



we make it

## BRAIN FORCE-Group

Ratios by segment as at June 30, 2006	Enterprise Services	Business Solutions	Technology and Infrastructure	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	16,286,237.38	13,562,705.07	13,056,009.37	0.00	<b>42,904,951.82</b>
Segment EBITDA	1,003,282.56	2,149,336.81	1,304,134.62	-1,198,493.89	<b>3,258,260.10</b>
Segment depreciation and amortisation	16,400.45	828,725.69	744,987.96	60,908.19	<b>1,651,022.29</b>
Segment operating result	986,882.11	1,320,611.12	559,146.66	-1,259,402.08	<b>1,607,237.81</b>
Financial result					<b>57,948.83</b>
Share in profit of associates		256,179.71			<b>256,179.71</b>
Result before taxes					<b>1,921,366.35</b>
Income taxes					<b>20,799.99</b>
Result for the period					<b>1,942,166.34</b>
Segment assets	8,831,108.70	23,752,452.07	22,736,478.52	20,418,427.53	<b>75,738,466.82</b>
Segment liabilities	4,676,396.19	11,206,322.40	9,005,620.24	3,565,984.56	<b>28,454,323.39</b>
Segment capital expenditure	8,729.19	559,226.33	602,950.38	73,105.37	<b>1,244,011.27</b>

Earnings per share EUR 0.15

Geographical segments as at June 30, 2006	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	5,139,687.31	20,515,028.44	75,609.04
Germany	19,542,176.70	25,614,641.58	600,817.13
Italy	13,122,157.09	18,278,053.51	311,698.05
Netherlands	4,669,797.76	10,181,675.32	252,924.68
Other regions	431,132.96	1,149,067.97	2,962.37

## Foreword by the Chief Executive Officer



Ladies and gentlemen, Shareholders,

The first half year 2006 was very successful for BRAIN FORCE HOLDING AG. All relevant ratios experienced a clear rise, and we have considerably increased our net sales, both organically and inorganically, i.e., without considering last year's acquisitions. Furthermore, we were able to clearly increase operative cash flow from EUR -0.79 million last half year to EUR 1.91 million.

We have successfully achieved a capital increase, thereby generating an additional EUR 15.9 million of liquid funds for acquisitions. As a result, we were able to expeditiously purchase System GmbH, a specialist in managed services, and to further pursue our buy and build strategy. Now BRAIN FORCE is also able to provide infrastructural systems in the field of managed services and client management. Even the most exacting demands in terms of availability, complexity and security can thereby be met. We are in an excellent position in a clear growth market, and we have substantially enhanced our competence.

More acquisitions are to come. We hold extensive liquid funds so as to continue our growth strategy. It is our objective to strengthen our leading role in growing markets and regions through acquisitions and strategic alliances. We will successfully outperform our competitors and sustainably consolidate our excellent position in the IT environment.

Yours sincerely,

Helmut Fleischmann  
Chief Executive Officer

## Semi Annual Report 2006

### Expansion of growth markets

BRAIN FORCE was able to successfully integrate Italian INDIS S.p.A. and Dutch VAI B.V., which were acquired last year, into the holding company. Both companies contributed to the good performance of BRAIN FORCE Holding in the first half of 2006 by their net sales and their results. The group, however, also improved its performance organically, i.e., without considering INDIS' and VAI's results. With an organic net sales increase of 6.8 percent in the first six months of the reported period, BRAIN FORCE was able to substantiate its excellent market and customer position.

Positioning in the growth  
market Managed Services

Furthermore, the first half year was characterised by the company's buy and build strategy. After the successful share capital issue in spring, BRAIN FORCE HOLDING AG received a total of EUR 15.9 million for acquisitions. In June 2006, System GmbH headquartered in Langen near Frankfurt/Main was taken over. System is specialising in managed services and is among the leading providers in this field. The company, established in 1990, has approx. 150 salaried and freelance employees and achieved net sales in the range of EUR 17.0 million in 2005 while operating profitably. According to the planned schedule, the firm is to be consolidated into the holding company by October 1.

With System, BRAIN FORCE is now in a position to offer complete outsourcing of IT networks even for international groups. For instance, System looks after more than 14,000 workplaces and over 500 servers on 550 or so sites for Lufthansa Systems. Through this take-over, BRAIN FORCE opens up a strong growth market with growth rates of up to 7 percent per year. Managed services have the most important development potential of the IT Services environment that suggests growth rates of up to 4.5 percent in 2006.

The group has further strengthened its position in the US market, which plays a major role, by an increase of the shareholding in Kemp Technologies Inc., New York from 10 to 20 percent. This move was in accordance with the plan after Kemp exceeded its objectives in the first quarter. At the time of acquiring the first shares in September 2005, Kemp received all rights to BRAIN FORCE's Load Balancer B-100 for the US market which was then integrated into their LoadMaster as a basic system. Using this software, service requests can be distributed to a



group of servers so as to further enhance efficiency and utilisation of single systems. The contract signed with Kemp provides for the take-over of altogether 30 percent of the shares two further steps until the end of 2006.

Furthermore, take-over of the last almost 5 percent of shares in BRAIN FORCE Financial Solutions AG was completed. The remaining minority shareholders received an adequate cash settlement of EUR 11.0 per share. BRAIN FORCE Financial Solutions have losses in the range of EUR 60 million carried forward, which can now be used by BRAIN FORCE SOFTWARE GmbH, Germany and BRAIN FORCE Hamburg GmbH retroactively as from January 1, 2006. The firm is to be integrated into BRAIN FORCE SOFTWARE GmbH shortly.



