



we make **it**

Quarterly report Q1/2006

BRAIN FORCE Group

Ratios by segment as at March 31, 2006	Enterprise Services	Business Solutions	Technology and Infrastructure	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	8,685,333.13	6,591,192.85	6,862,275.22	0.00	22,138,801.20
Segment operating result	814,328.89	666,164.52	320,867.06	-626,414.24	1,174,946.23
Financial result					-29,084.97
Share in profit of associates		266,297.92			266,297.92
Result before taxes					1,412,159.18
Income taxes					-695,402.43
Result for the period					716,756.75
Segment assets	10,574,061.25	25,944,501.18	22,371,404.59	7,203,382.38	66,093,349.40
Segment liabilities	6,018,364.32	12,600,085.90	10,241,029.83	4,406,921.99	33,266,402.04
Segment capital expenditure	12,534.84	236,027.49	324,399.10	39,338.94	612,300.37
Segment depreciation and amortisation	8,255.87	404,943.68	359,417.61	30,133.89	802,751.05

Earnings per share EUR 0,07

Geographical segments as at March 31, 2006	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	2,724,423.57	8,345,376.27	50,573.57
Germany	10,218,639.93	27,116,304.90	336,207.94
Italy	6,551,548.45	19,145,276.79	114,046.10
Netherlands	2,420,075.41	10,180,291.35	111,237.65
Other regions	224,113.83	1,306,100.09	235.11

Foreword by the Chief Executive Officer



Dear shareholders and stakeholders, ladies and gentlemen

Following record results for the third quarter of 2005 and for the entire 2005 fiscal year, we can now reflect upon an exceptionally successful 2006 first quarter. Sales jumped by 34.7 percent in comparison with the corresponding quarter for the preceding year. The operating result (EBIT) was even more impressive, with the figure of EUR 1.17 million at the end of the first quarter constituting almost triple that registered for the corresponding 3-month period the previous year. Earnings per share amounted to EUR 0.07.

Such extraordinary results have only been possible because we have been able to integrate last year's corporate acquisitions so successfully - such as the Dutch company VAI bv. The newly acquired solutions they offer supplement the group's portfolio perfectly and have contributed significantly to the increased margin.

After the success of the share capital issue at the beginning of April we are now in a position to continue expanding through further takeovers. We have made the decision to invest in Managed Services, an area displaying the best prognoses for future growth - and for us a logical addition to our existing business as a service provider.

We would like to thank you for your continuing trust in our business.

A handwritten signature in blue ink that reads "Helmut Fleischmann". The signature is written in a cursive style with a prominent initial "H".

Helmut Fleischmann
Chief Executive Officer

Quarterly report Q1/2006

Verging on new growth

Not only the result of the 2005 fiscal year, but also the recently concluded first quarter of 2006 make it abundantly clear that the integration of the two companies acquired last year, INDIS S.p.A. in Italy and VAI B.V. in the Netherlands, is well under way and registering initial success. Both companies have been integrated into the standard management and controlling processes employed for the operational companies, with the development of day-to-day business activities constituting the number one priority, successfully completing their integration into group operations.

Starting next
expansion phase

At the same time, this integration signals the commencement of planning and implementation for the next expansion phase. In March and April 2006 we successfully increased our capital by placing 5,128,914 ordinary shares with investors. As of 6th April 2006 the nominal capital stands at EUR 15,386,742. The capital increase was completely underwritten by two financial investors. The proceeds of the issue amounted to EUR 15.9 million, practically all of which is earmarked for funding further acquisitions.

The primary objective of the expansion strategy remains not only to boost sales, but also ostensibly to increase margins across the group. This will allow the group to compensate for the dilution effect resulting from the increase in capital, while also improving earnings per share.

To date we have geographically expanded the core business of BRAIN FORCE, namely IT services, and supplemented it through a specialised range of solutions in the Business Solutions (BS) and Technology and Infrastructure (TI) divisions, using the excellent customer base established by our service business to facilitate customer access to our proprietary group solutions.

We plan to continue pursuing these objectives in future, promote our geographic expansion and include supplementary software solutions into our range of products and services. The strategy also includes significantly boosting activities of the Enterprise Services (ES) division, still the group's largest division in terms of sales.

In light of our market observations we have also resolved to expand and invest in the Managed Services division, focusing on Managed Infrastructure and Managed Applications.





Expanding world economy

It is in these areas that the prognosis for market growth appears most positive, allowing us to leverage our existing TI and BS division competencies as a competitive advantage over other pure service providers.

Past experience with our existing customers has shown that the best margins can be achieved where we have assumed full responsibility for business critical applications. At the same time, in most cases we have been able to secure further significant orders in conjunction with contracts for the managed services.

With our product positioning in the ES segment we are in an optimal position to capitalise on anticipated market developments, envisaging a significant increase in service margins and heightened customer loyalty in comparison with our classic range of IT services.

Prevailing economic conditions

In their spring expert report the leading German economic research institutes have established that the world economy is still expanding significantly in early 2006. This view is held by experts from the IfW in Kiel, Ifo in Munich, HWWA in Hamburg, IWH in Halle and RWI in Essen. According to these analysts, the buoyant forces are so strong that they more than counterbalance the negative impact of higher raw material prices, a situation that can be attributed to high corporate profits, increasing asset values and low interest rates.

