



Semi Annual Report 2005

we make it



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BRAIN FORCE-Group

► Key figures per segment at 30.06.2005

	Enterprise Services	Business Solutions	Technology and Infrastructure	unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	15,739,294.07	9,950,059.79	8,169,895.72	0.00	33,859,249.58
Segment operating result	891,802.58	690,003.88	201,707.34	-941,977.93	841,535.87
Financial result					84,428.57
Share of profit of associates		119,969.33			119,969.33
Result before taxes					1,045,933.77
Income taxes					-642,654.72
Result for the period					403,279.05
Segment assets	7,591,276.33	25,660,189.18	11,001,133.73	10,207,403.44	54,460,002.68
Segment liabilities	5,687,028.76	11,009,594.24	6,001,542.88	1,609,046.92	24,307,212.80
Segment capital expenditure	62,437.52	5,564,586.22	303,891.80	82,848.41	6,013,763.95
Segment depreciation and amortisation	20,896.55	491,270.49	372,524.80	59,237.76	943,929.60

Earnings per share EUR 0,03

► Geographical Segments at 30.06.2005

	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	5,619,409.87	12,242,013.91	264,790.25
Germany	17,573,969.55	22,361,462.75	3,231,881.56
Italy	9,995,247.11	18,255,856.28	2,512,507.36
Other regions	670,623.05	1,600,669.74	4,584.78

Foreword by the Executive Board



The main focus of the past quarter was on taking the first steps in the acquisition process. The takeover of Dutch company VAI BV has enabled us to expand our portfolio with products designed to support centralised IT management. In Italy, we consolidated our market position in the ERP field through the acquisition of Indis S.p.A.. We also took over from FJH as the service provider to develop and maintain an inventory management system for BHW Leben.

As of the midyear point, the EBITDA margin stood at 5.3 percent and the EBIT margin was 2.5 percent. Given the range of factors adversely affecting the EBIT, this value fell short of last year's figure. From a purely operational viewpoint, we have succeeded – as forecast – in making significant strides during the second quarter of 2005. Net sales surpassed the excellent value of the first quarter to reach a record level of EUR 17.42 million. These results confirm that we remain on course in 2005.

Helmut Fleischmann
Chief Executive Officer

Wolfgang Lippert
Chief Financial Officer



Initial acquisitions
have been made

► **Economic climate**

According to experts from the Kiel Institute for World Economics, the global economy expanded strongly during the early months of 2005. A particularly powerful impetus came from the Japanese economy, which re-emerged as a driving force after three consecutive quarters of near-stagnation. However, the extremely high cost of oil acted as a major brake on the development of world markets, with prices climbing to 60 dollars per barrel of Brent Crude.

In contrast, the economic picture in the USA and the eurozone scarcely changed at all. The American economy grew at 3.5 percent, slightly slower than the rate observed last year, and overall capacity utilisation continued its gradual upward trend. In the euro countries, real-terms gross domestic product maintained its annual expansion rate of 2.0 percent. The experts in Kiel are forecasting GDP of 1.4 percent in the 'old' EU 15 states for 2005 as a whole.

Researchers at the Munich-based IFO Institute concur with this prediction. They conclude that industrial output in the eurozone stagnated in the first two quarters owing to the slow growth in domestic demand and exports. However, the experts from Bavaria's capital city perceive some rays of hope on the horizon for the second half of the year: across the EU, industrial output is likely to expand by 0.2 percent during quarter three, rising to 0.3 percent in the final three-month period of the year.

The IFO researchers are particularly confident of a modest recovery in domestic demand in Europe on account of the fall in the exchange rate between the US dollar and the euro: even the continuing high oil prices are not expected to jeopardise this revival.

► **Acquisition plans become a reality**

On 28th June, BRAIN FORCE HOLDING AG announced in an ad-hoc report that the first steps in an acquisition process had been carried through following last year's capital increases.

With effect from 1st August 2005, the Technology and Infrastructure (TI) segment was boosted with the acquisition of VAI BV, a leading technological supplier of solutions for centralised IT management. These solutions enable companies with 100-plus workstations to reduce their running support costs for Microsoft desktop systems by up to 60 percent, and to cut their software rollout expenses massively.

Until recently, VAI's business dealings were restricted to the Netherlands. Integration into the BRAIN FORCE group will now instantly expose the company's solutions to customers in every

Net sales expected
to multiply

country in which the BRAIN FORCE group is currently active. The fact that VAI products offer genuinely unique selling points with high customer value will greatly ease entry into regional markets that are new to the group as a whole.

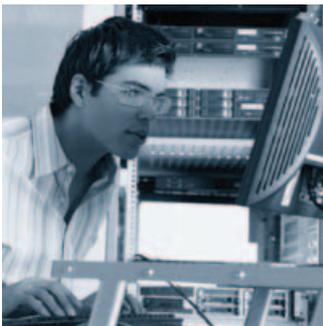
With around 200 active customers, VAI BV recorded net sales of EUR 8.2 million in fiscal year 2004. On the back of the international market launch of its solutions before the end of the current fiscal year, the Executive Board expects net sales in this area to rise exponentially within two years.