#### Growing optimism

#### **Prevailing economic conditions**

The good economic climate in the information technology and telecommunication industry (ICT) has gained further strength in the first half year. This is illustrated by the latest barometer of the branch of the German Association for Information Technology, Telecommunications and New Media (BITKOM). At the same time, the association looks forward to the next half year with growing optimism and anticipates a 2.4 percent growth rate for 2006, i.e., EUR 137.4 billion.

Major growth drivers are software systems and IT service providers. As in previous quarters, a clear growth in net sales has been recorded. For this year, BITKOM anticipates net sales in the range of EUR 46 billion, which means an increase of 5.5 percent for software and 4.5 percent for IT services over the previous year.

Also ifo Institut für Wirtschaftsforschung views the economic situation with growing confidence. According to their calculations, the economic climate in the Eurozone has improved further. For instance, the indicator in the second quarter of 2006 rose again reaching a five year high of 103.4 percent. In particular countries like Germany, Belgium and the Netherlands have clearly caught up and improved their economic performance. According to experts, the situation is similar in Austria, where an economic upswing is also expected in the coming six months.

#### Excellent development



### Sales and revenue situation

The BRAIN FORCE group completed a very successful first half year in 2006. Compared with the previous year, net sales rose by 26.7 percent to an unrivalled EUR 42.90 million. Also in the second quarter, net sales exceeded the comparable figure for the preceding year. They rose by 19.2 percent to EUR 20.77 million. Organic net sales, i.e., excluding the acquisition of INDIS, Italy and VAI, Netherlands, in the first half year were up by 6.8 percent over the corresponding 2005 figure.

Also the group's EBITDA underwent major growth in the first half of 2006. With EUR 3.26 million, EBITDA was 82.5 percent over the comparable figure for the preceding year. The EBITDA for the second quarter was up by 42.0 percent over Q2 2005, reaching a noteworthy EUR 1.28 million. The EBITDA margin rose from 5.2 in the first half year 2005 to 7.6 percent in the first half of 2006. When comparing the second quarters of 2005 and 2006, the margin grew from 5.2 to 6.2 percent. Thus, BRAIN FORCE improved economic productivity and underpinned the excellent development of its business performance in 2006.

In the first half of 2006, EBIT rose to EUR 1.61 million, thereby exceeding the comparable figure for the preceding year, i.e., EUR 0.84 million, by 91.7 percent. The EBIT increase from Q2 2005 to Q2 2006 however was rather slow, i.e., from TEUR 430 to TEUR 432. This is due to depreciation of EUR 0.41 million for the purchase price allocation pursuant to IFRS 3 resulting from acquisitions made in 2005. However, against the background of new accountancy rules applicable to acquisitions, the EBIT, unlike the EBITDA, is not a clear indicator for companies involved with major acquisitions. This becomes clear especially when comparing EBIT and EBITDA for the second quarter. While EBITDA rose by 42 percent as compared with the previous year, EBIT remained more or less at the same level.

By taking over the almost 5 percent of shares remaining in BRAIN FORCE Financial Solutions, major tax benefits could be realised. Besides a clearly reduced income tax load, deferred tax assets of EUR 0.92 million were recorded. Earnings per share in the first half year 2006 increased five times to EUR 0.15 (previous year: 0.03), and earnings per share in the second quarter rose from EUR 0.02 in the previous year to EUR 0.08 this year.



Margins distinctly  
improved

### Development in primary segments

The **Enterprise Services (ES)** segment in the first half year 2006 achieved net sales of EUR 16.29 million and an EBITDA of EUR 1.00 million. This segment contributed 38.0 percent to total net sales and thus remains the top segment of the group in terms of net sales. The EBITDA margin of 6.2 percent showed a slight increase over last year of 0.4 percentage points. The German subsidiaries contributed EUR 11.37 million to net sales, while Austria achieved net sales of EUR 4.85 million. The subsidiaries in other countries only made limited contributions to net sales.

In addition to the continuation of contracts with various existing customers in Germany, we were able to win over a new customer from the internet industry. At the same time, cross-selling potential between the segments of **Enterprise Services** and **Technology and Infrastructure** was realised. The customer contributes to the good results in both segments. The market however is affected by the consolidation of IT service providers. Customers today prefer one stop shop solutions, focusing on a small number of IT providers. In light of our extensive portfolio, BRAIN FORCE is therefore expecting major growth potentials and looks forward to future market developments with confidence. In Austria, contracts with two renowned telecommunication providers were signed in the Enterprise Services (ES) segment.

In the first half of 2006, the **Business Solutions (BS)** segment achieved net sales of EUR 13.56 million and an EBITDA of EUR 2.15 million. With a share of 31.6 percent in group net sales, the segment has an EBITDA margin of 15.9 percent which makes it the group's most high-yield sector. BRAIN FORCE was able to clearly increase its profit margin over the same period of the previous year by 4.0 percentage points. The Italian subsidiaries contributed EUR 7.35 million to this. With EUR 5.78 million, Germany was the second greatest contributor to the segment's net sales. While Austria achieved net sales of EUR 0.28 million, the other countries contributed EUR 0.15 million.

In Italy, a credit card company was won over as a customer. Based on Microsoft Dynamics CRM, a system for automatic booking of business trips was implemented. In Germany, *BRAIN FORCE Vorsorgeoptimierung* was rolled out to two insurers and completed by *BRAIN FORCE Finanzanalyse Center*.



