**2,049,812 / 1,189,653**
	3.5%	**1.3%**	**1.53**	**1.72**
IMPACT	**12.6%**	**6.3%**	**(0.20)**	**(0.15)**

DISCUSSION OF CHANGES

reduced expenses by 25% to 2002 levels
by divesting unprofitable business sector in Asia

Bearingpoint PLAN 2 YEAR 2003

	ORIGINAL	CHANGES	CHANGES	ADDITIONAL DIVIDENDS OR STOCK REPURCHASE	AFTER CHANGES
I/S					
Sales	3,139,277		**100,000**		3,239,277
Operating expenses	2,982,780	(300,000)			2,682,780
Depreciation	44,702				44,702
Interest expense	12,729				12,729
Total Costs	**3,040,211**	**(300,000)**	**-**		**2,740,211**
Pretax Income	**99,066**	**300,000**	**100,000**		**499,066**
Income Taxes (Remember to adjust for changes)	57,759				199,626
Net Income *(Before Preferred Dividends)*	**41,307**	**300,000**	**100,000**		**299,440**
Preferred Dividends					-
Net Income (After Preferred Dividends) ***	**41,307**	**300,000**	**100,000**		**299,440**
B/S					
Cash	1,211,886	300,000	100,000		1,611,886
ST Inv	-				-
AR	629,141				629,141
Inventory	-				-
LT Inv	-				-
Net Plant/Eq & Intang	208,785				208,785
Total Assets	**2,049,812**	**300,000**	**100,000**	**-**	**2,449,812**
AP	103,102				103,102
Notes Payable	8,364				8,364
All other liabilities	748,693				748,693
Pref Eq	-				-
Common Eq (total equity - pref eq)	1,189,653	300,000	100,000	-	1,589,653
Total Liabilities and Owners Equity	**2,049,812**	**300,000**	**100,000**	**-**	**2,449,812**
CHECK THAT BALANCE SHEET BALANCES!!!! ---->>>>>>	**OK**	**OK**	**OK**	**OK**	**OK**

*** Net income is net income after payment of dividends on preferred stock, if any.

Thank you, Carey Capra, for preparing first draft of this template!

	ROE =	PM	ASSET T/O	EQUITY MULT
AFTER CHANGES	**18.8%**	**299,440 / 3,239,277**	**3,239,277 / 2,449,812**	**2,449,812 / 1,589,653**
	18.8%	**9.2%**	**1.32**	**1.54**
ORIGINAL	**3.5%**	**41,307 / 3,139,277**	**3,139,277 / 2,049,812**	**2,049,812 / 1,189,653**
	3.5%	**1.3%**	**1.53**	**1.72**
IMPACT	**15.4%**	**7.9%**	**(0.21)**	**(0.18)**

DISCUSSION OF CHANGES

reduced expenses by 25% to 2002 levels
by divesting unprofitable business sector in Asia

AND this allows the company to increase sales since they
are foces on core competencies abeyance acquisitions

Bearingpoint PLAN 3 YEAR 2003

	ORIGINAL	CHANGES	CHANGES	ADDITIONAL DIVIDENDS OR STOCK REPURCHASE	AFTER CHANGES
I/S					
Sales	3,139,277		**100,000**		3,239,277
Operating expenses	2,982,780	(300,000)			2,682,780
Depreciation	44,702				44,702
Interest expense	12,729				12,729
Total Costs	**3,040,211**	**(300,000)**	**-**		**2,740,211**
Pretax Income	**99,066**	**300,000**	**100,000**		**499,066**
Income Taxes (Remember to adjust for changes)	57,759				199,626
Net Income *(Before Preferred Dividends)*	**41,307**	**300,000**	**100,000**		**299,440**
Preferred Dividends				**50,000**	50,000
Net Income (After Preferred Dividends) ***	**41,307**	**300,000**	**100,000**		**249,440**
B/S					
Cash	1,211,886	300,000	100,000		1,611,886
ST Inv	-				-
AR	629,141				629,141
Inventory	-				-
LT Inv	-				-
Net Plant/Eq & Intang	208,785				208,785
Total Assets	**2,049,812**	**300,000**	**100,000**	**-**	**2,449,812**
AP	103,102				103,102
Notes Payable	8,364				8,364
All other liabilities	748,693				748,693
Pref Eq	-				-
Common Eq (total equity - pref eq)	1,189,653	300,000	100,000	-	1,589,653
Total Liabilities and Owners Equity	**2,049,812**	**300,000**	**100,000**	**-**	**2,449,812**
CHECK THAT BALANCE SHEET BALANCES!!!! ---->>>>>>	**OK**	**OK**	**OK**	**OK**	**OK**

*** Net income is net income after payment of dividends on preferred stock, if any.

Thank you, Carey Capra, for preparing first draft of this template!

	ROE =	PM	ASSET T/O	EQUITY MULT
AFTER CHANGES	**15.7%**	**249,440 / 3,239,277**	**3,239,277 / 2,449,812**	**2,449,812 / 1,589,653**
	15.7%	**7.7%**	**1.32**	**1.54**
ORIGINAL	**3.5%**	**41,307 / 3,139,277**	**3,139,277 / 2,049,812**	**2,049,812 / 1,189,653**
	3.5%	**1.3%**	**1.53**	**1.72**
IMPACT	**12.2%**	**6.4%**	**(0.21)**	**(0.18)**

DISCUSSION OF CHANGES

reduced expenses by 25% to 2002 levels
by divesting unprofitable business sector in Asia

AND this allows the company to increase sales since they
are foces on core competencies abeyance acquisitions

AND Increase shareholder confidence by paying a one time dividend

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Financial Analysis
BearingPoint Inc.

Chapter 2

Forward-Looking and Stock Valuation

Prepared on September 5, 2005

Chapter 2 Forward-Looking and Stock Valuation

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- EVA 1.11
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- Value based on market multiples schedule 1.13
- Competitor analyst report
- Accenture Financial statements
- IBM Financial statements

The following Sources of information were used to compile this report:

- Form 8-K filed with the SEC
- Disclosure regarding forward-looking statements in Form 8-K
- Press release issued by Bearingpoint on March 17, 2005, announcing the filing of the Notification of Late Filing.
- Financial Statements and Exhibits documented in the Press Release dated March 17, 2005
- Statement of operations included in the Notification of Late Filing used to highlight anticipated significant changes in results of operations from 2003
- ©2004 Consultant-News.com (http://www.consultant-news.com/article_display.aspx?p=adp&id=2174)

Summary of Performance over last three years Section 2.1

The fiscal year ending on June 30, 2001, KPMG Consulting (prior to name change) earned $35 million net income on revenues of $2.9 billion. However, the shareholders experienced a net loss of $127 million, in part due to a net non-cash preferred stock conversion discount of $131.3 million relating to the conversion of its Series A Preferred Stock into common stock in connection with the initial public offering, completed in February 2001.The fiscal year ending on June 30, 2002, KPMG Consulting reported a loss of $26.9 million, with a revenue decrease of 17% from $2.9 billion in the prior fiscal year to $2.4 billion. The fiscal year ending on June 30, 2003 BearingPoint Inc. reported a net income of $41 million on revenues of $3.1 billion.