In Italy, the Business Solutions segment has been expanded through the acquisition of Indis S.p.A.. Indis supports small and medium-sized enterprises (SMEs) with an ERP solution known as VSpace. As a certified Microsoft partner, the company possesses a high level of expertise in the field of Microsoft Business Solutions Axapta. The position held by Indis ideally complements our Microsoft Navision and ERP activities. Whereas Axapta mainly addresses companies in the EUR 200-400 million turnover range, VSpace is aimed at companies in the EUR 10-50 million bracket. The positioning of Navision precisely fills the gap between these two program packages. Thanks to its broad customer base of over 200 customers, Indis achieved net sales of around EUR 4 million last year.

BRAIN FORCE also intends to acquire successively a 30 percent participating interest in US sales partner Kemp Inc. with a view to securing valuable access to the US market for the B-100 load balancing product. In a countermove, Kemp will purchase the rights to use the source codes for US\$ 900,000 (approx. EUR 740,000). This will establish the appropriate conditions for successfully selling BRAIN FORCE technology in North America.

As from July, BRAIN FORCE also took over development and maintenance of an inventory management system for BHW Lebensversicherung AG (BHW Leben) in Hamelin. This critical business application was originally produced by FJH; now BHW Leben has contracted the BRAIN FORCE group for the next two years. BRAIN FORCE expects this to generate annual net sales in excess of EUR 3 million with an EBIT margin of around 15 percent. This takes account of amortisation of the transfer fee payable to FJH of around EUR 2.6 million.

In connection with the BHW Leben project, BRAIN FORCE opened a new branch office in Hamburg and has so far taken on 17 new staff members. With effect from July 2005, the new project will be reflected in the result figures for the Business Solutions (BS) segment.



Net sales up by
6.5 percent

► **Sales and revenue situation**

During the first half of 2005, the BRAIN FORCE group achieved net sales of EUR 33.86 million, thereby exceeding the comparable figure for the previous year (EUR 31.80 million) by 6.5 percent. Net sales for the second quarter of 2005 surpassed the highly satisfactory figure for the first quarter (EUR 16.44 million) by TEUR 981 to establish a new record value of EUR 17.42 million.

Compared to the same period last year, the EBITDA dropped slightly (by 2.1 percent) to EUR 1.79 million (previous year: EUR 1.82 million). As of the midyear point, the EBITDA margin stood at 5.3 percent.

The EBIT fell from EUR 1.03 million in the first half of 2004 to TEUR 842 in the first half of 2005: the fact that development of most components in the FINAS Web software product range had been completed by the end of 2004 meant that other own work capitalised was down this year, and that depreciation of intangible assets was much higher in 2005 than in the prior year. This adversely affected earnings to the tune of minus TEUR 628.

Other operating income for the first six months of 2005 also fell short of the previous year's level by TEUR 172. The reason for this was that last year, this item reflected special income-raising circumstances (changes in the shareholding relationship with BRAIN FORCE Financial Solutions AG and the reversal of accruals).

The factors described above, which resulted in a reduced EBIT, had been incorporated into our planning and matched our expectations for the year. As far as the Executive Board is concerned, the operational output of the group has, as expected, improved significantly. The results for the first half of the year correspond to the planned figures for 2005. As of the midyear point, the EBIT margin stood at 2.5 percent.

A lower tax quota made it possible to compensate almost entirely for the EBIT reversals after the first six months; the profit for the period remained virtually unchanged at TEUR 403 (previous year: TEUR 417). The profit for the period after minorities stood at TEUR 315 (previous year: TEUR 337). This produced a profit per share of EUR 0.03. On account of the much lower weighted average number of shares in the previous year, earnings per share for the first half of 2004 amounted to EUR 0.05.



Stability in Germany and Austria

► Development in primary segments

The results for 2005 for the new segments are described below.

In the first half of 2005, the Enterprise Services (ES) segment achieved net sales of EUR 15.74 million and a segment EBIT of TEUR 892. The segment thereby generated 46.5 percent of BRAIN FORCE group net sales, the highest contribution by any segment. The EBIT margin for the group's most important segment stood at 5.7 percent as of the midyear point, 1.2 percentage points above the figure for quarter one.

The international subsidiaries in Germany contributed EUR 10.98 million to net sales for the ES segment, whilst our offices in Austria generated net sales of EUR 4.76 million.

The first six months in Germany and Austria were characterised by stability. Existing customer relationships were upheld and, in some cases, significantly expanded. A number of new projects got under way, including the development of a kernel system for a telecommunications company.

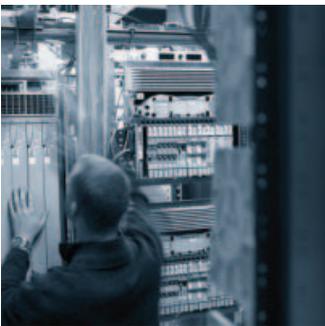
The Business Solution (BS) segment recorded net sales of EUR 9.95 million in the first half of 2005 and a segment EBIT of TEUR 690. The EBIT margin was 6.9 percent for the six-month period, 1.1 percent below the first quarter value. The share of net sales for the group stood at 29.4 percent.

The German international subsidiaries contributed EUR 4.71 million to net sales for the segment. The second best-performing country for this segment was Italy, where net sales totalled EUR 4.22 million. Austria accounted for net sales of TEUR 795, with other countries contributing TEUR 227.

The first version of the FINAS Pension Optimiser was completed in quarter one; the product attracted two customers in the first quarter and two more in the second quarter. A basic version of the Pension Optimiser, which takes account of new legal regulations on pension provision in Germany, was marketed for the first time in 2004.