The Ifo analysts share this view in their eurozone economic outlook issued in mid April 2006. They saw the first quarter eurozone gross domestic product increasing by 0.5 percent over the preceding quarter, with industrial production up 0.7 percent.

The longer term view is also favourable according to the Ifo experts. Consequently, there will be heightened investment activity as companies chase excellent earnings opportunities. The subsequent quarters are likely to see a further increase in GDP.

According to the eurozone economic outlook there will be steady GDP growth of 0.6 percent for the second and also the third quarterly periods. The same applies to industrial production, with an increase of 8 percent for both the second and third quarters being anticipated.

Best first quarter in
group's history



Sales and revenue situation

The positive economic environment is once again reflected in the first-quarter results for 2006. The BRAIN FORCE group achieved the best first quarter result in the group's history, posting a slight increase in sales over the fourth quarter of 2005. This equated to sales of EUR 22.14 million in the first three months of 2006, exceeding the comparable figure for the preceding year by 34.7 percent (EUR 16.44 million). Organic growth (i.e. excluding sales achieved through the acquisitions of 2005) amounted to 14.2 percent.

The EBITDA more than doubled in comparison with the same period in the preceding year (+125.0 percent), rising by EUR 1.10 million to EUR 1.98 million (Previous year: EUR 0.88 million). Accordingly, the EBITDA margin rose from 5.4 percent in Q1 2005 to 8.9 percent in Q1 2006.

The result for the 2006 first quarter includes an extraordinary item relating to compensation payments totalling TEUR 422. The EBITDA adjusted for this effect is EUR 1.56 million, still a significant increase of 77.3 percent over the preceding year, constituting an EBITDA margin of 7.0 percent.

The 2006 first quarter EBIT was EUR 1.17 million (Previous year: EUR 0.41 million), making it almost triple that of the previous year (+185.4 percent). Consequently, the EBIT margin rose by 2.8 percentage points from 2.5 percent to 5.3 percent.

The Q1 2006 EBIT adjusted for the extraordinary item amounted to EUR 0.75 million (+82.9 percent increase over the previous year), producing an EBIT margin of 3.4 percent.

The profit for the period after minority interests for the first three months of 2006 amounts to TEUR 696 (Previous year: TEUR 134). This equates to an increase of TEUR 562 or 418.2 percent. Earnings per share were EUR 0.07 (Previous year: EUR 0.01).

Development in primary segments

Enterprise Services (ES) achieved net sales of EUR 8.69 million in the first quarter of 2006. (Previous year: EUR 7.62 million.) and a segment EBIT of EUR 0.81 million (Previous year: EUR 0.35 million). Consequently, the segment generated 39.2 percent of BRAIN FORCE group net sales, still the highest contribution by any segment. The EBIT margin was 9.3 percent (Previous

year: 4.6 percent). Excluding the percentage involving the extraordinary item described above for the ES segment, the EBIT margin was 6.0 percent.

The international subsidiaries in Germany contributed EUR 6.07 million to ES net sales, whilst our businesses in Austria generated net sales of EUR 2.57 million, and only a minimal proportion of ES sales were achieved in the other countries.

Germany and Austria saw increasing numbers of orders from 2005 extending into the first quarter compared with preceding years. Important new customers included a logistics service provider in Germany and a telecommunications service provider in Austria. The clear improvement in results can also be partly attributed to the large number of working days in the first quarter of 2006.

Business Solutions (BS) achieved a segment EBIT of EUR 0.67 million (Previous year: EUR 0.39 million) in the first quarter of 2006, posting sales of EUR 6.59 million (Previous year: EUR 4.88 million). The EBIT margin was 10.2 percent (9.9 percent when adjusted for the extraordinary item; previous year: 8.0 percent). Consequently, after taking the extraordinary item into account, this segment generated the highest proportional result of all segments, constituting 29.8 percent of net group sales.

The Italian international subsidiaries contributed EUR 3.57 million to net sales for the segment. Germany was the second highest achiever in this segment, with sales of EUR 2.81 million Austria accounted for net sales of TEUR 142 in this segment, with the other countries contributing TEUR 74.

As of 1st January 2006, INDIS S.p.A. merged with the existing national BRAIN FORCE company. Not only can the actual organisational merger be considered successful, but the sales teams of the two former BS segment companies have adopted a standard organisational structure and have established a joint presence in the market with a composite range of products and services. The first customer we were able to upgrade from *Visual SPACE* to Microsoft Dynamics NAV (formerly Navision) was the machine manufacturer Inarca, while an Italian supplier commissioned BRAIN FORCE to develop control mechanisms for transporting gas. Moreover, we have been commissioned by Uvet-American Express, the leading business travel provider, to introduce Microsoft CRM in a project extending over the entire year.

In Germany, RheinLand Lebensversicherung (life insurance) is one of the first customers im-



INDIS S.p.A.
successfully merged

TI contributed 31 percent
of group sales



plementing solutions provided by *BRAIN FORCE Finanzanalyse Center* (financial analysis) and *BRAIN FORCE Risikoabsicherung* (risk protection); RheinLand Lebensversicherung has also acquired a licence for *BRAIN FORCE Vorsorgeoptimierung* (pension optimisation).