Cash reserves as a percentage of total assets increased in the year 2002 to 28% up from 6% in 2001, only to drop back in 2003 to 5%. Current assets increased 18% in 2002 to 2003, mostly due to an increase of property and equipment with Goodwill accounting for the largest portion. The primary cash outflows went to fund acquisitions and fund raising activities were used to repay debt. Total liabilities increased almost three fold as additional debt and incurred employee liabilities were added to the balance sheet. As a result, notes payable increased 22% as debt was used to finance growth.

BearingPoint's financial statements during the years 2001, 2002 and 2003 clearly illustrates that the company has not been spared the troubles that have plagued the consulting industry. Tough economic conditions, exasperated by the dot com failures, the introduction of new technology, globalization and government regulation have had a significant impact on the consulting industry. Moreover, dismal corporate profits in 2001 and 2002 have resulted in an overall reduction in consulting dollars spent.

In an attempt to maintain top line revenue growth and create a global positioning, the company has aggressively pursued acquisitions. As a result, they have achieved an expansive global footprint but it has been at the expense of the corporate culture, indebtedness and overall profitability of the company. The long-term affect and whether the strategy will prove to be successful has yet to be known, causing many to question shareholder value.

Major Financial Strengths and Weaknesses Section 2.2

<u>Strengths</u>

- Reputation in the industry
- Existing and new government contracts
- Global footprint
- Diversity of services (Mgmt consulting, IT, etc.)
- Current economic conditions
- Increased market demand for consulting services aimed at security and supply chain improvement

<u>Weaknesses</u>

- Lack of internal financial controls
- Excessive overhead and restructuring cost
- Decrease shareholder confidence
- Aggressive competition and decreased margins
- Cost of capital due to excessive borrowings
- Volatility due to overseas exposure
- Currency fluctuations
- HR issues and low morale stemming from M&A

Opportunities to improve financial performance Section 2.3

Bearingpoint has had several recent successes that have helped to build the reputation of the company and promote future opportunity.

Increased defense and security spending

Since 911, many companies have benefited from an increase in expenditures for security-related products and services. Bearingpoint may be able to leverage its experience and expertise to supply chain operations to attract government based contracts. During the last two years Bearingpoint has successfully secured several high profile contracts.

On May 25, 2005, BearingPoint and the Chesapeake Innovation Center (CIC), America's first business accelerator for the homeland and national security sectors, have announced their joint commitment to the Department of Homeland Security Mentor-Protege Program. The CIC believes that experience has shown that entrepreneurs are most likely to develop the solutions to help critical infrastructure and national assets withstand and recover from disaster.

On June 17, 2005, BearingPoint won a contract to provide a range of technical and advisory services to the United States Naval Surface Warfare Center, Dahlgren Division (NSWCDD). The contract has a value of $4 million in the base year and a potential value of $27 million over a five-year period, if all options are exercised. On August 23, 2005, BearingPoint was awarded a $5.2 million contract by the Port Authority of New York and New Jersey to implement Phase III of its Operation Safe Commerce (OSC) project, which is aimed at improving port security. BearingPoint's previous work on the Port Authority's OSC efforts included providing lead contractor and project management services, and evaluating business process and technology solutions in order to increase supply chain security without disrupting the normal flow of trade.

On August 5, 2005, BearingPoint was awarded a blanket purchase agreement (BPA) by the US Army to provide passive RFID technical engineering services. The contract was awarded by the Information Technology, E-Commerce and Commercial Contracting Center (ITEC4), and is designed to provide RFID technical services, data integration software, and passive RFID middleware to meet Department of Defense (DoD) requirements.

The BPA recognizes the need for the DoD to address passive RFID technology and how it can be used to track critical assets from the supplier to the end user, thus improving the end user's confidence in the supply system's ability to meet weapon system readiness needs. It also addresses the need to use RFID technology to assist in dramatically improving manufacturing/re-manufacturing processes in the DoD's industrial base to include "kitting" (delivering multiple parts into a single "kit" for end use), asset tracking, and reliability/performance assessments. ©2004 Consultant-News.com on 23-Aug-2005.

Reputation and recognition

BearingPoint Named One of Fortune Magazine's Most Admired Companies in America for Third Consecutive Year. In the computer and data services category, BearingPoint improved its position to fifth place this year from ninth place in 2004, vaulting over several larger competitors. The improved ranking comes largely on the strength of BearingPoint's industry ranking in three key attributes: social responsibility, innovation and employee talent. Fortune and its survey partner, Hay Group, surveyed over 10,000 executives, directors and securities analysts. Participants from 65 industries were asked to rate the companies in their industry on eight key attributes: innovation, employee talent, use of corporate assets, social responsibility, quality of management, financial soundness, long-term investment value and quality of products/services. PRNewswire-FirstCall via COMTEX/

Internal and External Constraints Section 2.4

Currency fluctuations:

As a multinational company, Bearingpoint may be significantly affected by currency exchange-rate fluctuations. During the six months ended December 31, 2003, the strengthening of foreign currencies (primarily the Euro) against the U.S. dollar has resulted in a currency translation that has increased our reported U.S. dollar revenue and expense items.

Economic downturn:

Information technology (IT) spending is negatively impacted by even the slightest economic downturn. Given the global political and economic conditions, as well as a prolonged increase in IT spending domestically, the ability to maintain strong industry sector growth is questionable at best.

Financial controls:

After only four months, BearingPoint's Chief Financial Officer Joseph Corbett resigned on May 25, 2005. The executive turnover comes as BearingPoint is dealing with a Securities and Exchange Commission investigation into its accounting. The company has previously admitted it has found accounting errors that could stretch back as far as 2003. A statement issued by BearingPoint reflects the severe conditions, "Harry and I together decided that the challenges facing BearingPoint require that Harry have a CFO of his own choosing."