During the first six months of the current year, the Technology and Infrastructure (TI) business area accounted for 24.1 percent of net group sales. The segment achieved net sales of EUR 8.17 million and a segment EBIT of TEUR 202. At the midyear point, the EBIT margin stood at 2.5 percent, 1.0 percentage point above the value for the first quarter.

In terms of net sales for the segment, the international subsidiary in Italy recorded net sales of EUR 5.77 million, the international subsidiaries in Germany contributed EUR 1.89 million, Austria delivered TEUR 67 and other companies accounted for TEUR 443.



Strategically important
contracts

The rise in the EBIT margin compared to the first quarter was mainly due to improved project margins in Italy, as outlined in the report for quarter one. In this quarter, lower margins were accepted on some projects with a view to subsequently securing follow-up projects offering much better margins.

In the strategically important area of outsourcing, we received a contract to operate a user helpdesk from a technological company in Germany. In the light of the acquisition of VAI, this contract is particularly significant in strategic terms.

The Executive Board expects the second quarter increase in the EBIT margin to be maintained in the second half of the year.

Group costs not assigned to the segments (overheads) amounted to TEUR 942 as of 30th June 2005.

► Orders situation

As of 30th June 2005, the order balance stood at EUR 28.53 million, an increase of 65.3 percent compared to 30th June 2004. When set against the comparable figure for the end of last year, the rise is fully 143.7 percent. The order balance includes the values for Indis and the contract award from BHW Lebensversicherung AG. When adjusted for these figures, the increase in the level of orders is still 17.14 percent compared to the 2004 midyear value and 72.7 percent compared to the value for the end of 2004.

The Enterprise Services (ES) business area had an order balance of EUR 9.39 million.

The order balance for the Business Solutions (BS) business area amounted to EUR 16.09 million on the key date.

The Technology and Integration business area had orders on hand to a value of EUR 3.05 million.

The sharp rise in the balance of orders – even disregarding the acquisitions made – provides firm evidence of the aforementioned improvements to the operational effectiveness of the BRAIN FORCE group and underlines our high levels of customer satisfaction.

In the first half of the year, the healthy financial position of the group also had a positive influence when it came to securing new orders. For example, a number of major clients placing new orders could be granted more generous payment periods, even though this had a negative

Low risk of non-
payment; slightly
improved margins



impact on cashflow during the first six months. Key factors behind the decision to permit longer payment periods included the high creditworthiness of customers, the virtually non-existent risk of non-payment and the attainment of slight improvements to margins. This strategy gave us a clear edge over our less solvent competitors.

▶ **Research and product development**

The research and development activities of the BRAIN SOFTWARE FORCE group are concentrated in the business areas BS (Business Solutions) and TI (Technology and Infrastructure).

During the first half of the year, the development priorities of the BS business area were as follows:

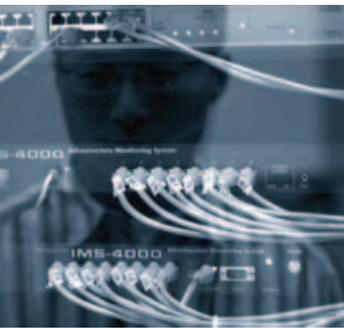
- ▶ Customer-specific functional enhancements to the Web CRM and Web Construction Financing solutions prior to acceptance of the second stage of the BW Bank order during first quarter 2005
- ▶ Completing the first version of the FINAS Web Pension Optimiser
- ▶ Designing a new FINAS Risk Provision web module

The TI business area pushed ahead with development of its new network documentation product during the first six months. Functions are being developed on a technically state-of-the-art platform, thereby delivering the future-proof security and investment confidence that BRAIN FORCE group customers demand.

▶ **Human Resources**

As of key date 30th June 2005, the staffing level stood at 710 salaried employees, 14.1 percent above the comparable figure for the end of 2004 (622) and 16.0 percent above the level for 30th June 2004 (612). The figure includes 52 Indis staff members. If these employees are taken out of the equation, the rates of increase in the staffing level stand at 5.8 percent compared to the end of 2004 and 7.5 percent compared to the mid-2004 value.

Since we are increasingly turning to larger subcontractor companies with fluctuating levels of



project personnel, we will be disregarding the imprecise levels of external employees from this fiscal year onwards.

Rising staff numbers

Staffing levels by business area are as follows:

Enterprise Services:	239
Business Solutions:	266
Technology and Infrastructure:	196
Group functions:	9

During the first half of the year, the average staffing level stood at 652 salaried employees.

► Anticipated developments

The latest figures corroborate the budgeted figures for organic growth. Even during the first quarter, which is generally the most sluggish, net sales were maintained at the level of the previous year's strongest quarter (fourth quarter). In the second quarter, net sales for the group hit a new record level. The factors adversely affecting the EBIT in the first six months had been expected, and our planning for fiscal year 2005 has taken these into consideration. The Executive Board continues to anticipate earnings per share of EUR 0.19, not taking into account the acquisitions made.

The acquisitions outlined in the introduction to this document show that the funds raised through capital increases in 2004 in line with our stated buy-and-build strategy have been invested. The Executive Board is convinced that this approach has strengthened recognised growth areas in the group with high margin potential. Even after settlement of purchase prices, the funds available to the group are still sufficient to permit investment in internationalisation measures such as the solutions of VAI. Moreover, scope still exists for further acquisitions.