14 new customers for  
Packaging Robot

In the Technology and Infrastructure (TI) segment, net sales of EUR 13.05 million and an EBITDA of EUR 1.30 million were achieved in the first six months of 2006. This equals a share in total net sales of 30.4 percent. The EBITDA margin for the reporting period is 10.0 percent which means an increase of 3.0 percentage points over the previous year. Italian BRAIN FORCE subsidiaries contributed EUR 5.77 million of net sales, Dutch subsidiaries EUR 4.67 million and German subsidiaries EUR 2.39 million. The Swiss subsidiaries achieved in this period minor sales of EUR 0.21 million.

In the Netherlands, *Packaging Robot*, a tool for automation of software packaging, was rolled out to 14 new customers altogether which resulted in major net sales. Furthermore, a migration project for a very well known pharmaceutical company was won. In Germany, an international automotive supplier purchased phone server control, which was completed by security solutions. In Switzerland, a project for fee invoicing using *BRAIN FORCE INKAS-SQL* was successfully completed.

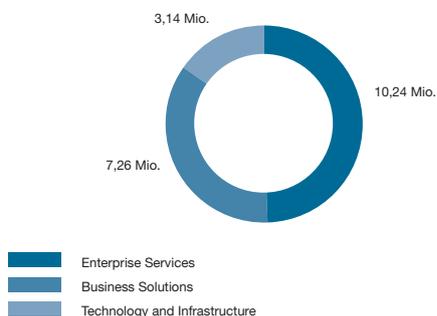
Group overheads (costs not allocated to segments) amounted to EUR 1.26 million in the first half year, which means an increase of 24 percent. This rise is mainly attributable to the further development of group management structures as a result of acquisitions made in the past.

### Orders

As at June 30, 2006, current orders at group level amounted to EUR 20.64 million which is 3.2 percent less than at the beginning of the year (31.12.2005: EUR 21.33 million.) Some follow-up orders placed by long-standing customers were only signed after the Q2 books had been closed so that they are not included.

## Orders by segments

### Orders by segments:



The Enterprise Services division has orders in hand of EUR 10.24 million (31.12.2005: EUR 7.32 million).

The Technology and Infrastructure division has orders in hand of EUR 3.14 million (31.12.2005: EUR 3.39 million).

The Business Solutions division has orders in hand of EUR 7.26 million (31.12.2005: EUR 10.62 Mio.).

## Basis for future business models

### Research and product development

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

In the second quarter, BS expanded the *BRAIN FORCE Baufinanzierung* solution. With automatic calculation of the financing modules and the multi-client configuration capability, BS created the basis for the future business model Software as a Service (SaaS). Furthermore, *BRAIN FORCE Finanzanalyse Center* was expanded by the addition of the asset planning and care cost calculation functions. What is more, version 3.0 of *BRAIN FORCE Report Designer* was completed and has already been rolled out to a customer in the insurance industry. BRAIN FORCE Italy has enlarged its portfolio of industry-specific systems for Microsoft Dynamics AX. With AX Metal, they are focusing on the metal producing and working industry.

In the TI division, version 1.3 of the network management system *Net Organizer* was launched which now includes the Auto Routing and Auto Moving functions. At the same time,



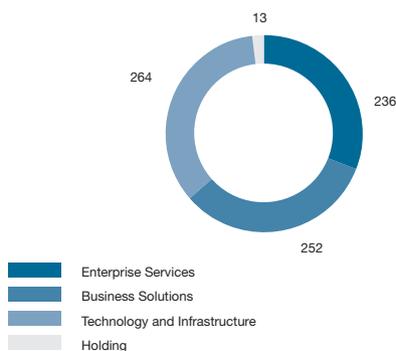
various existing customers have asked for and ordered the upgradability of *Net Organizer* which will be available in Q3. In the Netherlands, the test version of Microsoft VISTA was implemented with a pharmaceutical company with the objective of being able to convert all customers' systems to the new operating system in the near future.

### Human Resources

As at the 30.06.2006 reporting date there were 765 salaried employees, i.e., 6.0 percent fewer than the comparable figure for the beginning of the year and 7.7 percent more than in the previous year. On average, BRAIN FORCE had a staff of 775 salaried employees. Furthermore, the group had 296 freelance employees. This represents a slight increase of 3.0 percent as at the turn of the year. In the previous year, BRAIN FORCE had 297 freelancers.

Staffing levels by business area are as follows:

Staffing levels by  
business area



Continuation of the  
buy and build strategy

### **Anticipated developments**

The results for the first six months of the current fiscal year are quite satisfying and are above target. The successful share capital issue brought the company approx. EUR 15.9 million; this sum being used to finance acquisitions. With the take-over of System GmbH, the group has made its first move this year. However the buy and build strategy is not yet completed. With liquid funds and short-term investment of current assets in securities amounting to EUR 22.58 million, the company has an extensive capital base so as to make further acquisition in strong growth markets. The sum includes the cost for the take-over of System GmbH for EUR 7.97 million which will be consolidated into the holding as of October 1.

The application made by Beko Holding AG on the occasion of the extraordinary general meeting for a special audit of this year's capital issue was turned down by the majority of shareholders. Beko may take further legal action in order to enforce a special audit. In view of the lawfulness of the capital issue, however, any audit will not affect the business development of BRAIN FORCE.

Furthermore, the Board continues to be very happy about the business development achieved so far and the general economic conditions and is sticking to the objectives for the fiscal year 2006, i.e., net sales in the range of EUR 90 million and an EBIT of EUR 4.5 million, discounting the net sales generated by System GmbH.