The Business Process Outsourcing project is still running in Austria.

Two customers in the Czech Republic have implemented the Jupiter asset and portfolio management tool.

In the first three months of the current year, **Technology and Infrastructure (TI)** contributed 31.0 percent of group sales. The segment posted sales of EUR 6.86 million (Previous year: EUR 3.95 million), with a segment EBIT of EUR 0.32 million (Previous year: EUR 0.06 million). The EBIT margin was 4.7 percent (Previous year: 1.5 percent).

In the first quarter approximately EUR 0.19 million was invested in developing a group-wide distribution network for *BRAIN FORCE Packaging Robot* and *BRAIN FORCE Migration out of the Box*. As anticipated, only minimal sales were achieved in the first quarter from these investments. Excluding these investments and adjusted for the extraordinary item, the EBIT margin was 5.8 percent. As shown by the results from the previous year, the first quarter is traditionally weak in the TI segment. We anticipate an EBIT margin of over 9 percent for the full year.

In this segment, the Italian subsidiary recorded net sales of EUR 2.99 million. In the Netherlands, VAI B.V. registered sales of EUR 2.42 million. The international subsidiaries in Germany posted sales of EUR 1.34 million, with the other companies accounting for EUR 0.12 million in sales for the segment.

In the Netherlands we were able to sell *BRAIN FORCE Packaging Robot* licences to seven customers, including a hospital operator and a pharmaceutical service provider. In all the remaining countries the sale of VAI B.V. solutions is in full swing. The response to the new product range has been unanimously positive. We have been able to build numerous leads in every region and anticipate the first major contracts to be signed outside the Netherlands in the very near future.

In Germany and Italy existing large-scale projects proved to be crucial sales generators. In Germany, the new *BRAIN FORCE Net Organizer* has been incorporated into production by the first customer, Raffinerie Holborn (Holborn refinery). In Italy, BRAIN FORCE was awarded the contract for a disaster recovery system by the investment bank Banca Imi.



Increasing order situation

Group overheads (costs not allocated to segments) amounted to TEUR 626 for the period to 31st March 2006 (Previous year: TEUR 384). The increase in group expenditure can be attributed to the development of group management structures. On the one hand, the group has expanded considerably thanks to the acquisitions made in the middle of last year, while on the other the group is on the verge of the next expansion phase.

Orders

As at 31st March 2006, current orders amounted to EUR 24.74 million, an increase of 16.0 percent compared to 31.12.2005 (EUR 21.33 million). Compared with 31/03/2005 (EUR 16.40 million), orders have risen by 50.9 percent.

The Enterprise Services division has current orders amounting to EUR 11.64 million (31/12/2005: EUR 7.32 million; 31/03/2005: EUR 8.83 million).

Current orders for Business Solutions amounted to EUR 9.88 million at the reporting date (31/12/2005: EUR 10.62 million; 31/03/2005: EUR 4.45 million).

The Technology and Infrastructure division has current orders to the value of EUR 3.22 million (31/12/2005: EUR 3.39 million; 31.03.2005: EUR 3.12 million)

Research and product development

The research and development activities of the BRAIN FORCE group are concentrated in the business areas of BS and TI.

The *BRAIN FORCE Finanzanalyse Center*, a unit within the BS division, has developed the *BRAIN FORCE Risikoabsicherung* module (risk protection) to cover liability, household contents, residential buildings, motor vehicles and legal protection. In Italy, a Microsoft Dynamics AX add-on was created from an industry solution.

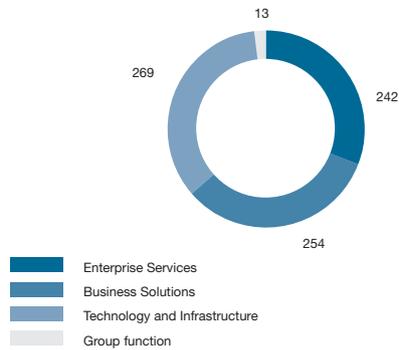
The TI division pursued the development of Version 2 of the *BRAIN FORCE Net Organizer* in the first quarter. Version 1 will be extended during the first six months of the year by adding the Network Visualisation, AutoRouting, and Moving Tool modules. In the Netherlands refinements have been made to the *BRAIN FORCE Packaging Robot*.

Human resources

As at the 31.03.2006 reporting date there were 778 salaried employees, 22.1 percent more than the comparable figure for the previous year (637 staff) and 4.4 percent below the number at 31/12/2005 (814 staff).

Staffing levels by business area are as follows:

Employees per
segment



During the first quarter the group employed an average of 789 salaried staff.

Further acquisitions
planned

Anticipated developments

The first months of the 2006 fiscal year have exceeded expectations. Consequently, we fully expect to achieve our ambitious goals for the full year (excluding acquisitions).

Our objective is to increase sales by 15.0 percent to EUR 90 million and to boost the EBIT by 20.0 percent to EUR 4.5 million.

As already mentioned above, further acquisitions are planned. Following the increase in share capital at the beginning of April, liquid funds totalling approximately EUR 17 million are available, excluding the working capital.