The staffing level stood at 710 salaried employees on the key date (30.06.2004: 612); the main factor behind the increase was the acquisition of Indis S.p.A.. The order balance totalled EUR 28.53 million (30.06.2004: EUR 17.26 million). This rise was mainly due to the acquisition of Indis S.p.A. and the contract from BHW Lebensversicherung AG regarding the development and maintenance of the inventory management system.



Consolidated financial statements and notes
for 30th June 2005



► BRAIN FORCE-Group
Consolidated balance sheet at June 6, 2005

	30.06.05	31.12.04
Assets	EUR	EUR
Non-current assets		
Property, plant and equipment	1,245,793.09	969,684.00
Goodwill	5,155,394.25	4,706,826.78
Other intangible assets	8,490,203.18	4,160,161.38
Investments in associates	441,386.98	535,221.85
Other financial assets	213,270.20	187,180.22
Other receivables and other assets	187,125.23	169,396.72
Deferred tax assets	929,303.14	799,886.96
	16,662,476.07	11,528,357.91
Current assets		
Inventories	298,797.04	295,634.98
Trade receivables	20,883,712.82	17,458,047.06
Financial assets	3,984,868.68	3,941,418.00
Other receivables and other assets	1,545,254.62	699,313.18
Cash and cash equivalents	11,084,893.45	14,551,208.04
	37,797,526.61	36,945,621.26
	54,460,002.68	48,473,979.17

	30.06.05	31.12.04
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	15,667,605.89	15,544,408.42
Retained earnings	3,214,846.09	3,506,217.91
Own shares	-36,795.00	-410,267.40
Minority interest	1,049,304.90	959,956.25
	30,152,789.88	29,858,143.18
Non-current liabilities		
Other liabilities	0.00	16,558.00
Provisions for post employment benefits	3,537,891.52	2,163,242.00
Deferred tax liabilities	1,121,482.61	456,355.69
	4,659,374.13	2,636,155.69
Current liabilities		
Financial liabilities	2,956,074.40	2,486,734.49
Trade payables	6,633,406.96	5,527,841.90
Other liabilities	8,893,913.53	7,452,360.60
Tax provisions	1,151,475.24	480,035.08
Other provisions	12,968.54	32,708.23
	19,647,838.67	15,979,680.30
	54,460,002.68	48,473,979.17

► **BRAIN FORCE-Group**
Consolidated income
statement 01.01.-30.06.2005

	Quaterly report 01.04.2005 – 30.06.2005	Quaterly report 01.04.2004 – 30.06.2004	6-Month report 01.01.2005 – 30.06.2005	6-Month report 01.01.2004 – 30.06.2004
	EUR	EUR	EUR	EUR
1. Net sales	17,420,244.12	16,347,168.71	33,859,249.58	31,802,379.15
2. Changes in work in progress	-19,957.08	-37,311.65	-22,210.27	-693.13
3. Other own work capitalised	230,726.00	595,010.00	546,305.00	985,712.00
4. Other operating income	128,81.16	307,457.34	421,155.04	593,563.06
5. Material and production costs	-12,560,53.47	-12,145,148.32	-24,573,082.44	-23,392,519.77
6. Employee benefits costs	-2,829,826.71	-2,464,920.76	-5,618,819.01	-5,156,092.93
7. Depreciation and amortisation expense	-471,823.73	-438,470.64	-943,929.60	-798,529.17
8. Other operating expenses	-1,467,566.75	-1,543,873.09	-2,827,132.43	-3,007,977.08
9. Operating result	430,079.54	619,911.59	841,535.87	1,025,842.13
10. Financial result	27,473.48	23,752.44	84,428.57	-10,839.79
11. Share of profit of associates	108,390.65	226,168.57	119,969.33	212,845.31
12. Result before income taxes	565,943.67	869,832.60	1,045,933.77	1,227,847.65
13. Income taxes	-362,463.53	-605,582.54	-642,654.72	-810,693.64
14. Result for the period	203,480.14	264,250.06	403,279.05	417,154.01
Result for the period attributable to:				
Equity holders of the parent	180,629.61	201,345.43	314,939.16	337,166.44
Minority interest	22,850.53	62,904.63	88,339.89	79,987.57
	203,480.14	264,250.06	403,279.05	417,154.01

Earnings per share EUR 0,03

► Consolidated cash flow statement 01.01. - 30.06.2005

	01.01.2005 – 30.06.2005	01.01.2004 – 30.06.2004
	EUR	EUR
Cash flow from operating activities		
Result before taxes	1,045,933.77	1,227,847.65
Adjustments for		
+ Depreciation	943,929.60	798,529.17
+/- Financial result	-84,428.57	41,901.50
- Share of profit of associates	-119,969.33	-212,845.31
+/- Gain/loss on disposal of property, plant and equipment and other intangible assets	5,984.97	-78,765.93
+/- Changes in provisions for post-employment benefits	139,876.83	-255,753.09
+/- Changes in inventories	-3,162.06	-1,973.29
+/- Changes in receivables	-2,947,453.44	-3,453,679.05
+/- Changes in payables	165,711.38	2,486,374.24
+/- Currency translation differences	4,600.31	2,409.97
	-848,976.54	554,045.86
+/- Interest paid	22,989.38	-73,436.18
+ Dividend	147,634.19	243,273.54
- Taxes on income paid	-112,790.03	-46,904.50
Net cash flow from operating activities	-791,143.00	676,978.72
Cash flow from investing activities		
+/- Acquisition of subsidiaries	224,900.00	-81,964.50
+ Sale of share in subsidiaries	0.00	129,603.24
- Cash outflow for investments in property, plant and equipment and other intangible assets	-2,753,081.51	-1,166,944.33
- Cash outflow for investments in financial assets	-21,501.54	-6,843,267.52
+ Cash inflow from the disposal of property, plant and equipment and other intangible assets	11,482.53	7,946.20
Net cash flow from investing activities	-2,538,200.52	-7,954,626.91
Cash flow from financing activities		
+ Proceeds from issue of ordinary shares	0.00	15,304,334.90
+/- Cash inflow/outflow from financial liabilities	469,339.91	-181,079.42
- Paid dividend	-606,310.98	0.00
Net cash flow from financing activities	-136,971.07	15,123,255.48
Increase in cash and cash equivalents	-3,466,314.59	7,845,607.29
Cash and cash equivalents at beginning of year		
+ Increase / decrease	14,551,208.04	4,345,280.20
Cash and cash equivalents at end of period	-3,466,314.59	7,845,607.29
	11,084,893.45	12,190,887.49