Continued performance concerns:

Gross profit for the six months ended December 31, 2003 was $253.0 million compared with $368.3 million for the six months ended December 31, 2002. Gross profit as a percentage of revenue decreased to 16.3% during the current period compared to 23.9% during the six months ended December 31, 2002. The decline in gross profit as a percentage of revenue is due in part to a $13.6 million charge related to a reduction in workforce recorded during the current period and the $61.7 million charge for lease, facilities and other exit costs recorded during the period related to our previously announced reduction in office space.

During the current period, we recorded a $61.7 million charge for lease, facilities and other exit costs in order to reduce overall office space in an effort to eliminate excess capacity and to align office space usage with current workforce and the needs of the business. Bearingpoint expects to incur additional lease and facilities charges of approximately $8 million to $10 million during the first half of calendar year 2004. Office space reduction efforts are expected to result in a reduction of approximately $20 million in the calendar year 2004.

For the six months ended December 31, 2003, we recorded a loss before taxes of $162.9 million and provided for income taxes of $2.8 million, resulting in a negative effective tax rate of 1.7%. The effective tax rate continues to be negatively affected by unusable losses in foreign operations. Additionally, due to a history of losses and restrictions under tax laws, generally no tax benefit can be recognized in connection with the $127.3 million current period goodwill impairment charge.

Preliminary results indicate that our gross revenue for FY04 is approximately $3.45 billion as compared to $3.15 billion in FY03. Pre-tax loss and net loss for FY03 were approximately $124.7 million and $151.3 million, respectively. The pre-tax loss included a charge for impairment of goodwill of $127.3 million and lease restructuring charges of $77.0 million. Prior to any goodwill impairment charge, the company expects to record a loss for the fourth quarter of 2004 and may record a loss for the year ended December 31, 2004. The fourth quarter loss will be increased substantially by a goodwill impairment charge. We will record charges in the fourth quarter of FY04 totaling approximately $27.0 million in connection with the issuance of $450.0 million principal amount of Debentures, including a make-whole premium on the early repayment of certain senior notes, the write-off of unamortized issuance costs relating to the senior notes, and other expenses relating to the issuance of the Debentures.

Financial Prospects Section 2.5

In the last several years, Bearingpoint has pursed an aggressive acquisition strategy in an effort to maintain a global presence. The continued drain on capital, stock value and internal moral as a result of this strategy has placed BearingPoint in a precarious financial position.

Moreover, many unintended consequences have caused unnecessary expenses and the Street to excoriate the value of the company. Shareholder confidence is at an all time low, the cost of capital is rising and the analysts have begun to downgrade the stock.

The following shows a recent analyst report:

UPGRADES & DOWNGRADES HISTORY

Date	Research Firm	Action	From	To
20-Jul-05	Goldman Sachs	Upgrade	Underperform	**In-Line**
25-Apr-05	Jefferies & Co	Upgrade	Underperform	**Hold**
21-Apr-05	JP Morgan	Downgrade	Overweight	**Neutral**
21-Apr-05	Merrill Lynch	Downgrade	Neutral	**Sell**
21-Apr-05	KeyBanc Capital Mkts / McDonald	Downgrade	Buy	**Hold**
21-Apr-05	Thomas Weisel	Downgrade	Outperform	**Peer Perform**

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What can be done Section 2.6

BearingPoint's situation is complicated and requires a comprehensive turn-around strategy. To this end, the strategy involves reducing expenses, increasing revenue and shareholder confidence.

Internal control structure Section 5.1

In February 2004, Bearingpoint changed the fiscal year end from June 30 to December 31. In April 2004, the company filed a transition report on Form 10-K with audited financial statements for the six months ended December 31, 2003. As a result, FY03 consists of the audited results of operations for the six months ended December 31, 2003 combined with the unaudited results for the quarters ended March 31, 2003 and June 30, 2003. A significant number of substantive procedures must be completed before the company expects to finalize the financial results for FY04. Moreover, the discussion below of operating results for both the quarter ended December 31, 2004 and FY04 reflects estimates of several adjustments identified in connection with continuing analysis of the FY04 financial statements.

Bearingpoint noted the following in the 8k report:

While we have significant additional work to complete before finally determining our financial results of operations for FY04 and fully assessing the impact of adjustments (including the adjustments referred to above) on our consolidated financial statements, it is probable that the adjustments referred to above and other lesser charges will result in a restatement of our results of operations for some or all of the quarters during FY04 and may result in a restatement of our results of operations for periods prior to FY04.

Financial statements Section 5.2

BearingPoint hired PricewaterhouseCoopers in June 2003 after dismissing Grant Thornton. The company also said that in July it hired Ernst & Young LLP to provide a global internal audit function. Judy Ethell holds is the Executive Vice President and holds the position of Finance and Chief Accounting Officer The Audit Committee Members include: J. Terry Strange, Wolfgang Kemna, Albert L. Lord and Alice M. Rivlin.

Issue/concerns relating to auditing process Section 5.3

In the Form 8-K filed on December 16, 2004, the company announced that the independent registered public accountants have identified material weaknesses and reportable conditions in our internal control over financial reporting.

As a result, of the identification of these material weaknesses, management's assessment concluded that the internal control over financial reporting is ineffective. The company said it anticipated the independent registered public accountants to issue an adverse opinion on the effectiveness of our internal control over financial reporting.

Due to the continuing analysis of the financial statements, the company said it was not possible to state at this time whether there will be a significant change in the results of operations of the Company for the twelve months ended December 31, 2004 ("FY04") as compared to the twelve months ended December 31, 2003 ("FY03").

Failure to Timely File 2004 Form 10-K

The Form 10-K for the fiscal year ended December 31, 2004 (the "2004 Form 10-K") was required to be filed with the Securities and Exchange Commission (the "SEC") on March 16, 2005, and the company did not meet that deadline. On March 17, 2005, we filed a Notification of Late Filing on Form 12b-25 (the "Notification of Late Filing") with the SEC relating to our inability to file the 2004 Form 10-K on a timely basis. Our Notification of Late Filing provides the reasons for the company’s inability to file timely the 2004 Form 10-K.

Major contingent liabilities Section 5.4

Material Impairments and other adjustments

During the fourth quarter of fiscal year 2004, the Company determined that a triggering event had occurred, which caused the Company to perform a goodwill impairment test. The triggering event resulted from recent downgrades in the Company's credit rating, significant changes in senior management and underperforming foreign legal entities. As a result of the impairment test, on March 17, 2005, the Company determined that a material charge will be taken as of December 31, 2004 as a result of the impairment of its goodwill with respect to the operations in its Europe, the Middle East and Africa ("EMEA") segment. As of September 30, 2004, the goodwill for the EMEA segment was $802.7 million. We are unable at this time to provide an estimate of the amount or range of amounts of the impairment charge. However, Amendment No. 1 to the Credit Agreement, described in Item 1.01 above, provides that the Company may include an impairment charge of up to $230 million in Consolidated EBITDA for purposes of the financial covenant. The actual amount of the impairment charge may be higher or lower than such amount. The Company does not expect that the impairment charge will result in future cash expenditures.

