

Report on the 3<sup>rd</sup> quarter of 2009/10

# BRAIN FORCE Key Data

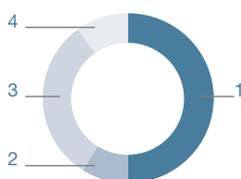
Earnings Data <sup>1)</sup>		10/09-06/10	10/08-06/09	Chg. in %	2008/09 <sup>2)</sup>
Revenues	<i>in € million</i>	53.97	70.49	-23	89.20
EBITDA	<i>in € million</i>	5.65	3.35	+69	2.05
Operating EBITDA <sup>3)</sup>	<i>in € million</i>	1.14	4.42	-74	3.44
EBIT	<i>in € million</i>	3.42	0.59	>100	-1.59
Operating EBIT <sup>3)</sup>	<i>in € million</i>	-1.09	1.67	>100	-0.21
Profit before tax	<i>in € million</i>	1.76	-0.53	>100	-2.65
Profit after tax	<i>in € million</i>	1.89	-4.30	>100	-5.46
Earnings per share	<i>in €</i>	0.12	-0.28	>100	-0.35
Adjusted earnings per share <sup>3)</sup>	<i>in €</i>	-0.17	0.00	>100	-0.08
Capital expenditure	<i>in € million</i>	1.20	1.87	-36	2.64
Acquisitions	<i>in € million</i>	1.11	-0.13	>100	0.14
Employees <sup>4)</sup>		800	1,085	-26	1,049

Balance Sheet Data		30.6.2010	30.9.2009	Chg. in %
Equity	<i>in € million</i>	21.02	19.31	+9
Net debt	<i>in € million</i>	8.67	5.65	+54
Capital employed	<i>in € million</i>	29.64	24.77	+20
Working capital <sup>5)</sup>	<i>in € million</i>	3.74	2.83	+32
Balance sheet total	<i>in € million</i>	53.55	54.45	-2
Equity ratio	<i>in %</i>	39	35	-
Gearing	<i>in %</i>	41	29	-

Stock Exchange Data <sup>6)</sup>		10/09-06/10	1-9/2009	Chg. in %
Share price high	<i>in €</i>	1.40	2.19	-36
Share price low	<i>in €</i>	1.00	1.02	-2
Share price at end of period	<i>in €</i>	1.09	1.20	-9
Shares outstanding (weighted)	1,000	15,387	15,387	0
Market capitalization (ultimo)	<i>in € million</i>	16.77	18.46	-9

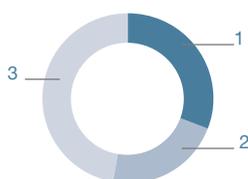
Segments Q1 - Q3 2009/10 in Mio. €	Germany		Central East Europe		South West Europe		The Netherlands		Holding and Other	
Revenues	26.93	(-19%)	4.89	(-53%)	16.68	(-16%)	5.48	(-24%)	0.00	-
Operating EBITDA <sup>3)</sup>	0.49	(-83%)	0.69	(-35%)	1.27	(-15%)	0.06	(-93%)	-1.38	(+26%)
Operating EBIT <sup>3)</sup>	-0.11	(>100%)	0.40	(+39%)	0.59	(-36%)	-0.55	(>100%)	-1.42	(+26%)
Capital expenditure	0.30	(-44%)	0.12	(-52%)	0.40	(-21%)	0.33	(-30%)	0.04	(-54%)
Employees <sup>4)</sup>	370	(-20%)	62	(-61%)	292	(-21%)	66	(-22%)	9	(-6%)

Revenues by Regions



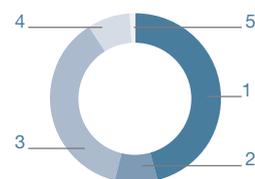
- 1 Germany 50%
- 2 Central East Europe 9%
- 3 South West Europe 31%
- 4 The Netherlands 10%

Revenues by Business Areas



- 1 Professional Services 31%
- 2 Business Solutions 22%
- 3 Infrastructure Optimization 47%