► **Consolidated statement of changes in equity**

Balance January 1, 2004

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period January 1 - June 30, 2004

Total result for the period

Issue of share capital in kind

Transaction costs related to issue of share capital

Other movements within minority interest

Balance June 30, 2004

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period July 1 - December 31, 2004

Total result for the period

Transaction costs related to issue of share capital

Purchase of own shares

Other movements within minority interest

Balance December 31, 2004

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period

Total result for the period

Dividend paid

Changes in own shares

Balance June 30, 2005

Attributable to equity holders of the parent						Minority Interest	Total Equity
Share capital	Share premium	Other reserves	Retained earnings	Own Shares	Total		Total
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
4,834,789.00	5.673.438.51	-226,452.87	1,731,178.51	0.00	12,012,953.15	687,292.30	12,700,245.45
0.00	0.00	-63,544.75	0.00	0.00	-63,544.75	0.00	-63,544.75
0.00	0.00	3,220.07	0.00	0.00	3,220.07	1,548.17	4,768.24
0.00	0.00	-60,324.68	0.00	0.00	-60,324.68	1,548.17	-58,776.51
0.00	0.00	0.00	337,166.44	0.00	337,166.44	79,987.57	417,154.01
0.00	0.00	-60,324.68	337,166.44	0.00	276,841.76	81,535.74	358,377.50
5,423,039.00	10.846.078.00	0.00	0.00	0.00	16,269,117.00		16,269,117.00
0.00	-778.968.68	0.00	0.00	0.00	-778,968.68		-778,968.68
0.00	0.00	0.00	0.00	0.00		22,807.68	22,807.68
10,257,828.00	15.740.547.83	-286,777.55	2,068,344.95	0.00	27,779,943.23	791,635.72	28,571,578.95
0.00	0.00	66,546.74	0.00	0.00	66,546.74	0.00	66,546.74
0.00	0.00	25,664.53	0.00	0.00	25,664.53	-5,102.06	20,562.47
0.00	0.00	92,211.27	0.00	0.00	92,211.27	-5,102.06	87,109.21
0.00	0.00	0.00	1,437,872.96	0.00	1,437,872.96	171,129.21	1,609,002.17
0.00	0.00	92,211.27	1,437,872.96	0.00	1,530,084.23	166,027.15	1,696,111.38
0.00	-1.573.13	0.00	0.00	0.00	-1,573.13	0.00	-1,573.13
0.00	0.00	0.00	0.00	-410,267.40	-410,267.40	0.00	-410,267.40
0.00	0.00	0.00	0.00	0.00	0.00	2,293.38	2,293.38
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	8,781.98	0.00	0.00	8,781.98	0.00	8,781.98
0.00	0.00	5,943.06	0.00	0.00	5,943.06	1,008.76	6,951.82
0.00	0.00	14,725.04	0.00	0.00	14,725.04	1,008.76	15,733.80
0.00	0.00	0.00	314,939.16	0.00	314,939.16	88,339.89	403,279.05
0.00	0.00	14,725.04	314,939.16	0.00	329,664.20	89,348.65	419,012.85
0.00	0.00	0.00	-606,310.98	0.00	-606,310.98	0.00	-606,310.98
0.00	0.00	108,472.43	0.00	373,472.40	481,944.83	0.00	481,944.83
10,257,828.00	15.738.974.70	-71,368.81	3,214,84.09	-36,795.00	29,103,484.98	1,049,304.90	30,152,789.88

Notes to the consolidated financial statements at 30.06.2005

▶ The company

BRAIN FORCE HOLDING AG, Vienna, is an international company involved in both non-sector-dependent services and solutions in the field of technical infrastructure as well as sector-specific solutions for financial services companies.

The main offices of the parent company are at Wagramer Strasse 19, 1220 Vienna, Austria.

▶ Accounting principles

These consolidated financial statements of BRAIN FORCE HOLDING AG for 30th June 2005 were drawn up in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB).

All subsidiaries, i.e. those companies in which the group has a direct or indirect participation with over half the voting rights or is otherwise enabled to assume control of the operation, have been consolidated. The interim accounts as of 30th June 2005 incorporated in the consolidated financial statements were drawn up in accordance with IFRS principles.

The classification of the consolidated balance sheet, group profit and loss statement and development of equity capital corresponded to that used in the annual accounts as of 31st December 2004.