Bearingpoint stated the following regarding the potential adjustment and the effect that will have on the credit facilities and debt payment:

We have preliminarily identified certain items that will probably require adjustments to prior period financial statements. These adjustments will affect various quarters in FY04 and may affect the results of operations in previous years, though the exact amount of the adjustments and the periods to which they relate have not been determined. The nature and approximate amounts of the more significant adjustments that have been identified based solely on procedures performed to date are: write-downs relating to contract revenues resulting from inaccurate entries of approximately $10-$12 million that were made by a foreign operation and that are under investigation, charges relating to employee tax equalization issues, and charges arising from detailed engagement contract reviews.

Debt restructuring and debt payment obligations

Due to the delay in the completion of our audited financial statements for the fiscal year ended December 31, 2004, we will be unable to file timely a registration statement with the SEC to register for resale our Debentures (as defined below) and underlying common stock that we sold in December 2004 and January 2005, as discussed below. Accordingly, the applicable interest rate on each series of Debentures will increase by .25% beginning on March 23, 2005 and will continue to apply until we file the registration statement. We intend to file the registration statement after we file our Form 10-K for the year ended December 31, 2004.

In addition, our failure to have audited financial statements may result in a violation of the New York Stock Exchange's (the "Exchange") listing standards that require us to distribute our annual report containing audited financial statements to its stockholders of record within 120 days of the end of its fiscal year. Violation of the Exchange's listing standards may result in additional scrutiny by the Exchange, including commencing a proceeding to determine whether to delist our common stock. Delisting would also result in the occurrence of a "designated event" under the Debentures, permitting holders of the Debentures to require us to repurchase their Debentures for 100% of the principal amount of the Debentures plus accrued and unpaid interest and liquidated damages, if any. The triggering of this put right would also result in a default under the 2004 Credit Facility.

Financial Condition and Liquidity

Our primary sources of liquidity are cash flows from operations, existing cash balances and the 2004 Credit Facility. As of December 31, 2004, we had cash balances of approximately $267.4 million. Our business has failed to generate positive cash flows from operations in some recent periods, which has adversely affected our liquidity. Late in December 2004 and early in January 2005, we completed the sale of $250,000,000 aggregate principal amount of our 2.50% Series A Convertible Subordinated Debentures due 2024 and $200,000,000 of our 2.75% Series B Convertible Subordinated Debentures due 2024 (together, the "Debentures"). Our first interest payment on the Debentures is due on June 15, 2005 and the applicable interest rate will reflect an increase, as discussed above.

In addition, on December 23, 2004, we entered into a interim credit facility which provided for up to $400 million of revolving credit, all of which was available for letters of credit. The 2004 Credit Facility was amended on March 17, 2005, as described in Item 1.01 above to, among other items, reduce the aggregate commitments of the lenders to $300 million and the amount available for issuance of letters of credit to $200 million and subject us to significant restrictions on our ability to borrow and issue letters of credit. The 2004 Credit Facility (which is secured by substantially all of our assets) matures on May 22, 2005. At that time, we must repay any outstanding borrowings and replace any outstanding letters of credit. As of March 17, 2005, there were approximately $71.6 million of letters of credit issued under this facility; there were no borrowings outstanding.

Results of missed filings

We did not represent in the Notification of Late Filing that the 2004 Form 10-K will be filed within 15 days of the March 16, 2005 filing deadline, as required in order for the 2004 Form 10-K to be considered to be timely filed under Rule 12b-25 of the Securities Exchange Act of 1934, as amended, because we do not expect to file the 2004 Form 10-K by March 31, 2005. We are not at this time able to provide an expected date for filing our Form 10-K. Due to the time required to complete and file our Form 10-K for the year ended December 31, 2004, we expect that our Form 10-Q for the quarter ending March 31, 2005 will not be filed by May 10, 2005, the due date for its filing. As a result of our inability to timely file the 2004 Form 10-K, we will no longer be eligible to use a Form S-3 registration statement until such time as we have timely filed all reports on Form 10-K and Form 10-Q and reports required to be filed by certain items of Form 8-K for a period of at least twelve calendar months, and otherwise meet the eligibility requirements for using Form S-3. In addition, until we file our Form 10-K, there will not be adequate current public information available to permit resales of restricted securities pursuant to Rule 144 of the Securities Act of 1933, as amended.

Internal control problems Section 5.5

Our management is still in the process of completing its assessment of our internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act ("Section 404"). To date, we have identified a number of control deficiencies, especially in the areas of contract revenue and accounts receivable, expenditures and accounts payable, payroll operations, the financial statement close process, leases and fixed assets, and the control environment in certain non-U.S. subsidiaries. We expect that most of these deficiencies will be classified as material weaknesses and others may be classified as significant deficiencies that in the aggregate may constitute material weaknesses. It also is possible that additional material weaknesses will be identified as we complete our assessment process. We are now evaluating what changes in internal control over financial reporting should be implemented in order to fully address these material weaknesses and other control deficiencies. We expect to include in the 2004 Form 10-K a discussion of our plans to remediate the material weaknesses and other deficiencies in internal control over financial reporting that our management identifies.

Key performance ratios as compared to Accenture and IBM Section 8.1

Bearingpoint’s liquidity ratio falls between that of Accenture and IBM. The current ratio differs only slightly and the DSO suggest that Accenuture and Bearingpoint was faster at collecting cash after the booking of a sale.

In regards to asset management, IBM was the by far the weakest of the three companies. Accenture and Bearingpoint were similar in fixed asset turnover with 15 times and 18 times respectively, leaving IBM to trail way behind at 2 times.

Bearingpoint was the weakest on the debt management ratio, which measures a company's financial risk by determining how much of the company's assets have been financed by debt. Bearingpoint’s total debts to assets were at 42% whereas Accenture and IBM maintained 74% and 73% respectively. Bearingpoint paid heavily to service the debt, which was evident by their 13 times interest earned versus 81 and 75 by Accenture and IBM.

Bearingpoint saw the lowest profit margins at 1%, Accenture was next at 4% followed by IBM at 18%. The basic earning power once again displayed weakness with Bearingpoint at 6% compared to Accenture and IBM at 25% and 10% respectively.