## Consolidated balance sheet as at June 30, 2006

	30.06.2006	31.12.2005
Assets	EUR	EUR
<b>Non-current assets</b>		
Property, plant and equipment	1,517,460.64	1,537,326.89
Goodwill	10,066,500.26	10,066,500.26
Other intangible assets	7,804,406.23	8,206,118.97
Investments in associates	948,494.05	403,880.80
Other financial assets	185,618.73	461,352.44
Other receivables and other assets	834,821.22	1,598,935.66
Deferred tax assets	3,134,323.80	2,297,968.21
	<b>24,491,624.93</b>	<b>24,572,083.23</b>
<b>Current assets</b>		
Inventories	360,155.88	274,956.68
Trade receivables	25,249,238.66	24,807,325.04
Financial assets	4,016,060.75	0.00
Other receivables and other assets	3,062,862.89	2,182,955.28
Cash and cash equivalents	18,558,523.71	11,786,376.11
	<b>51,246,841.89</b>	<b>39,051,613.11</b>
	<b>75,738,466.82</b>	<b>63,623,696.34</b>

	30.06.2006	31.12.2005
Equity and liabilities	EUR	EUR
<b>Equity</b>		
Equity attributable to equity holders of the parent		
Share capital	15,386,742.00	10,257,828.00
Reserves	24,603,338.99	15,641,836.12
Retained earnings	6,857,708.90	5,812,121.08
Own shares	-29,924.62	-29,924.62
	<b>46,817,865.27</b>	<b>31,681,860.58</b>
Minority interest	466,278.16	425,830.27
	<b>47,284,143.43</b>	<b>32,107,690.85</b>
<b>Non-current liabilities</b>		
Financial liabilities	750,000.00	750,000.00
Other liabilities	27,449.07	27,449.07
Provisions for post-employment benefits	3,793,771.83	3,781,674.08
Other provisions	564,000.00	1,464,000.00
Deferred tax liabilities	1,274,353.81	1,360,947.11
	<b>6,409,574.71</b>	<b>7,384,070.26</b>
<b>Current liabilities</b>		
Financial liabilities	2,323,688.49	5,433,834.34
Trade payables	6,834,207.69	7,604,542.86
Other liabilities	10,678,993.34	9,774,733.87
Tax provisions	1,271,859.16	1,205,824.16
Other provisions	936,000.00	113,000.00
	<b>22,044,748.68</b>	<b>24,131,935.23</b>
	<b>75,738,466.82</b>	<b>63,623,696.34</b>

Consolidated income statements for the period  
January 1 - June 30, 2006

	quarterly report 01.04.2006 - 30.06.2006	quarterly report 01.04.2005 - 30.06.2005	6-months report 01.01.2006 - 30.06.2006	6-months report 01.01.2005 - 30.06.2005
	EUR	EUR	EUR	EUR
1. Net sales	20,766,150.62	17,420,244.12	42,904,951.82	33,859,249.58
2. Changes in work in progress	-6,012.71	-19,957.08	80,022.92	-22,210.27
3. Other own work capitalised	432,132.45	230,726.00	804,601.31	546,305.00
4. Other operating income	145,353.61	128,815.16	771,313.07	421,155.04
5. Material and cost of purchased services	-14,561,061.47	-12,560,531.47	-30,461,281.96	-24,573,082.44
6. Employee benefit costs	-3,756,197.16	-2,829,826.71	-7,497,133.64	-5,618,819.01
7. Depreciation and amortisation expense	-848,271.24	-471,823.73	-1,651,022.29	-943,929.60
8. Other operating expense	-1,739,802.52	-1,467,566.75	-3,344,213.42	-2,827,132.43
<b>9. Operating result</b>	<b>432,291.58</b>	<b>430,079.54</b>	<b>1,607,237.81</b>	<b>841,535.87</b>
10. Financial result	87,033.80	27,473.48	57,948.83	84,428.57
11. Share of profit of associates	-10,118.21	108,390.65	256,179.71	119,969.33
<b>12. Result before income taxes</b>	<b>509,207.17</b>	<b>565,943.67</b>	<b>1,921,366.35</b>	<b>1,045,933.77</b>
13. Income taxes	716,202.42	-362,463.53	20,799.99	-642,654.72
<b>14. Result for the period</b>	<b>1,225,409.59</b>	<b>203,480.14</b>	<b>1,942,166.34</b>	<b>403,279.05</b>
Result for the period attributable to:				
Equity holders of the parent	1,162,644.72	180,629.61	1,858,624.34	314,939.16
Minority interest	62,764.87	22,850.53	83,542.00	88,339.89
	<b>1,225,409.59</b>	<b>203,480.14</b>	<b>1,942,166.34</b>	<b>403,279.05</b>
Earnings per share			0.15	0.03