Consolidated balance sheet as at March 31, 2006

	31.03.2006	31.12.2005
Assets	EUR	EUR
Non-current assets		
Property, plant and equipment	1,510,554.31	1,537,326.89
Goodwill	10,066,500.26	10,066,500.26
Other intangible assets	8,041,109.87	8,206,118.97
Investments in associates	670,178.72	403,880.80
Other financial assets	458,143.19	461,352.44
Other receivables and other assets	1,219,354.42	1,598,935.66
Deferred tax assets	2,253,811.26	2,297,968.21
	24,219,652.03	24,572,083.23
Current assets		
Inventories	687,544.76	274,956.68
Trade receivables	27,579,427.64	24,807,325.04
Financial assets	4,455,676.17	0.00
Other receivables and other assets	2,776,860.76	2,182,955.28
Cash and cash equivalents	6,374,188.04	11,786,376.11
	41,873,697.37	39,051,613.11
	66,093,349.40	63,623,696.34

	31.03.2006	31.12.2005
Equity and liabilities	EUR	EUR
Equity		
Equity attributable to equity holders of the parent		
Share capital	10,257,828.00	10,257,828.00
Reserves	15,643,619.70	15,641,836.12
Retained earnings	6,508,100.70	5,812,121.08
Own shares	-29,924.62	-29,924.62
	32,379,623.78	31,681,860.58
Minority interest	447,323.58	425,830.27
	32,826,947.36	32,107,690.85
Non-current liabilities		
Financial liabilities	750,000.00	750,000.00
Other liabilities	27,449.07	27,449.07
Provisions for post-employment benefits	3,898,025.52	3,781,674.08
Other provisions	964,000.00	1,464,000.00
Deferred tax liabilities	1,337,034.41	1,360,947.11
	6,976,509.00	7,384,070.26
Current liabilities		
Financial liabilities	4,668,960.78	5,433,834.34
Trade payables	7,965,986.35	7,604,542.86
Other liabilities	11,108,658.45	9,774,733.87
Tax provisions	1,950,863.46	1,205,824.16
Other provisions	595,424.00	113,000.00
	26,289,893.04	24,131,935.23
	66,093,349.40	63,623,696.34

Consolidated income statements for the period January 1 - March 31, 2006		01.01.2006 -31.03.2006	01.01.2005 -31.03.2005
	EUR	EUR	
1. Net sales	22,138,801.20	16,439,005.46	
2. Changes in work in progress	86,035.63	-2,253.19	
3. Other own work capitalised	372,468.86	315,579.00	
4. Other operating income	625,959.46	292,339.88	
5. Material and cost of purchased services	-15,900,220.49	-12,012,550.97	
6. Employee benefit costs	-3,740,936.48	-2,788,992.30	
7. Depreciation and amortisation expense	-802,751.05	-472,105.87	
8. Other operating expense	-1,604,410.90	-1,359,565.68	
9. Operating result	1,174,946.23	411,456.33	
10. Financial result	-29,084.97	56,955.09	
11. Share of profit of associates	266,297.92	11,578.68	
12. Result before income taxes	1,412,159.18	479,990.10	
13. Income taxes	-695,402.43	-280,191.19	
14. Result for the period	716,756.75	199,798.91	
Result for the period attributable to:			
Equity holders of the parent	695,979.62	134,309.55	
Minority interest	20,777.13	65,489.36	
	716,756.75	199,798.91	
Earnings per share	0.07	0.01	

Consolidated cash flow statement for the period January 1 - March 31, 2006	01.01.2006	01.01.2005
	-31.03.2006	-31.03.2005
	EUR	EUR
Cash flow from operating activities		
Result before taxes	1,412,159.18	479,990.10
Adjustments for:		
+ Depreciation and amortisation	802,751.05	472,105.87
+/- Financial result	29,084.97	-56,955.09
- Share of profit of associates	-266,297.92	-11,578.68
+ Losses from the disposal of property, plant and equipment and intangible assets	1,054.85	1,706.17
+/- Changes in provisions for post-employment benefits and other provisions	98,775.44	58,635.62
+/- Changes in inventories	-412,588.08	7,120.09
+/- Changes in receivables	-2,980,187.80	-615,426.57
+/- Changes in payables	1,785,386.21	-361,630.95
+/- Currency translation differences	4,536.01	3,387.82
	474,673.91	-22,645.62
+/- interests paid/received	-58,393.50	9,656.42
- Taxes on income paid	-6,147.47	-65,195.75
Net cash flow from operating activities	410,132.94	-78,184.95
Net cash flow from investing activities		
- Acquisition of subsidiaries	-15,000.00	0.00
- Cash outflow for investments in property, plant and equipment and other intangible assets	-612,300.37	-475,699.89
- Cash outflow for investments in other financial assets	-5,534,591.81	-21,501.54
+ Sale of property, plant and equipment and other intangible assets	2,315.00	11,545.70
+ Cash inflow from the disposal of other financial assets and current financial assets	1,102,129.73	0.00
Net cash flow from investing activities	-5,057,447.45	-485,655.73
Cash flow from financing activities		
+/- Proceeds from borrowing/repayment of financial liabilities	-764,873.56	626,799.17
Net cash flow from financing activities	-764,873.56	626,799.17
Increase / decrease in cash and cash equivalents	-5,412,188.07	62,958.49
Cash and cash equivalents at beginning of year	11,106,098.47	14,551,208.04
+/- Increase / decrease	-5,412,188.07	62,958.49
Cash and cash equivalents at end of period	5,693,910.40	14,614,166.53