The return to total assets once again proved Bearingpoint’s inefficiencies with a 2% compared to Acccenture and IBM at 7%. The return to common equity was at a mere 3% compared to Accenture at 62% and IBM at 27%.

Given the lackluster performance it is no wonder that Bearingpoint sells at a P/E ratio of 16 compared to Accenture at a P/E ratio of 25 and IBM at a P/E ratio of 79. Bearingpoint’s market to book is at 1% whereas Accenture is at 8% and IBM at 4%.

Performance parameters related to compensation Section 8.2 Adequate Information not available to make a concise and accurate statement.

Bases for estimating weighting average cost of capital Section 10.1 A 10% WACC was utilized due to a lack of significant information regarding the interest rate on all the individual borrowings.

Results of EVA for past 3 years Section 10.2

The EVA focuses on managerial actions in a given year. The EVA shows that sales are tending downward while the cost of capital is increasing. The year 2003 show a negative EVA of 79,605. This report questions management’s ability to provide shareholder value.

Risk/assumptions to free cash flow Section 11.1

Forward-looking statements could be affected by general domestic and international economic and political conditions, uncertainty as to the future direction of the economy and vulnerability of the economy to domestic or international incidents, as well as market conditions in our industry. Actual results may differ from the forward-looking statements for many reasons, including:

- direct or indirect impact of the matters disclosed in this Form 8-K on our operating results, financial condition or stock price;
- continuation of pricing pressures and declining billing rates;
- continuation of the global economic downturn and challenging economic conditions;
- business decisions of our clients regarding the use of our services and the related need to use subcontractors to complete certain engagements;
- ability to obtain waivers of defaults and modifications to the 2004 Credit Facility;
- ability to comply with financial and other covenants under the 2004 Credit Facility and Debentures;
- ability to refinance the 2004 Credit Facility when it matures on May 22, 2005 and to access the capital markets and ability to address liquidity concerns
- timing of projects and their termination;
- ability to remediate internal control weaknesses identified by us and our independent registered public accounting firm;
- ability to file our Form 10-K and obtain audited financial statements for the fiscal year ended December 31, 2004 with an unqualified accompanying report of our independent registered public accountants as required by the 2004 Credit Facility;
- availability of surety bonds, letters of credit or bank guarantees supporting client engagements;
- impact of rating agency actions;
- ability to retain the listing of our common stock on the New York Stock Exchange;
- availability of talented professionals to provide our services;
- pace of technology change;
- strength of our joint marketing relationships;
- actions of our competitors;
- unexpected difficulties with our global initiatives and acquisitions (such as the acquisition of BearingPoint GmbH), including rationalization of assets and personnel and managing or integrating the related assets, personnel or businesses;
- changes in spending policies or budget priorities of the U.S. government, particularly the Department of Defense, in light of the large U.S. budget deficit;
- inability to use losses in some of our foreign subsidiaries to offset earnings in the United States;
- inability to accurately forecast our results of operations and the growth of our business;
- changes in, or the application of changes to, accounting principles or pronouncements under accounting principles generally accepted in the United States, particularly those related to revenue recognition;
- difficulties relating to changes in our management;
- failure to complete Sarbanes-Oxley requirements, including the requirements of Section 404 of Sarbanes-Oxley, in a timely manner; and the outcome of pending and future legal proceedings

Reasonableness of the forecast and discussion Section 11.2 & 11.3

The underlying question remains as to when Bearingpoint will begin to show significant improvements. The performance ratios demonstrate the overall company performance concerns on an individual basis; i.e. liquidity, debt management, etc. The FCF forecast is based on a future-looking performance; with results remaining relatively identical to past performance. The bottom line results, as demonstrated through the FCF forecast, illustrates the need for a significant turnaround strategy.

Company/period for comparison Section 12.1

A Twelve Month Trailing (ttm) was used to obtain the most accurate and up-to-date information.

Market Multiple compared to stock price Section 12.2

Bearingpoint sells at a market cap below that of earnings.

Discussion Section 12.3

The market capitalization is reflective of the inherent difficulties and challenges being faced by the company. Given the performance (and relative stability) of the market competitors I agree that Bearingpoint should be selling below its market cap.

Results of market multiple valuation and the free cash flow valuation Section 12.4

The Street is concerned over the future performance of the company and has devalued the stock accordingly. The FCF valuation supports this concern.

Performance Parameters (Competitor Comparison)
Schedule 1.5

		2003	Accenture 2003 (August)	IBM 2003
FROM FIN: (C)				
LIQUIDITY				
CURRENT (times)	CURRENT ASSETS	760,852	5,037	44,998
	CURRENT LIABILITIES	520,117	3,351	37,900
		1.46	1.50	1.19
QUICK / ACID TEST (times)	:NT ASSETS - INVENTORY	ıove-service bus no		
	CURRENT LIABILITIES			
DSO (days)	ACCOUNTS RECEIVABLE	568,340	2,245	28,923
	ANNUAL SALES / 360	7,933	33	248
		72	68	117
ASSET MANAGEMENT				
INVENTORY TURNOVER	SALES	ıpplicable-no invent		
	INVENTORIES		cannot compare	
FIXED ASSET TURNOVER	SALES	3,139,277	11,818	89,131
	NWT FIXED ASSETS	208,785	650	37,121
		15	18	2
TOTAL ASSET TURNOVER	SALES	2,855,824	11,818	89,131
	TOTAL ASSETS	2,049,812	6,459	104,457
		1.3932	1.8297	0.8533
DEBT MANAGEMENT				
TOTAL DEBTS TO TOTAL ASSETS	TOTAL LIABILITIES	860159	4,781	76,593
	TOTAL ASSETS	2,049,812	6,459	104,457
		41.96%	74.02%	73.32%
TIMES-INTEREST-EARNED	EBIT	221,481	1,613	10,874
	INTEREST CHARGES	17,175	20	145
		13	81	75
EBITDA COVERAGE	ITDA + LEASE PAYMENTS	ormation not availal		
	INTEREST + PRINCIPAL PAYMENTS + LEASE PAYMENTS			
PROFIT MARGIN				
PROFIT MARGIN ON SALES	OMMON STOCKHOLDERS	1.32%	498	7,583
	SALES		11,818	42,635
			4.21%	17.79%
BASIC EARNINGS POWER	EBIT	5.58%	1,613	10,874
	TOTAL ASSETS		6,459	104,457
			24.97%	10.41%
RETURN ON TOTAL ASSETS	OMMON STOCKHOLDERS	2.02%	498	7,583
	TOTAL ASSETS		6,459	104,457
			7.71%	7.26%
RETURN ON COMMON EQUITY	OMMON STOCKHOLDERS	3.47%	498	7,583
	COMMON EQUITY		794	27,864
			62.72%	27.21%
MARKET VALUE				
PRICE / EARNINGS	CE PER COMMON SHARE	8	25	79
	EARNINGS PER COMMON SHARE	(0.5100)		
		(16)		
MARKET /BOOK	CE PER COMMON SHARE	8.04000	25	79
	BOOK VALUE PER COMMON SHARE	5.93000	3.1190	18.87800
		1.35582	8.114780378	4.209132323