Consolidated cash flow statement for the period  
January 1 - June 30, 2006

01.01.2006  
- 30.06.2006

01.01.2005  
- 30.06.2005

15

	EUR	EUR
<b>Cash flow from operating activities</b>		
Result before taxes	1,921,366.35	1,045,933.77
Adjustments for:		
+ Depreciation and amortisation	1,651,022.29	943,929.60
+/- Financial result	-57,948.83	-84,428.57
- Share of profit of associates	-256,179.71	-119,969.33
+ Losses from the disposal of property, plant and equipment and intangible assets	15,017.33	5,984.97
+/- Changes in provisions for post-employment benefits and other provisions	-64,902.25	139,876.83
+/- Changes in inventories	-85,199.20	-3,162.06
+/- Changes in receivables	-498,740.16	-2,947,453.44
+/- Changes in payables	148,942.44	165,711.38
+/- Currency translation differences	26,678.47	4,600.31
	<b>2,800,056.73</b>	<b>-848,976.54</b>
+/- interests paid/received	-13,355.30	22,989.38
+ Dividends received	137,840.58	147,634.19
- Taxes on income paid	-1,010,692.05	-112,790.03
<b>Net cash flow from operating activities</b>	<b>1,913,849.96</b>	<b>-791,143.00</b>
<b>Net cash flow from investing activities</b>		
- Acquisition of subsidiaries	-15,000.00	224,900.00
- Cash outflow for investments in property, plant and equipment and other intangible assets	-1,244,011.27	-2,753,081.51
- Cash outflow for investments in other financial assets	-15,633,412.62	-21,501.54
+ Sale of property, plant and equipment and other intangible assets	2,315.00	11,482.53
+ Cash inflow from the disposal of other financial assets and current financial assets	3,544,174.61	0.00
<b>Net cash flow from investing activities</b>	<b>-13,345,934.28</b>	<b>-2,538,200.52</b>
<b>Cash flow from financing activities</b>		
+ Proceeds from issue of ordinary shares	14,162,860.83	0.00
- Dividends paid	-820,483.06	-606,310.98
+/- Proceeds from borrowing/repayment of financial liabilities	-3,110,145.85	469,339.91
<b>Net cash flow from financing activities</b>	<b>10,232,231.92</b>	<b>-136,971.07</b>
<b>Increase / decrease in cash and cash equivalents</b>	<b>-1,199,852.40</b>	<b>-3,466,314.59</b>
Cash and cash equivalents at beginning of year	11,106,098.47	14,551,208.04
+/- Increase / decrease	-1,199,852.40	-3,466,314.59
<b>Cash and cash equivalents at end of period</b>	<b>9,906,246.07</b>	<b>11,084,893.45</b>

## 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 - June 30, 2005

**Total result for the period**

Dividend

Change of own shares

**Balance June 30, 2005**

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period July 1 - December 31, 2005

**Total result for the period**

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 - June 30, 2006

**Total result for the period**

Increase in share capital

Transaction costs related to issue of share capital

Dividend

Other movements within minority interest

**Balance June 30, 2006**

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
<b>10,257,828.00</b>	<b>15,738,974.70</b>	<b>-194,566.28</b>	<b>3,506,217.91</b>	<b>-410,267.40</b>	<b>28,898,186.93</b>	<b>959,956.25</b>	<b>29,858,143.18</b>
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
<b>0.00</b>	<b>0.00</b>	<b>14,725.04</b>	<b>314,939.16</b>	<b>0.00</b>	<b>329,664.20</b>	<b>89,348.65</b>	<b>419,012.85</b>
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
<b>10,257,828.00</b>	<b>15,738,974.70</b>	<b>-71,368.81</b>	<b>3,214,846.09</b>	<b>-36,795.00</b>	<b>29,103,484.98</b>	<b>1,049,304.90</b>	<b>30,152,789.88</b>
0.00	0.00	-5,059.96	0.00	0.00	-5,059.96	0.00	-5,059.96
0.00	0.00	35,080.12	0.00	0.00	35,080.12	2,598.56	37,678.68
0.00	0.00	30,020.16	0.00	0.00	30,020.16	2,598.56	32,618.72
0.00	0.00	0.00	2,713,188.82	0.00	2,713,188.82	14,022.22	2,727,211.04
<b>0.00</b>	<b>0.00</b>	<b>30,020.16</b>	<b>2,713,188.82</b>	<b>0.00</b>	<b>2,743,208.98</b>	<b>16,620.78</b>	<b>2,759,829.76</b>
0.00	52,682.50	-108,472.43	0.00	6,870.38	-48,919.55	0.00	-48,919.55
0.00	0.00	0.00	-115,913.83	0.00	-115,913.83	-640,095.41	-756,009.24
<b>10,257,828.00</b>	<b>15,791,657.20</b>	<b>-149,821.08</b>	<b>5,812,121.08</b>	<b>-29,924.62</b>	<b>31,681,860.58</b>	<b>425,830.27</b>	<b>32,107,690.85</b>
0.00	0.00	-5,283.51	0.00	0.00	-5,283.51	0.00	-5,283.51
0.00	0.00	7,839.55	0.00	0.00	7,839.55	0.00	7,839.55
0.00	0.00	2,556.04	0.00	0.00	2,556.04	0.00	2,556.04
0.00	0.00	0.00	1,858,624.34	0.00	1,858,624.34	83,542.00	1,942,166.34
<b>0.00</b>	<b>0.00</b>	<b>2,556.04</b>	<b>1,858,624.34</b>	<b>0.00</b>	<b>1,861,180.38</b>	<b>83,542.00</b>	<b>1,944,722.38</b>
5,128,914.00	10,770,719.40	0.00	0.00	0.00	15,899,633.40	0.00	15,899,633.40
0.00	-1,811,772.57	0.00	0.00	0.00	-1,811,772.57	0.00	-1,811,772.57
0.00	0.00	0.00	-820,483.06	0.00	-820,483.06	0.00	-820,483.06
0.00	0.00	0.00	7,446.54	0.00	7,446.54	-43,094.11	-35,647.57
<b>15,386,742.00</b>	<b>24,750,604.03</b>	<b>-147,265.04</b>	<b>6,857,708.90</b>	<b>-29,924.62</b>	<b>46,817,865.27</b>	<b>466,278.16</b>	<b>47,284,143.43</b>

## Notes on the financial statements as at June 30, 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 a range of markets, primarily in the insurance, financial services, telecommunications and industrial sectors, through a number of 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 June 30, 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 more than half the voting rights or is otherwise entitled to assume control of operations, have been consolidated. The interim accounts as of June 30, 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 preparation of accounts and evaluations have been applied in the current report as those which were applied to the previous annual financial statement.