Consolidated statement of changes in equity

Balance January 1, 2005

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period January 1 - March 31, 2005

Total result for the period**Balance March 31, 2005**

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period April 1 - December 31, 2005

Total result for the period

Dividend

Change of own shares

Other movements within minority interest

Balance December 31, 2005

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period January 1 - March 31, 2006

Total result for the period**Balance March 31, 2006**

Attributable to equity holders of the parent						Minority Interests	Total equity
Share capital	Share premium	Other reserves	Retained earnings	Own Shares	Total		Total
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
10,257,828.00	15,738,974.70	-194,566.28	3,506,217.91	-410,267.40	28,898,186.93	959,956.25	29,858,143.18
0.00	0.00	1,523.46	0.00	0.00	1,523.46	0.00	1,523.46
0.00	0.00	4,654.05	0.00	0.00	4,654.05	1,594.63	6,248.68
0.00	0.00	6,177.51	0.00	0.00	6,177.51	1,594.63	7,772.14
0.00	0.00	0.00	134,309.55	0.00	134,309.55	65,489.36	199,798.91
0.00	0.00	6,177.51	134,309.55	0.00	140,487.06	67,083.99	207,571.05
10,257,828.00	15,738,974.70	-188,388.77	3,640,527.46	-410,267.40	29,038,673.99	1,027,040.24	30,065,714.23
0.00	0.00	2,198.56	0.00	0.00	2,198.56	0.00	2,198.56
0.00	0.00	36,369.13	0.00	0.00	36,369.13	2,012.69	38,381.82
0.00	0.00	38,567.69	0.00	0.00	38,567.69	2,012.69	40,580.38
0.00	0.00	0.00	2,893,818.43	0.00	2,893,818.43	36,872.75	2,930,691.18
0.00	0.00	38,567.69	2,893,818.43	0.00	2,932,386.12	38,885.44	2,971,271.56
0.00	0.00	0.00	-606,310.98	0.00	-606,310.98	0.00	-606,310.98
0.00	52,682.50	0.00	0.00	380,342.78	433,025.28	0.00	433,025.28
0.00	0.00	0.00	-115,913.83	0.00	-115,913.83	-640,095.41	-756,009.24
10,257,828.00	15,791,657.20	-149,821.08	5,812,121.08	-29,924.62	31,681,860.58	425,830.27	32,107,690.85
0.00	0.00	-3,209.25	0.00	0.00	-3,209.25	0.00	-3,209.25
0.00	0.00	4,992.83	0.00	0.00	4,992.83	716.18	5,709.01
0.00	0.00	1,783.58	0.00	0.00	1,783.58	716.18	2,499.76
0.00	0.00	0.00	695,979.62	0.00	695,979.62	20,777.13	716,756.75
0.00	0.00	1,783.58	695,979.62	0.00	697,763.20	21,493.31	719,256.51
10,257,828.00	15,791,657.20	-148,037.50	6,508,100.70	-29,924.62	32,379,623.78	447,323.58	32,826,947.36

Notes on the financial statements as at March 31, 2006

The company

As a medium-sized IT company, BRAIN FORCE HOLDING AG, Vienna, has evolved from being a purely project-based service provider into a provider of comprehensive IT solutions. The BRAIN FORCE group provides products and services to its respective markets, primarily in the financial services, telecommunications and industrial sectors, through individual subsidiaries.

The head office of the parent company is located in the IZD Tower at Wagramer Strasse 19, 1220 Vienna, Austria.

Accounting principles

These financial statements for BRAIN FORCE HOLDING AG for the period ending March 31, 2006 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All subsidiaries, i.e. those companies in which BRAIN FORCE HOLDING AG participates directly or indirectly with over half the voting rights or is otherwise entitled to assume control of operations, have been consolidated. The interim accounts as of March 31, 2006 incorporated within the consolidated financial statements were drawn up in accordance with IFRS principles.

The structure of the consolidated balance sheet, group profit and loss statement and changes in equity capital is the same as that used in the annual accounts as of December 31, 2005. The same principles regarding the rendering of accounts and evaluations have been applied in the current report as those applied in the previous annual financial statement.

Accordingly, we have deviated from the structured quarterly reporting guidelines (SQR) proposed by Deutsche Börse and from the provisions relating to minimum balance sheet and profit and loss statement content in accordance with the Vienna Stock Exchange prime market rules and regulations. However, we have included the additional sub-classifications required by these regulations in this report.

Consolidated group

The merger of INDIS S.p.A., Milan, Italy, acquired during the 2005 fiscal year, with BRAIN FORCE SOFTWARE S.p.A., Milan, Italy was entered into the commercial register on January 12, 2006, with retrospective effect as of January 1, 2006. BRAIN FORCE SOFTWARE S.p.A. was subsequently renamed BRAIN FORCE S.p.A. by virtue of the entry made in the commercial register on 6th February 2006.