EVA Scehedule 1.11

COMPANY: Bearingpoint Inc.
YEAR: 2001 to 2003

EVA - PREFERRED METHOD

			2003	2002	2001
PRETAX INCOME			99,066.0	134,586.0	136,848.0
ADDBACK INTEREST EXPENSE			12,729.0	(896.0)	14,789.0
EBIT			111,795.0	133,690.0	151,637.0
TAX RATE	(USE 40% UNLESS YOU HAVE BEETER INFO)	40%	44,718.0	53,476.0	60,654.8
NOPAT			67,077.0	80,214.0	90,982.2
TOTAL (SHORT TERM + LONG TERM) INTEREST BEARING LIABILITIES			277,176.0	1,846.0	13,440.0
TOTAL STOCKHOLDERS EQUITY (NOT JUST COMMON EQUITY)			1,189,653.0	601,870.0	632,111.0
TOTAL INVESTMENT***			1,466,829.0	603,716.0	645,551.0
		WACC			
COST OF CAPITAL	(USE 10% WACC UNLESS YOU HAVE BETTER INFO)	10%	146,682.9	60,371.6	64,555.1
EVA			(79,605.9)	19,842.4	26,427.1

***** JJS RECOMMENDS *NOT* ADJUSTING FOR SHORT-TERM INVESTMENTS (TEXT SUGGESTS OTHERWISE)**

		FCF Forecast Schedule 1.12			0	**ACTUAL**	**FCAST**	**FCAST**	**FCAST**	**FCAST**	**FCAST**		
						3-Mar	**4-Mar**	**5-Mar**	**6-Mar**	**7-Mar**	**8-Mar**		
		CAUTION: WATCH ORDER OF MAGNITUDE				**0**	**+1**	**+2**	**+3**	**+4**	**+5**		
		REVENUE				3,275,480	3,444,164	3,616,372	3,797,191	4,176,910	4,594,601		
		Professional compensation				2,289,120	2,545,924	2,712,279	2,847,893	3,132,682	3,445,951		
		SG&A				566,104	551,720	614,783	645,522	710,075	781,082		
		Lease and facilities charge				71,942	282,120	289,310	303,775	334,153	367,568		
		DEPRECIATION: MAY NEED TO GET INFO FROM FOOTNOTE BUT DON'T DOUBLE COUNT				49,584	4,380	3,616	56,958	4,177	68,919		
		EBIT				298,730	60,020	(3,616)	(56,958)	(4,177)	(68,919)		
		INT				24,056	19,816	25,315	26,580	29,238	32,162		
		PRETAX				274,674	40,204	(28,931)	(83,538)	(33,415)	(101,081)		
		TAXES				42,284	31,592	47,013	49,363	54,300	59,730		
		NET INCOME				232,390	8,612	(75,944)	(132,902)	(87,715)	(160,811)		
		NOTE: YR +1 THROUGH +5 ARE BALANCES; NOT INCREMENTS											
		CASH				122,723							
		S/T INVT				-							
		A/R				651,179	813,236	2,893,098	3,037,753	3,341,528	3,675,681		
		INV				-	-	-	-	-	-		
		OTHER CURRENT ASSETS				88,379	109,223	397,801	417,691	459,460	505,406		
		PP&E GROSS				203,341			(208,897)	(417,794)	(626,691)		
		ACCUM DEPRECIATION				981,222							
		OTHER NONCURRENT ASSETS				82,603		-	-	-	-		
		TOTAL ASSETS				2,129,447	922,459	3,290,899	3,246,547	3,383,194	3,554,396		
0.072895													
		A/P				200,521	260,905	1,084,912	1,139,157	1,253,073	1,378,380		
		ACCRUALS				175,830	173,960	723,274	759,438	835,382	918,920		
0		OTHER NON-INT BEARING LIABILITIES				368,393	368,778	1,518,876	1,594,820	1,754,302	1,929,732		
		INT BEARING LIABILITIES 1				9,345							
		INT BEARING LIABILITIES 1				238,766							
		INT BEARING LIABILITIES 1				-							
		PREFERRED STOCK											
		COMMON EQUITY - COMM STK				1,973							
		COMMON EQUITY - PAID IN CAP				1,105,631							
		COMMON EQUITY - RET EARNINGS				(157,804)							
		OTHER EQUITY				190,972							
		TOTAL LIAB + EQUITY				2,133,627							
		EBIT				298,730	60,020	(3,616)	(56,958)	(4,177)	(68,919)		
		DEPRECIATION & AMORTIZATION				49,584	4,380	3,616	56,958	4,177	68,919		
		EBITDA				348,314	64,400	(0)	0	(0)	(0)		
		TAX RATE				15%	79%	-162%	-59%	-163%	-59%		
		1 - TAX RATE				85%	21%	262%	159%	263%	159%		
		EBITDA - TAX ADJUSTED				294,694	13,795	(0)	0	(0)	(0)		
	MINUS	A/R	GROWTH	(YR X - PRIOR YEAR)			(162,057)	(2,079,862)	(144,655)	(303,775)	(334,153)		
	MINUS	INV	GROWTH	(YR X - PRIOR YEAR)			-	-	-	-	-		
	MINUS	OTHER CURRENT ASSETS	GROWTH	(YR X - PRIOR YEAR)			(20,844)	(288,578)	(19,890)	(41,769)	(45,946)		
	PLUS	A/P	GROWTH	(YR X - PRIOR YEAR)			60,384	824,007	54,246	113,916	125,307		
	PLUS	ACCRUALS	GROWTH	(YR X - PRIOR YEAR)			(1,870)	549,314	36,164	75,944	83,538		
	PLUS	OTHER NON-INT BEARING LIABILITIES	GROWTH	(YR X - PRIOR YEAR)			385	1,150,098	75,944	159,482	175,430		**FCF CONSTANT GROWTH RATE --**
NOTE:	MINUS	NEW CAPITAL EXPENDITURES DURING YEAR - **USE MINUS FOR AMOUNT OF NEW ITEMS**					208,897	208,897	208,897	208,897	208,897		**NOTE: GROWTH RATE MUST BE**
	MINUS	NEW OTHER NONCURR ASSETS (IF ANY) - **USE MINUS FOR AMOUNT OF NEW ITEMS**					-	-	-	-	-		**LESS THAN WACC**
												5%	**<-- CONSTANT GROWTH RATE -- INPUT**
		FCF					98,690	363,877	210,705	212,694	213,074	223728	**<--- FCF IN YEAR FOLLOWING YEAR+5, BASED ON CONSTANT GROWTH RATE**
											4,474,552	**<-----------**	**<--- CALCULATE VALUE OF ALL FCF AFTER YEAR+5, DISCOUNTED BACK TO END OF YEAR+5**
			WACC										**<--- NOW DISCOUNT BACK TO END OF YEAR 0, SEE CELL G77**
		PV OF FUTURE FCF OF YEAR	**10%**										
		+1				89,718							
		+2				300,725							
		+3				158,306							
		+4				145,273							
		+5				132,302							
		PV OF FUTURE OPERATIONS				826,324							
		HORIZON VALUE	**CAUTION IF BIG NUMBER?**			2,778,345							
		PLUS: YR 0 CASH .				122,723							
		PLUS: YR 0 S/T INVT				-							
		TOTAL VALUE OF COMPANY				3,727,392							
		LESS: INTEREST BEARING DEBT				(248,111)							
		LESS: PREFERRED STOCK				-							
		VALUE OF COMMON STOCK				3,479,281							
		NUMBER COMMON SHS OUTSTANDING	**CAUTION: WATCH ORDER OF MAGNITUDE**			199,200							
		VALUE PER COMMON SHARE				17.47							
		ACTUAL VALUE OF COMMON STOCK	**CAUTION: WATCH ORDER OF MAGNITUDE**			8.04							
		+ = UNDERVALUED / - = OVERVALUED				9.43							