Any additional information pursuant to the structured quarterly reporting guidelines (SQR) proposed by Deutsche Börse and to the provisions relating to minimum balance sheet and profit and loss statement content is in accordance with the Vienna Stock Exchange prime market rules and regulations, which are included in the explanations.

### **Consolidated group**

The merger of INDIS S.p.A., Milan, Italy, which was 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 from 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 February 6, 2006.

Through the purchase contract signed on April 21, 2006, BRAIN FORCE HOLDING AG acquired additional shares in Brain Force Software a.s., Prague, Czech Republic. With the take-over of 15 percent of the shares held up until then by minority shareholders, BRAIN FORCE HOLDING AG now holds 100 percent.

In June 2006, BRAIN FORCE HOLDING AG acquired another 10 percent of the shares in KEMP Technologies Inc., New York, USA, thereby increasing its holding to 20 percent of shares of the company.

Consequently, the consolidated interim account statement encompasses BRAIN FORCE HOLDING AG, Vienna, and all the 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 <sup>1)</sup>	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	100
Brain Force Software s.r.o., Bratislava, Slovakia	100
NSE Capital Venture GmbH, Munich, Germany <sup>2)</sup>	100
VAI B.V., Veenendaal, Netherlands	100
SFP Software für FinanzPartner GmbH, Munich, Germany <sup>2)</sup>	49
CONSULTING CUBE s.r.l., Milan, Italy <sup>3)</sup>	25
KEMP Technologies Inc., New York, USA	20

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

2) Share held by Brain Force Financial Solutions AG.

3) Share held by BRAIN FORCE S.p.A..

A total of 13 companies (31.12.2005: 14) are fully consolidated and three associate companies (31.12.2005: 2) at equity are incorporated in the interim consolidated financial statements as of June 30, 2006.

### **Methods of consolidation**

The accounts have been consolidated in accordance with the provisions of IFRS 3. All corporate mergers have been reported 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 they are 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 the 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 inter-company profits and losses are eliminated.

### **Asset and financial position**

Compared to the 31st December 2005 reporting date, the balance sheet total increased by 19.0 percent to EUR 75.74 million (31.12.2005: EUR 63.62 million).

Non-current assets constitute 32.3 percent of total assets and amount to EUR 24.49 million on June 30, 2006 (31.12.2005: EUR 24.57 million).

Investments in tangible and other intangible assets for the reporting period amounted to EUR 1.24 million. Of this amount, TEUR 805 involved development costs (Previous year: TEUR 546). The increase in such own work capitalised is due to the development by the companies acquired in mid 2005 in Italy and the Netherlands.

The development costs included in the other intangible assets of EUR 7.80 million

(31.12.2005: EUR 8.21 million) amount to EUR 6.43 million (31.12.2005: EUR 6.69 million), constituting 8.5 percent of total assets (31.12.2005: 10.5 percent).

The reported goodwill remains unchanged at EUR 10.07 million.

The financial assets reported using the equity method increased by TEUR 544 to TEUR 948. The rise was mainly due to the acquisition of additional shares in KEMP Technologies Inc., whereby the total shareholding was increased to 20 percent. From the end of Q2 2006 onwards, it will be reported as shares in affiliated companies. The purchase price for the additional 10 percent amounted to USD 200,000.

As a consequence of the modified posting of the shares in KEMP Technologies Inc., other financial assets were reduced by TEUR 275 to TEUR 186.

Miscellaneous non-current receivables of TEUR 835 (31.12.2005: EUR 1.60 million) include for the most part a signed convertible bond of TEUR 703. The reduction reflects interest bearing receivables resulting from a maintenance and development order which are now posted as short-term assets.

The deferred tax assets as at June 30, 2006 amount to EUR 3.13 million (31.12.2005: EUR 2.30 million). This increase reflects the possibility of using tax advantages, i.e., accumulated deficits of Brain Force Financial Solutions AG following the squeeze-out of minority shareholders, which was registered on July 17, 2006 with the competent commercial registry. As a result of the subsequent amalgamation of BRAIN FORCE Software GmbH, Unterschleißheim, which was notarised on August 07, 2006, tax advantages in the form of accumulated deficits of TEUR 920 may be used in the medium term.

Current assets constitute 67.7 percent of total assets, increasing by EUR 12.20 million to EUR 51.25 million.

Trade receivables rose 1.8 percent as compared to December 31, 2005 to EUR 25.25 million (31.12.2005: EUR 24.81 million). As compared with March 31, 2006, this item was reduced by 8.5 percent, which equals EUR 2.33 million, which led to a considerable improvement in liquid funds. Trade receivables include receivables from affiliates totalling TEUR 54 (31.12.2005: TEUR 294).

Financial assets totalling EUR 4.02 million (31.12.2005: EUR 0) include short-term investments in securities held for trading purposes, with any rate fluctuations being recorded during the current period.

The other current receivables and assets item totalling EUR 3.06 million (31.12.2005: EUR 2.18 million) is largely made up of the current receivables arising from a maintenance and further development contract totalling EUR 1.17 million as well as deferred charges of other maintenance contracts amounting to EUR 1.22 million.