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

▶ Consolidated group

Brain Force Datenverarbeitungs GmbH, Vienna, changed its name to BRAIN FORCE SOFTWARE GmbH with the entry in the company register dated 19th May 2005. Brain Force Datenverarbeitungs AG, based in Unterschleissheim, Germany, also converted into a limited liability company during the past quarter. Since 20th June 2005, it has been trading as Brain Force Datenverarbeitungs GmbH.

Under the purchase contract of 27th June 2005, BRAIN FORCE HOLDING AG acquired a 100 percent shareholding in Indis S.p.A. of Milan, Italy. The transfer of control and initial consolidation of the assets and liabilities of the acquired company took place on the day on which the shareholding was acquired. For reasons of immateriality, current results between the date of acquisition and the key date 30th June 2005 were not incorporated.

The consolidated financial statements dated 30th June 2005 incorporate BRAIN FORCE HOLDING AG, Vienna, and all subsidiaries and associates shown below:

Company	Share in %
BRAIN FORCE SOFTWARE GmbH, Vienna	100
BRAIN FORCE Software GmbH, Unterschleissheim, Munich, Germany	100
Brain Force Datenverarbeitungs GmbH, Unterschleissheim, Munich, Germany	100
BRAIN FORCE SOFTWARE S.p.A., Milan, Italy	100
Brain Force Software B.V., Amsterdam, Netherlands	100
BFS Brain Force Software AG, Zurich, Switzerland	100
Brain Force Financial Solutions AG, Munich, Germany	76.13
Brain Force Software Ltd., Cambridge, United Kingdom	100
Brain Force Software a.s., Prague, Czech Republic	85
SBT s.r.o., Bratislava, Slovakia ¹⁾	100
NSE Capital Venture GmbH, Munich, Germany ²⁾	100
SFP Software für FinanzPartner GmbH, Munich, Germany ²⁾	49
CONSULTING CUBE s.r.l., Milan, Italy ³⁾	25
Indis S.p.A., Milan, Italy	100

¹⁾ Share held by Brain Force Software a.s.

²⁾ Share held by Brain Force Financial Solutions AG.

³⁾ Share held by Brain Force Software S.p.A.

A total of 13 companies (31.12.2004: 12) are fully consolidated and two associates (31.12.2004: 1) at equity are incorporated in the consolidated financial statements as of 30th June 2005.

► Methods of consolidation

Capital consolidation was performed according to the provisions of IAS 22 (revised 1998) for acquisitions up to 31st December 2003. The historical costs of shares in the incorporated companies plus the costs directly assignable to the acquisition were offset against the respective proportionate net worth based on the current values of the acquired assets and liabilities of these companies at the time of the acquisition or transfer of power of control. The positive difference between the book value of the participations in the subsidiaries and the appropriate equity capital displayed is shown as goodwill. A negative difference is shown as negative goodwill and dealt with according to the provisions of IAS 22.

Consolidation of the acquisition during the current fiscal year was carried out by applying IFRS 3 "Business Combinations". The accounting standard requires that accounts are balanced under the acquisition method. It also stipulates that the acquirer separately recognises the assets, liabilities and contingent liabilities of the acquired company identified as of the acquisition date (thereby satisfying the recognition criteria) at the relevant and stated current values at the time of acquisition. On the date of acquisition, the acquirer must recognise the goodwill acquired in the case of a business combination as an asset and subsequently apply the regulations of IFRS 3 in conjunction with IAS 36.

Group-internal receivables and payables, revenues, expenses and intercompany profit and loss are eliminated.

► **Asset and financial position**

Compared to key date 31st December 2004, the balance sheet total increased by 12.4 percent to EUR 54.46 million (31.12.2004: EUR 48.47 million). The increase was mainly the result of the corporate acquisition that took place during the last quarter and the associated expansion of the consolidated group.

Non-current assets rose to EUR 16.66 million (31.12.2004: EUR 11.53 million), equivalent to 30.6 percent of total assets.

Goodwill was up by TEUR 445 to EUR 5.16 million (31.12.2004: EUR 4.71 million).

Aside from software, rights and development costs, other intangible assets of EUR 8.49 million (31.12.2004: EUR 4.16 million) include the order balance of acquired company Indis S.p.A., capitalised as part of the purchase price allocation in accordance with IFRS 3. This item also includes the cost of acquiring a customer relationship linked to the development and maintenance of an inventory management system, acquired in connection with BHW Leben. Development costs amounted to 8.6 percent of total assets (31.12.2004: 8.0 percent).

Other non-current assets (financial assets, other receivables and deferred taxes) stood at EUR 1.77 million (31.12.2004: EUR 1.69 million).

Current assets constituted 69.4 percent of total assets and amounted to EUR 37.80 million (31.12.2004: EUR 36.94 million) as of the key date.

The trade receivables item displayed a 19.6 percent increase to EUR 20.88 million (31.12.2004: EUR 17.46 million). This item includes accounts receivable from affiliated companies totalling TEUR 97 (31.12.2004: TEUR 71).

Financial assets stood at EUR 3.98 million (31.12.2004: EUR 3.94 million). This item contains short-term assessments in securities held for trading purposes; any rate fluctuations are posted during the current period. As of the key date, cash and cash equivalents stood at EUR 11.08 million (31.12.2004: EUR 14.55 million).

Group equity increased to EUR 30.15 million (31.12.2004: EUR 29.86 million). During the reporting period, a dividend payment of EUR 0.06 per share was made to the shareholders of BRAIN FORCE HOLDING AG as agreed at the general shareholders' meeting held on 10th June 2005. The total distribution was TEUR 606.