Schedule 1.13

Bearingpoint Inc.			
PERIOD 4 =TTM (trailing twelve months)			
PUBLIC COMPANY: YES			
IF PUBLIC COMPANY:			
- NUMBER OF COMMON SHARES OUTSTANDING AT END OF PERIOD 0	INPUT -->		1973
- MARKET PRICE PER COMMON SHARE AT END OF PERIOD 4	INPUT -->	$	8.04
- TOTAL MARKET VALUE OF COMMON STOCK AT END OF YR 0		$	15,863

COMPANY	ACTUAL Accenture	ACTUAL IBM	ACTUAL MY CO Bearingpoint	ESTIMATED VALUATION FOR MYCO
YEAR	(ttm)	(ttm)	(ttm)	ttm
SALES (in billions)	16.59	96.20	3.38	3.38
NET INCOME - PRFD DIV	0.8943	8.61	-0.10	-0.10
PROFIT MARGIN	5.3908%	8.9501%	-3.02%	-3.02%
# OF COMMON SHS (in billions) OUTSTANDING	0.5363	1.6000	0.1992	0.1992
EPS	$ 1.67	$ 5.38	$ (0.51)	$ (0.51)
PRICE PER SHARE	$ 25.31	$ 76.45	$ 8.04	$ 8.04
MARKET CAP OF COMMON STK	14	122	2	2
NET BOOK VALUE (COMMON EQUITY)	18,355,000	22	1,973	$ 1,973
NUMBER OF CUSTOMERS	-	-	-	-
MARKET CAP / SALES	0.82	1.27	0.47	0.47
PRICE / EARNINGS (EPS)	15.18	14.21	(15.70)	(15.70)
MARKET CAP / NET BOOK	0.0000	5.56	0.0008	0.0008
SALES / CUSTOMER	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
MARKET CAP / CUSTOMER	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

<u>FOR COURSE PROJECT</u>
INDICATE CLEARLY WHAT COMPARISON YOU ARE USING FOR VALUATION
EXPLAIN WHY YOU ARE USING THIS COMPARISON
EXPLAIN WHY TOU AGREE OR DISAGREE WITH COMPUTED VALUATION FOR YOUR COMPANY

HINT: COMPARISONS FROM PERFORMANCE PARAMETERS SHEET MAY HELP
YOU DECIDE WHAT COMPARISON TO USE

Consolidated Income Statements

	Consolidated Income Statement 2003	Percent of Revenues Before Reimbursements	Consolidated Income Statement 2002	Percent of Revenues Before Reimbursements
Revenues:				
Revenues before reimbursements	$ 11,818	100%	$ 11,574	100%
Reimbursements	1,579	13	1,531	13
Revenues	13,397	113	13,105	113
Operating Expenses:				
Cost of services:				
Cost of services before reimbursable expenses	7,508	64	6,897	60
Reimbursable expenses	1,579	13	1,531	13
Cost of services	9,087	77	8,428	73
Sales and marketing	1,459	12	1,566	14
General and administrative costs	1,300	11	1,616	14
Restructuring costs	–	0	111	1
Total operating expenses	11,846	100	11,720	101
Operating Income	1,551	13.1	1,385	12.0
Gain (loss) on investments, net[1]	10	0	(321)	(3)
Interest, net	20	0	(3)	0
Other income (expense)	32	0	15	0
Equity in losses of affiliates	–	0	(9)	0
Income Before Taxes	1,613	14	1,068	9
Provision for taxes	566	5	491	4
Income Before Minority Interest	1,047	9	576	5
Minority interest	(549)	(5)	(332)	(3)
Net Income	**$ 498**	**4%**	**$ 245**	**2%**

	2003	2002
Earnings Per Share:		
Basic	$ 1.06	$ 0.57
Diluted	$ 1.05	$ 0.56
Earnings Per Share Adjusted to Exclude 2002 Restructuring Costs and Loss on Investments, Net		
Income Before Minority Interest as Reported	$ 1,047	$ 576
Add Back: Restructuring costs, net of tax	–	69
Add Back: Loss on investments, net of tax	–	284
Adjusted Income Before Minority Interest	$ 1,047	$ 929
Adjusted Earnings Per Share:		
Basic	$ 1.06	$ 0.93
Diluted	$ 1.05	$ 0.91
Weighted Average Shares:		
Basic	468,592,110	425,941,809
Diluted	996,754,596	1,023,789,546