Consequently, the consolidated interim account statement encompasses BRAIN FORCE HOLDING AG, Vienna, and all subsidiaries and associates listed below:

Corporation	share in %
BRAIN FORCE SOFTWARE GmbH, Vienna	100
BRAIN FORCE Software GmbH, Unterschleissheim, Germany	100
BRAIN FORCE Hamburg GmbH, Unterschleissheim, Germany ¹⁾	100
BRAIN FORCE S.p.A., Milan, Italy	100
Brain Force Software B.V., Amsterdam, Netherlands	100
BFS Brain Force Software AG, Kloten, Switzerland	100
Brain Force Financial Solutions AG, Munich, Germany	95.15
BRAIN FORCE SOFTWARE Ltd., Cambridge, United Kingdom	100
Brain Force Software a.s., Prague, Czech Republic	85
Brain Force Software s.r.o., Bratislava, Slovakia ²⁾	100
NSE Capital Venture GmbH, Munich, Germany ³⁾	100
VAI B.V., Veenendaal, Netherlands	100
SFP Software für FinanzPartner GmbH, Munich, Germany ³⁾	49
CONSULTING CUBE s.r.l., Milan, Italy ⁴⁾	25

¹⁾ Share held by BRAIN FORCE Software GmbH, Unterschleissheim.

²⁾ Share held by Brain Force Software a.s.

³⁾ Share held by Brain Force Financial Solutions AG.

⁴⁾ Share held by BRAIN FORCE S.p.A.

A total of 13 companies (31.12.2005: 14) are fully consolidated and two associates (31.12.2005: 2) at equity are incorporated in the interim consolidated financial statements as of March 31, 2006.

Methods of consolidation

The accounts have been consolidated in accordance with the provisions of IFRS 3. All corporate mergers have been rendered in the accounts using the acquisition method. Consequently, the historical cost of shares in the incorporated subsidiaries plus the costs directly assignable to the acquisition were offset against the respective proportionate net worth based on the current values of the acquired assets and liabilities of these companies at the time of the acquisition or transfer of control.

Intangible assets, as far as identifiable, are subject to independent accounting. They have been depreciated as per schedule. The remaining goodwill has been distributed to the cash generating unit/s and audited at least once annually at this level with respect to their maintenance of value.

In the event of the acquired proportionate net worth surpassing the historical cost, not only must the acquired assets, liabilities and contingent liabilities be re-evaluated, but also the historical costs, before then determining the actual surplus in terms of net income.

Internal group receivables and liabilities, revenues, expenses and any intercompany profits and losses are eliminated.

Asset and financial position

Compared to the 31st December 2005 reporting date, the balance sheet total increased by 3.9 percent to EUR 66.09 million (31.12.2005: EUR 63.62 million).

Non-current assets constitute 36.6 percent of total assets and amount to EUR 24.22 million on the 31st March 2006 reporting date (31.12.2005: EUR 24.57 million).

Investments in tangible and other intangible assets for the quarter under review amounted to TEUR 612. Of this amount, TEUR 372 involved development costs (Previous year: TEUR 316).

The development costs included in the other intangible assets of EUR 8.04 million (31.12.2005: EUR 8.21 million) amount to EUR 6.55 million (31.12.2005: EUR 6.69 million), constituting 9.9 percent of total assets (31.12.2005: 10.5 percent).

The reported goodwill remains unchanged at EUR 10.07 million.

The financial assets rendered using the equity method increased by TEUR 266 to TEUR 670.

Miscellaneous non-current receivables of EUR 1.22 million (31.12.2005: EUR 1.60 million) continue for the most part to include a convertible bond issued by KEMP Technologies Inc. and the non-current portion of the interest-bearing debt from the acquisition of a maintenance and further development contract.

The deferred tax assets decreased minimally to EUR 2.25 million at 31st March 2006 (31.12.2005: EUR 2.30 million).

Current assets constitute 63.4 percent of total assets, increasing by EUR 2.82 million to EUR 41.87 million.

Within the current assets, inventories rose to TEUR 688 (31.12.2005: TEUR 275). The rise can be attributed to the acquisition of an external product for future use in conjunction with the implementation of a project.

Trade debtors rose 11.2 percent to EUR 27.58 million (31.12.2005: EUR 24.81 million). This still reflects the extended payment period agreements, with their subsequent impact on the average recovery period for outstanding accounts. Trade receivables include receivables from affiliates totalling TEUR 33 (31.12.2005: TEUR 294).

Financial assets totalling EUR 4.46 million (31.12.2005: EUR 0 million) include short-term investments in securities held for trading purposes, with any rate fluctuations being recorded during the current period.

The other receivables and assets item totalling EUR 2.78 million (31.12.2005: EUR 2.18 million) largely encompasses the current debt arising from a maintenance and further development contract totalling EUR 1.17 million.

Cash and cash equivalents amounted to EUR 6.37 million on the reporting date (31.12.2005: EUR 11.79 million). This decrease is attributable to the current investment of EUR 4.46 million in financial assets, the repayment of financial liabilities totalling TEUR 765, and investments in fixed and intangible assets worth TEUR 612. Of the reported cash and cash equivalents, TEUR 680 are conditionally available.