Compared to the prior key date, the number of own shares was down by 138,889 to 13,756 with a value of TEUR 37. The relevant 138,889 shares at historical costs of EUR 373,472.40 were used in partial settlement the purchase price of participation in Indis S.p.A.. At the time of the handover of shares, 'fair value' amounted to EUR 481,944.83.

As of the key date, the equity ratio was 55.4 percent (31.12.2004: 61.6 percent).

Authorised capital stood at EUR 5,128,914.00 as of key date 30th June 2005.

As of 30th June 2005, the proportion of equity due to minority shareholders stood at EUR 1.05 million (31.12.2004: TEUR 960).

Non-current liabilities increased by EUR 2.02 million to EUR 4.66 million (31.12.2004: EUR 2.64 million), mainly as a result of the initial consolidation of Indis S.p.A.. The long-term personnel obligations assumed in connection with the acquisition stood at EUR 1.22 million; long-term deferred taxes on the liabilities side amounted to TEUR 618.

As of 30th June 2005, current liabilities were EUR 19.45 million (31.12.2004: EUR 15.98 million), up by EUR 3.47 million. This item reflects a TEUR 469 increase in short-term financial liabilities to EUR 2.96 million (31.12.2004: EUR 2.49 million).

Trade payables were up by EUR 1.10 million to EUR 6.63 million (31.12.2004: EUR 5.53 million); this includes payments received of TEUR 392 (31.12.2004: TEUR 392).

Other short-term payables amounted to EUR 8.89 million (31.12.2004: EUR 7.45 million); this item contains deferred income of EUR 1.95 million (31.12.2004: EUR 1.17 million).

Short-term tax provisions amounted to EUR 1.15 million on 30th June 2005 (31.12.2004: TEUR 480).

As of key date 30th June 2005, working capital stood at EUR 18.15 million (31.12.2004: EUR 20.97 million).

▶ **Remarks on the group profit and loss statement**

The group profit and loss statement was compiled in compliance with the type-of-expenditure format.

During the period 1st January to 30th June 2005, net sales reached EUR 33.86 million (previous year: EUR 31.80 million). Other own work capitalised amounted to TEUR 546 in the reporting period (previous year: TEUR 986).

The item material and production costs stood at EUR 24.57 million (previous year: EUR 23.39 million).

Employee benefits costs in the areas of administration and sales and distribution were up by around 9 percent to EUR 5.62 million (previous year: EUR 5.16 million).

Depreciation and amortisation expense stood at TEUR 944 (previous year: TEUR 799); no non-scheduled depreciation of goodwill was performed during the period under review.

Financial results stood at TEUR 84 (previous year: TEUR -11); the share of profit of associates amounted to TEUR 120 (previous year: TEUR 213).

In the reporting period, the result before income taxes was EUR 1.05 million (previous year: EUR 1.23 million). Income taxes stood at TEUR 643 (previous year: TEUR 811).

▶ **Segment reporting**

Until recently, the company was comprised of the business areas Professional Services, Communication Networks and Financial Solutions. Following the programme of group restructuring, however, the BRAIN FORCE group is made up of the following business areas:

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

The Enterprise Services area provides a wide range of services: Consulting, Programming, Infrastructure, Integration, Migration Rollout, Operation, Support and Maintenance. The Business Solutions area consists of three competence centres: Outsourcing Solutions, Financial Solutions and Enterprise Solutions. The Technology and Infrastructure area also comprises three competence centres: Network Solutions, Communication Solutions and Security Solutions.

Key figures by business area 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)	15,739,294.07	9,950,059.79	8,169,895.72	0.00	33,859,249.58
Segment operating result	891,802.58	690,003.88	201,707.34	-941,977.93	841,535.87
Financial result					84,428.57
Share of profit of associates		119,969.33			119,969.33
Result before taxes					1,045,933.77
Income taxes					-642,654.72
Result for the period					403,279.05
Segment assets	7,591,276.33	25,660,189.18	11,001,133.73	10,207,403.44	54,460,002.68
Segment liabilities	5,687,028.76	11,009,594.24	6,001,542.88	1,609,046.92	24,307,212.80
Segment capital expenditure	62,437.52	5,564,586.22	303,891.80	82,848.41	6,013,763.95
Segment depreciation and amortisation	20,896.55	491,270.49	372,524.80	59,237.76	943,929.60

Key figures by geographical segments:

	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	5,619,409.87	12,242,013.91	264,790.25
Germany	17,573,969.55	22,361,462.75	3,231,881.56
Italy	9,995,247.11	18,255,856.28	2,512,507.36
Other regions	670,623.05	1,600,669.74	4,584.78

▶ **Acquisition**

With the signing of the purchase contract on 27th June 2005, BRAIN FORCE HOLDING AG acquired a 100 percent shareholding in Indis S.p.A. of Milan, Italy.

Since the company was acquired near to the time at which this interim report was compiled, the regulations governing provisional preparation of initial accounts as defined in IFRS 3.61 and 3.62 were applied. The first rendering of accounts in relation to the business combination at the end of the reporting period in which the merger took place was therefore provisional; this is because the stated current values assignable to the identifiable assets, liabilities and contingent liabilities can only be provisionally determined. According to IFRS 3, the acquirer is obliged to perform all adjustments to provisional values within twelve months of the date of acquisition.