Consolidated Balance Sheets

	August 31, 2003	August 31, 2002
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,332	$ 1,317
Restricted cash[2]	83	79
Receivables from clients, net	1,416	1,331
Unbilled services	829	774
Other current assets	377	551
Total current assets	5,037	4,052
Non-Current Assets:		
Investments	33	85
Property and equipment, net	650	717
Other non-current assets	739	625
Total non-current assets	1,422	1,427
Total Assets	**$ 6,459**	**$ 5,479**
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term debt	$ 46	$ 63
Accounts payable	573	450
Deferred revenues	677	544
Accrued payroll and related benefits	974	1,140
Other accrued liabilities	1,081	1,130
Total current liabilities	3,351	3,327
Non-Current Liabilities:		
Long-term debt	14	3
Other non-current liabilities	1,416	1,191
Total non-current liabilities	1,430	1,194
Minority Interest	884	519
Shareholders' Equity	794	439
Total Liabilities and Shareholders' Equity	**$ 6,459**	**$ 5,479**

Notes:
[1] The 2002 net loss on investments includes a charge for investment writedowns related to the disposal of substantially all our minority ownership interests in our venture and investment portfolio.
[2] Restricted cash represents cash available to the Accenture Stock Employee Compensation Trust for open-market share repurchases that will be used to fund equity-based awards for Accenture employees.

US dollar amounts in millions for the years ended August 31, 2003 and 2002, except share and per share data.

All amounts throughout this annual report are stated in US dollars except where noted.

The complete text of Accenture's Annual Report on Form 10-K for the year ended August 31, 2003, including financial statements, footnotes and auditor's report, can be viewed via the Internet through the Investor Relations section of our website at: www.accenture.com/investor.

Consolidated Statement of Earnings

INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

(dollars in millions except per share amounts)

FOR THE YEAR ENDED DECEMBER 31:	NOTES	2003	2002	2001
Revenue:				
Global Services		$ 42,635	$ 36,360	$ 34,956
Hardware		28,239	27,456	30,593
Software		14,311	13,074	12,939
Global Financing		2,826	3,232	3,426
Enterprise Investments/Other		1,120	1,064	1,153
Total Revenue		89,131	81,186	83,067
Cost:				
Global Services		31,903	26,812	25,355
Hardware		20,401	20,020	21,231
Software		1,927	2,043	2,265
Global Financing	K	1,248	1,416	1,693
Enterprise Investments/Other		634	611	634
Total Cost		56,113	50,902	51,178
Gross Profit		33,018	30,284	31,889
Expense and Other Income:				
Selling, general and administrative	Q	17,852	18,738	17,048
Research, development and engineering	R	5,077	4,750	4,986
Intellectual property and custom development income		(1,168)	(1,100)	(1,476)
Other (income) and expense		238	227	(353)
Interest expense	K & L	145	145	234
Total Expense and Other Income		22,144	22,760	20,439
Income from Continuing Operations Before Income Taxes		10,874	7,524	11,450
Provision for income taxes	P	3,261	2,190	3,304
Income from Continuing Operations		7,613	5,334	8,146
Discontinued Operations:				
Loss from discontinued operations	C	30	1,755	423
Net Income		7,583	3,579	7,723
Preferred stock dividends		—	—	10
Net Income Applicable to Common Stockholders		$ 7,583	$ 3,579	$ 7,713
Earnings/(Loss) per Share of Common Stock:				
Assuming Dilution:				
Continuing operations	T	$ 4.34	$ 3.07	$ 4.59
Discontinued operations	T	(0.02)	(1.01)	(0.24)
Total	T	$ 4.32	$ 2.06	$ 4.35
Basic:				
Continuing operations	T	$ 4.42	$ 3.13	$ 4.69
Discontinued operations	T	(0.02)	(1.03)	(0.24)
Total	T	$ 4.40	$ 2.10	$ 4.45
Weighted-Average Number of Common Shares Outstanding:				
Assuming dilution		1,756,090,689	1,730,941,054	1,771,230,599
Basic		1,721,588,628	1,703,244,345	1,733,348,422

The accompanying notes on pages 80 through 121 are an integral part of the financial statements.

Consolidated Statement of Financial Position

INTERNATIONAL BUSINESS MACHINES CORPORATION AND SUBSIDIARY COMPANIES

(dollars in millions)

AT DECEMBER 31:	NOTES	2003	2002*
Assets			
Current assets:			
Cash and cash equivalents		$ 7,290	$ 5,382
Marketable securities	D	357	593
Notes and accounts receivable — trade, net of allowances		10,026	9,915
Short-term financing receivables	F	17,583	15,996
Other accounts receivable		1,314	1,447
Inventories	E	2,942	3,148
Deferred taxes	P	2,542	2,617
Intangible assets — net	I	336	245
Prepaid expenses and other current assets		2,608	2,379
Total current assets		44,998	41,722
Plant, rental machines and other property	G	37,122	36,083
Less: Accumulated depreciation	G	22,433	21,643
Plant, rental machines and other property — net	G	14,689	14,440
Long-term financing receivables	F	10,741	11,440
Prepaid pension assets	W	18,426	16,003
Investments and sundry assets	H	8,108	8,272
Goodwill	I	6,921	4,115
Intangible assets — net	I	574	492
Total Assets		$ 104,457	$ 96,484
Liabilities and Stockholders' Equity			
Current liabilities:			
Taxes	P	$ 5,475	$ 5,476
Short-term debt	K & L	6,646	6,031
Accounts payable		8,460	7,630
Compensation and benefits		3,671	3,724
Deferred income		6,492	4,946
Other accrued expenses and liabilities		7,156	6,413
Total current liabilities		37,900	34,220
Long-term debt	K & L	16,986	19,986
Retirement and nonpension postretirement benefit obligations	W	14,251	13,215
Other liabilities	M	7,456	6,281
Total Liabilities		76,593	73,702
Contingencies and commitments	O		
Stockholders' equity:	N		
Common stock, par value $.20 per share		16,269	14,858
Shares authorized: 4,687,500,000			
Shares issued (2003 — 1,937,393,604; 2002 — 1,920,957,772)			
Retained earnings		37,525	31,555
Treasury stock, at cost (shares: 2003 — 242,884,969; 2002 — 198,590,876)		(24,034)	(20,213)
Accumulated gains and (losses) not affecting retained earnings		(1,896)	(3,418)
Total Stockholders' Equity		27,864	22,782
Total Liabilities and Stockholders' Equity		$ 104,457	$ 96,484

* *Reclassified to conform with 2003 presentation.*

The accompanying notes on pages 80 through 121 are an integral part of the financial statements.