IFRS-based group equity rose to EUR 32.83 million (31.12.2005: EUR 32.11 million). On the reporting date of 31st March 2006, the company held 7,159 of its own shares. The equity ratio including minority interest was 49.7 percent on the 31.03.2006 reporting date (31.12.2005: 50.5 percent).

Authorised capital was EUR 5,128,914.00 as at the reporting date of 31st March 2006. After the reporting date, cash equity was boosted by a total of 5,128,914 shares as a consequence of converting the authorised capital. The increase in cash equity was entered in the company register on April 6, 2006.

As of March 31, 2006, the proportion of equity held by minority shareholders stood at TEUR 447 (31.12.2005: TEUR 426).

Non-current liabilities fell by TEUR 408 to EUR 6.98 million (31.12.2005: EUR 7.38 million).

For the period to March 31, 2006, current liabilities amounted to EUR 26.29 million (31.12.2005: EUR 24.13 million), increasing by EUR 2.16 million. This item saw the repayment of current financial liabilities totalling TEUR 765 and a rise in trade payables of TEUR 361. The trade pay-ables include advance payments received totalling TEUR 784 (31.12.2005: TEUR 809).

Other current liabilities amounted to EUR 11.11 million (31.12.2005: EUR 9.77 million), an increase of EUR 1.34 million. The rise is primarily attributable to the defined EUR 2.99 million increase in maintenance contracts (31.12.2005: EUR 1.53 million).

Working capital at the March 31, 2006 reporting date was EUR 15.58 million (31.12.2005: EUR 14.92 million).

Notes on income statement items

The group income statement was compiled in compliance with the type-of-expenditure format. Net sales for the reporting period 01.01.2006-31.03.2006 were EUR 22.14 million (Previous year: EUR 16.44 million). Other own work capitalised amounted to TEUR 372 for the reporting period (Previous year: TEUR 316).

Cost of materials and services totals EUR 15.90 million (Previous year: EUR 12.01 million). Consequently, net sales rose by 34.7%, with concomitant expenses rising by 32.3 percent.

Employee benefits costs for administration and distribution rose by TEUR 952 to EUR 3.74

million (Previous year: EUR 2.79 million).

Scheduled depreciation and amortisation expenses, including the capitalisation of assets as part of the purchase price allocation, amounted to TEUR 803 (Previous year: TEUR 472); there was no non-scheduled depreciation of goodwill during the period under review.

Other operational expenses rose by 18.0 percent to EUR 1.6 million. (Previous year: EUR 1.36 million).

The financial result was TEUR -29 (Previous year: TEUR +57); the proportion of profit for associates amounted to TEUR 266 (previous year: TEUR 12).

The result before income taxes was EUR 1.41 million. (Previous year: TEUR 480), an increase of 194 percent. Income taxes amounted to TEUR 695 (Previous year: TEUR 280).

Segment reporting

The BRAIN FORCE group has the following divisions:

- ▶ **Enterprise Services (ES)**
- ▶ **Business Solutions (BS)**
- ▶ **Technology and Infrastructure (TI)**

Enterprise Services (ES) offers the experience of one or several consultants and service providers on temporary contracts for business-critical IT systems. Their scope covers all project phases, ranging from initial planning to implementation, testing, integration and operation.

Business Solutions (BS) provides products and project services to support the optimisation of business processes. The BS division comprises the following competence centres: Outsourcing, Financial Solutions and Enterprise Solutions.

The **Technology and Infrastructure (TI)** division of the BRAIN FORCE group provides solutions for increasing IT management efficiency and optimising ICT networking, including Security. The TI division has the following competence centres: Infrastructure Solutions, Communication Solutions and Security.

Divisional key figures are as follows for the reporting period:

	Enterprise Services	Business Solutions	Technology and Infrastructure	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	8,685,333.13	6,591,192.85	6,862,275.22	0.00	22,138,801.20
Segment operating result	814,328.89	666,164.52	320,867.06	-626,414.24	1,174,946.23
Financial result					-29,084.97
Share in profit of associates		266,297.92			266,297.92
Result before taxes					1,412,159.18
Income taxes					-695,402.43
Result for the period					716,756.75
Segment assets	10,574,061.25	25,944,501.18	22,371,404.59	7,203,382.38	66,093,349.40
Segment liabilities	6,018,364.32	12,600,085.90	10,241,029.83	4,406,921.99	33,266,402.04
Segment capital expenditure	12,534.84	236,027.49	324,399.10	39,338.94	612,300.37
Segment depreciation and amortisation	8,255.87	404,943.68	359,417.61	30,133.89	802,751.05

Key figures per geographical segments:

	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	2,724,423.57		50,573.57
Germany	10,218,639.93		336,207.94
Italy	6,551,548.45		114,046.10
Netherlands	2,420,075.41		111,237.65
Other regions	224,113.83		235.11

Notes on the cash flow statement

The cash flow statement was compiled using the indirect method.

It shows the change in group cash and cash equivalents for the reporting period due to cash inflows and outflows, with a distinction being made between operating activities, investment activities and financing activities.

Based on a result before income tax of EUR 1.41 million (Previous year: TEUR 480), the net cash and cash equivalents from operating activities show a cash inflow of TEUR 410 (Previous year: Cash outflow of TEUR 78). This reflected a EUR 2.98 million cash outflow from an increase in receivables, with an inflow of EUR 1.79 million from changes to the liabilities.