The purchase price, including incidental historical costs, was EUR 1,808,387.83. Settlement was transacted partly in cash and partly through the transfer of own shares. Identifiable assets with stated current values of EUR 4.54 million were taken over; these included non-current assets of EUR 1.99 million and cash and cash equivalents of EUR 1.30 million. Liabilities taken over amounted to EUR 3.17 million whilst acquired goodwill totalled TEUR 449.

▶ **Remarks on the consolidated cash flow statement**

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

Taking a result before income taxes of EUR 1.05 million (previous year: EUR 1.23 million), net cash flow from operating activities displayed an outflow of TEUR –791 (previous year: TEUR +677). The main reason for the negative development of operating cash flow was a further increase of EUR 2.95 million in receivables compared to key date 31st December 2004. This increase was partly the result of the rise in net sales; payment period extensions agreed with certain customers also had an adverse impact.

In contrast, the increase in payables of TEUR 166 had a minor but positive effect on cash and cash equivalents during the period under review. Received dividends of TEUR 148 reflect the distribution of Munich-based associate SFP Software für FinanzPartner GmbH. Paid income taxes stood at TEUR 113.

Cash flow from investing activities totalled EUR -2.54 million (previous year: EUR -7.95 million). The acquisition of tangible and other intangible assets accounted for EUR 2.75 million (previous year: EUR 1.17 million). This includes a cash outflow of EUR 1.72 million relating to takeover of the customer relationship with BHW Leben. The acquisition of subsidiaries item shows the cash inflow from the acquisition of Indis S.p.A.. As of the key date 30th June 2005, cash and cash equivalents taken over exceeded the cash outflow from the acquisition of the participating interest by TEUR 225.

The acquisition of other investments and financial assets accounted for TEUR 22 (previous year: EUR 6.84 million).

Cash flow from financing activities of TEUR -137 (previous year: EUR 15.12 million) reflects the inclusion of financial liabilities of EUR 469 million as well as the dividend payment of TEUR 606 made to shareholders of BRAIN FORCE HOLDING AG. Cash and cash equivalents amounting to EUR 15.30 million were generated in the previous year through the issue of shares.

As of key date 30th June 2005, cash and cash equivalents of EUR 11.08 million (31.12.2004: EUR 14.55 million) and short-term assessed financial assets of EUR 3.98 million (previous year: EUR 3.94 million) were available to the BRAIN FORCE group.

► **Other disclosures**

The change of name from BRAIN FORCE SOFTWARE AG to BRAIN FORCE HOLDING AG, as decided at the extraordinary shareholders' meeting held on 14th April 2005, took place with an entry in the company register on 29th April 2005.

A unanimous resolution was also passed at the extraordinary shareholders' meeting held on 14th April 2005 to integrate the operational activities of BRAIN FORCE SOFTWARE AG of Vienna (now BRAIN FORCE HOLDING AG) into Brain Force Datenverarbeitungs GmbH of Vienna (now BRAIN FORCE SOFTWARE GmbH). The integration of operations took the form of a contribution in kind, thereby granting a capital increase of equal magnitude. The capital increase was registered by the responsible company registration court on 13th May 2005.

At the extraordinary shareholders' meeting held on 7th March 2005, Brain Force Financial Solutions AG of Munich resolved to reduce its capital stock by EUR 11,583,000 (from EUR 11,700,000 to EUR 117,000) and subsequently to effect an increase of EUR 1,500,000 (from EUR 117,000 to EUR 1,617,000) through the issue of 1,500,000 new shares with a proportiona-

te value in relation to the capital stock of EUR 1.00 per share. Implementation of these resolutions was delayed owing to a rescissory action.

The rescissory action has since been withdrawn. Even before agreement was reached with the plaintiff, the resolved capital reduction had been entered in the relevant commercial register on 19th May 2005 and technical processing of securities had been performed on 7th June 2005 with acceptance of the listing of converted shares.

The subscription period for the capital increase extended from 7th July to 20th July 2005. By exercising subscription rights, BRAIN FORCE HOLDING AG was able to increase its holding in Brain Force Financial Solutions from 76.13 percent to 87.32 percent.

On 2nd August 2005, the Executive Board of BRAIN FORCE HOLDING AG announced the acquisition of 98.19 percent in Dutch company VAI B.V.. The option concerning the acquisition of shares concluded on 27th June 2005 was therefore redeemed earlier than anticipated.

On 10th August 2005, the Executive Board of BRAIN FORCE HOLDING AG stated in connection with the share repurchase programme announced on 30th July 2004 that changes had been agreed to points 3 and 6 of the repurchase programme. Accordingly, the share repurchase programme agreed on 4th August 2004 will end on 18th December 2005. Moreover, the buying-in price for the repurchase will be a minimum of EUR 2.50 and a maximum of EUR 5.50. The remaining points in the share repurchase programme announced on 30th July 2004, and the change to point 7 made on 5th August 2004, shall remain unaffected.

No options were held by the Executive Board and supervisory board of BRAIN FORCE HOLDING AG as of key date 30th June 2005.

The staffing level stood at 710 salaried employees on the key date (30.06.2004: 612); the order balance totalled EUR 28.53 million (30.06.2004: EUR 17.26 million).

The main factor behind these increases was the acquisition of Indis S.p.A..

Information

▶ Financial timetable

Date	Event
21.11.05	Analysts' conference
28.11.05	Report on the third quarter
31.03.06	Annual Report 2005
11.05.06	Annual shareholders' meeting
29.05.06	Report on the first quarter

Imprint

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