Cash and cash equivalents amounted to EUR 18.56 million on the effective date (31.12.2005: EUR 11.79 million). This growth is due to the cash increase which took place in Q2, 2006 and which brought the company liquid funds of EUR 15.90 million before deduction of the costs for the share capital issue. The short-term investment in financial assets (EUR 4.02 million) and the repayment of financial liabilities (EUR 3.11 million) led to a reduction in liquid funds in the past reporting period. Of the reported cash and cash equivalents, the sum of EUR 8.57 million is conditionally available (see notes on the cash flow statement).

IFRS-based group equity rose to EUR 47.28 million (31.12.2005: EUR 32.11 million). This is due to the share capital issue and the positive result for the period. In the past reporting period, an increase in cash equity with a nominal value of EUR 5,128,914.00 based on the authorised capital was implemented. The new shares were issued for EUR 3.10 per share and have a retroactive entitlement to dividend dating from January 01, 2006.

The increase in cash equity was entered into the company register on April 6, 2006. Accordingly, the nominal capital of BRAIN FORCE HOLDING AG amounts to EUR 15,386,742.00. Furthermore, dividends of EUR 0.08 per share were paid out in the past quarter as was agreed at the regular general meeting held on May 11, 2006. Distribution makes up for TEUR 820. As at June 30, 2006, the number of own shares held is 7,159, i.e., the equity ratio including minority shares as at June 30, 2006 is 62.4 percent (31.12.2005: 50.5 percent). As at June 30, 2006, authorised capital amounts to EUR 7,693,371.

The proportion of equity held by minority shareholders stood at TEUR 466 as at June 30, 2006 (31.12.2005: TEUR 426).

Non-current liabilities fell by TEUR 974 to EUR 6.41 million (31.12.2005: EUR 7.38 million). This decrease reflects the purchase price for VAI B.V., Veenendaal, Netherlands, which will be due in the next 12 months and is now reported as current liabilities.

As at June 30, 2006, other current liabilities amounted to EUR 22.04 million (31.12.2005: EUR 24.13 million) and were therefore reduced by EUR 2.09 million. This item saw the repayment of current financial liabilities totalling EUR 3.11 million and a reduction in trade payables

of TEUR 770. The trade payables include advance payments received totalling TEUR 598 (31.12.2005: TEUR 809).

Other current liabilities amounted to EUR 10.68 million (31.12.2005: EUR 9.77 million), an increase of TEUR 910. The rise is primarily attributable to the defined EUR 2.51 million increase in maintenance contracts (31.12.2005: EUR 1.53 million). Other reserves and accrued liabilities include the purchase price due for the acquisition of VAI B.V., Netherlands.

Working capital at the June 30, 2006 reporting date was EUR 29.20 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. - 30.06.2006 were EUR 42.90 million (Previous year: EUR 33.86 million). Other internal work capitalised amounted to TEUR 805 (Previous year: TEUR 546).

The cost of materials and services totals EUR 30.46 million (Previous year: EUR 24.57 million). Consequently, net sales rose by 26.7 percent, with concomitant expenses rising by 24 percent.

Mainly due to the acquisitions made in the second half of the previous year, employee benefits costs for administration and distribution rose by EUR 1.88 million to EUR 7.50 million (Previous year: EUR 5.62 million).

Scheduled depreciation and amortisation expenses, including the capitalisation assets as part of the purchase price allocation, amounted to EUR 1.65 million (Previous year: TEUR 944); there was no non-scheduled depreciation of goodwill during the period under review.

Other operational expenses rose by 18.3 percent to EUR 3.34 million (Previous year: EUR 2.83 million).

The financial result was TEUR 58 (Previous year: TEUR 84); the proportion of profit for associates amounted to TEUR 256 (Previous year: TEUR 120).

The result before income taxes was EUR 1.92 million (Previous year: EUR 1.05 million), an increase of 83.7 percent. Corporation tax amounted to TEUR +21 (Previous year: TEUR -643). Positive income taxes for the past reporting period result from the registration of deferred tax assets (see explanation of deferred taxes).

### 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)	16,286,237.38	13,562,705.07	13,056,009.37	0.00	<b>42,904,951.82</b>
Segment EBITDA <sup>*)</sup>	1,003,282.56	2,149,336.81	1,304,134.62	-1,198,493.89	<b>3,258,260.10</b>
Segment depreciation and amortisation	16,400.45	828,725.69	744,987.96	60,908.19	<b>1,651,022.29</b>
Segment operating result	986,882.11	1,320,611.12	559,146.66	-1,259,402.08	<b>1,607,237.81</b>
Financial result					<b>57,948.83</b>
Share in profit of associates		256,179.71			<b>256,179.71</b>
Result before taxes					<b>1,921,366.35</b>
Income taxes					<b>20,799.99</b>
Result for the period					<b>1,942,166.34</b>
Segment assets	8,831,108.70	23,752,452.07	22,736,478.52	20,418,427.53	<b>75,738,466.82</b>
Segment liabilities	4,676,396.19	11,206,322.40	9,005,620.24	3,565,984.56	<b>28,454,323.39</b>
Segment capital expenditure	8,729.19	559,226.33	602,950.38	73,105.37	<b>1,244,011.27</b>

<sup>\*)</sup> Earnings Before Interests, Taxes, Depreciation and Amortisation

## Geographical segments as at June 30, 2006

	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	5,139,687.31	20,515,028.44	75,609.04
Germany	19,542,176.70	25,614,641.58	600,817.13
Italy	13,122,157.09	18,278,053.51	311,698.05
Netherlands	4,669,797.76	10,181,675.32	252,924.68
Other regions	431,132.96	1,149,067.97	2,962.37

**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 profit before income tax of EUR 1.92 million (Previous year: EUR 1.05 million), the net cash and cash equivalents from operating activities shows a cash inflow of EUR 1.91 million (Previous year: cash outflow of TEUR 791). This is an improvement in the operating cash flow of EUR 2.7 million which is mainly due to increased net sales and the thereby improved profit, while receivables did not increase much. Paid income taxes amount to EUR 1.01 million (Previous year: TEUR 113).