The cash outflow resulting from investment activities was EUR 5.06 million (Previous year: TEUR 486). The acquisition of tangible and other intangible assets accounted for expenditure of TEUR 612 (Previous year: TEUR 476). The cash outflow for the acquisition of other financial assets and investments amounted to EUR 5.53 million (Previous year: TEUR 22). The sale of other financial investments and assets realised a cash inflow of EUR 1.10 million.

TEUR 15 in financial resources was expended on the subsidiaries acquired in the preceding year.

The cash outflow shown for financing activities totalling TEUR 765 (Previous year: inflow of TEUR 627) reflects the repayment of financial liabilities.

As of the March 31, 2006 reporting date, the BRAIN FORCE group has cash, cash equivalents and current financial assets amounting to EUR 10.83 million (31.12.2005: EUR 11.79 million) at its disposal. Of this amount, TEUR 680 (31.12.2005: TEUR 680) is held in conditionally available bank deposits.

Other disclosures

The Executive Board of BRAIN FORCE HOLDING AG announced in an ad hoc report on January 23, 2006 and March 16, 2006 that cash capital amounting to a nominal figure of EUR 5,128,914.00 was being raised from the authorised capital. The new shares were issued at EUR 3.10 per share. At the same time, the Executive Board made it known that the increase in share capital had been fully underwritten by two investors. The new shares were offered indirectly to shareholders from March 22, 2006 until April 5, 2006. The new shares entitle holders to participate in profits as of January 1, 2006.

The increase in share capital was completed successfully after the March 31, 2006 reporting date. The increase in share capital was entered in the company register on April 6, 2006. Consequently, the nominal capital of BRAIN FORCE HOLDING AG amounts to EUR 15,386,633.40. Proceeds from the issue of shares - before deducting the costs of the issue - amounted to EUR 15,899,633.40.

By virtue of a contract of sale dated April 21, 2006, BRAIN FORCE HOLDING AG acquired additional shareholdings in Brain Force Software a.s., Prague, Czech Republic. With the acquisition of the 15 percent previously held by minority shareholders, the holding now amounts to 100 percent.

The annual general meeting of BRAIN FORCE HOLDING AG shareholders was held on May 11, 2006. All items on the agenda were resolved in the proposed form. Consequently, it was resolved inter alia to pay BRAIN FORCE HOLDING AG shareholders a dividend of EUR 0.08 per share (ISIN AT0000820659) from the profit. In addition, a motion was passed by the AGM that the board of directors be entitled to increase the nominal capital within five years of the appropriate amendments being made to the constitution in the company register. Such an increase can be made in one or several issues, can involve up to EUR 7,693,371.00 and up to

7,693,371 ordinary bearer shares for a cash or non-cash contribution, with each issue involving the inclusion or exclusion of shareholder subscription rights subject to cash or non-cash contributions and/or the issue of shares to employees of the company. The amount of each issue and the conditions of issue are to be determined in agreement with the supervisory board.

Consequently, following the appropriate entry in the company register, the authorised capital amounts to EUR 7,693,371.00.

Furthermore, the directors are entitled to acquire shares, with the proportion of the shares to be acquired not exceeding 10 percent of the nominal capital, the entitlement having a validity of 18 months from the date of the resolution, and the counter-value being no less than EUR 1.00 and not exceeding EUR 15.00.

Under the agenda item 'Elections', Dr. Christoph Senft was proposed for re-election to the supervisory board of the company, with the motion being passed in the proposed form.

The Executive and Supervisory Boards of BRAIN FORCE HOLDING AG held no options as at the reporting date of 31st March 2006.

There were 778 salaried employees as at the reporting date (30.09.2005: 637); orders amounted to EUR 24.74 million (30.09.2004: EUR 16.40 million).

Information

Important dates

Date	Event
August 28, 2006	Semi annual report
November 27, 2006	Q3 Quarterly report
November 29, 2006	Analysts' conference

Impressum

Content:

BRAIN FORCE HOLDING AG
IZD Tower
Wagramer Strasse 19
A-1220 Vienna

Produced by:

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

www.brainforce.com

Concept/Design:

Paul Lauer

Editors:

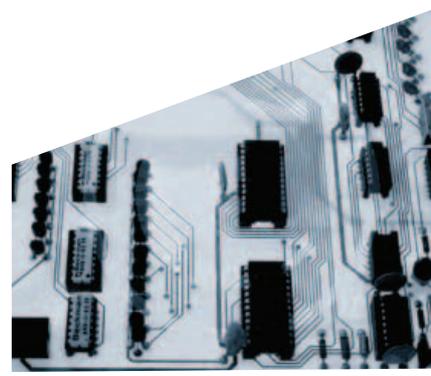
Martin Kögel

Layout/Lithography:

Uwe Köhler

Print:

Mediahaus Biering GmbH



BRAIN FORCE HOLDING AG
IZD Tower
Wagramer Strasse 19
A-1220 Vienna

Tel.: +43 1 263 09 09 0
Fax: +43 1 263 09 09 40
info@brainforce.co.at

www.brainforce.com