The cash outflow resulting from investment activities was EUR 13.35 million (Previous year: EUR 2.54 million). The acquisition of tangible and other intangible assets accounted for expenditure of EUR 1.24 million (Previous year: EUR 2.75 million). The cash outflow for the acquisition of other financial assets and investments amounted to EUR 15.63 million (Previous year: TEUR 22). This includes cash outflows of EUR 7.51 million for the acquisition of short-term securities as well as TEUR 156 for the acquisition of 10 percent of the shares of KEMP Technologies Inc. Another EUR 7.97 million was paid as a preliminary purchase price for

SYSTEAM Ingenieurbüro für Datenkommunikation und Informatik GmbH, Deutschland, pursuant to the purchase and transfer contract signed on June 22, 2006. The preliminary purchase price was paid to escrow accounts of the notary public who has notarised the contract. Only once the conditions stated in the purchase and transfer contract are complied with will the escrow holder pay the sum to the sellers of SYSTEAM GmbH. Up until then, only the escrow holder is authorised to dispose of the escrow accounts. Should the contractual conditions not be complied within the period of time defined in the contract, seller and purchaser are obliged to instruct the escrow holder to pay the account balance to an account of the purchaser (BRAIN FORCE HOLDING AG).

The sale of other financial assets and investments generated cash inflows of EUR 3.54 million. The sum of TEUR 15 in financial resources was expended on the subsidiaries acquired in the preceding year.

Net cash inflow shown for financing activities totalled EUR 10.23 million (Previous year: cash outflow of TEUR 137). The issue of shares yielded EUR 14.16 million after deduction of costs for the share capital issue paid so far. Payment of the dividend resolved by the regular shareholders' meeting to BRAIN FORCE HOLDING AG's shareholders cost TEUR 820 (Previous year: TEUR 606). Financial liabilities of EUR 3.11 million were repaid (Previous year: cash inflow of TEUR 469).

As of the June 30, 2006 reporting date, the BRAIN FORCE group has cash, cash equivalents and current financial assets amounting to EUR 22.58 million (31.12.2005: EUR 11.79 million) at its disposal. Of this amount, EUR 8.65 million (31.12.2005: TEUR 680) are conditionally available funds.

#### **Other disclosures**

On May 11, 2005, the ordinary general meeting of BRAIN FORCE HOLDING AG's shareholders was held. All items on the agenda were resolved in the form proposed. For instance, it was resolved 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 General Meeting 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

conditional upon 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 extent of each issue and the conditions of issue are to be determined in agreement with the Supervisory Board.

Furthermore, the directors are entitled to acquire shares, subject to 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 quoted 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 approved in the proposed form. In the following constituent meeting of the Supervisory Board, Dr. Christoph Senft was re-elected as Chairman of the Supervisory Board.

On June 22, 2006, BRAIN FORCE HOLDING AG signed a purchase and transfer contract for all shares in SYSTEAM Ingenieurbüro für Datenkommunikation und Informatik GmbH. Under the terms of this contract, the shares will be transferred subject to deferring conditions. When all conditions for performance are complied with within the time defined in the contract, the shares of SYSTEAM GmbH will be transferred to BRAIN FORCE HOLDING AG. SYSTEAM GmbH is an international provider of IT infrastructure and business systems and complements the services offered by the BRAIN FORCE Group by adding products for the growth market of managed services.

On July 17, 2006, BRAIN FORCE HOLDING AG announced that the outstanding almost 5 percent of shares in Brain Force Financial Solutions AG, Munich, have been taken over with immediate effect. Objections and claims that the take-over was not valid, which were tabled opposing the resolution of Brain Force Financial Solutions AG's general meeting held on February 23, 2006, have been settled by way of agreement with the complainants. As a consequence, the resolution passed by the general meeting, i.e., to transfer the shares to BRAIN FORCE HOLDING AG pursuant to § 327a clause 1 AktG (Companies Act), was entered into the commercial register on July 17, 2006. All shares owned by the remaining shareholders of Brain Force Financial Solutions AG have now been legally transferred to BRAIN FORCE HOLDING AG.

On July 25, 2006, an extraordinary general meeting of BRAIN FORCE HOLDING AG was held. Upon application by BEKO Holding AG, it was convened to deal with the single agenda item of appointing special auditors, pursuant to § 118 clause 1 AktG, to audit procedures in

connection with the recent share capital issue. The proposal to appoint special auditors was turned down by the majority of shareholders present. The present shareholders have placed on record their objection to the resolution.

There were 765 salaried employees at the reporting date (30.06.2005: 710); orders amounted to EUR 20.64 million (30.06.2005: EUR 28.53 million).

The Executive and Supervisory Boards of BRAIN FORCE HOLDING AG held no share options as at the reporting date of June 30, 2006.

**Important dates**

Date	Event
27.11.2006	Q3 Quarterly report
29.11.2006	Analysts' conference
27.03.2007	Annual report 2006 Balance press conference
09.05.2007	Annual shareholders' meeting

## Imprint

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