Employees by Segments



- 1 Germany 46%
- 2 Central East Europe 8%
- 3 South West Europe 37%
- 4 The Netherlands 8%
- 5 Holding and Other 1%

1) from continuing operations  
 2) unaudited results for the period October 1, 2008 to September 30, 2009  
 3) adjusted for non-recurring expenses and income  
 4) average number of employees during the period  
 5) Inventories + trade receivables - trade payables - other current liabilities  
 6) Vienna Stock Exchange

# Chief Executive's Review



Dr. Michael Hofer, CEO  
of BRAIN FORCE HOLDING AG

Dear Shareholders, Ladies and Gentlemen!

The third quarter of the 2009/10 financial year (April to June 2010) was still negatively characterized by the difficult economic environment, similar to the previous six months. While several industries achieved perceptible increases in their order intake, at best the situation with respect to BRAIN FORCE's business areas can be described as stabilization at a low level. Operating revenue and earnings development continues to be adversely affected by low proceeds from license sales and price pressure in the service business. For this reason, implementation of the previously-announced restructuring measures was determinedly continued in the third quarter in order to quickly and sustainably improve the company's operating performance. In the first half-year report 2009/10 and earlier, I talked in detail about the three strategic transactions (sale of the Professional Services business in Austria, participation of an investor in SolveDirect and the acquisition of Inisys, an ERP specialist for Microsoft Dynamics solutions in Austria). Because of the book gains from the first two transactions, we are able to report clearly positive earnings in the first nine months despite high restructuring costs.

Positive results in the first nine months due to strategic transactions and resulting non-recurring effects

Group revenues in the third quarter were down 21% to € 16.57 million. Operating EBIT (before non-recurring expenses and income) fell from € -0.01 to -0.41 million. Accordingly, total Group revenues in the first three quarters of the 2009/10 financial year declined by 23%, to € 53.97 million. Adjusted for the already-mentioned transactions, the organic revenue drop in the first nine months was 18%. Due to weak license sales, ongoing price pressure and the partial under-utilization of salaried IT consultants, particularly in Germany and the Netherlands, operating EBITDA of the BRAIN FORCE Group decreased from € 4.42 to 1.14 million, and operating EBIT from € 1.67 to -1.09 million. However, it is important to note that BRAIN FORCE had not yet been impacted by the economic crisis in the first quarter of the previous financial year (October to December 2008), and succeeded in generating record earnings at that time.

Weak license sales, price pressure and employee under-utilization lead to decline in operating results

Restructuring costs of € 1.82 million have been incurred in the current financial year, which were significantly overcompensated by the book gain of € 2.47 million derived from the sale of the Professional Services business in Austria and the realization of hidden reserves of € 3.86 million within the context of the initial at equity consolidation of SolveDirect. In total the BRAIN FORCE Group generated an EBITDA of € 5.65 million in the first nine months, an EBIT of € 3.42 million and a net profit of € 1.71 million.

Clearly positive earnings in the first three quarters based on non-recurring income despite high restructuring costs

Revenues in Germany (accounting for 50% of the Group total) declined by 19% in the period October 2009 to June 2010, and operating EBITDA amounted to € 0.49 million. Operating EBIT was slightly negative. A large project expired at the Frankfurt office which could not be compensated by other incoming orders. The company responded to the resulting under-utilization of staff by dismissing 27 employees, and making € 0.65 million in severance payments. Moreover, we expanded short-time working of employees at the Munich office, in order to further reduce ongoing operating costs.

Cost savings in Germany via employee cutbacks and short-time working

Positive earnings contributions from Inisys and BRAIN FORCE Czech Republic lead to earnings increase in Central East Europe

In the Central East Europe region (9% of the Group total), revenues fell by 53%, which is primarily related to the sale of the Professional Services business and the consolidation change of SolveDirect in Austria. Operating EBIT improved by 39% to € 0.40 million, as a consequence of the first positive earnings contribution from Inisys and good results posted by the Czech subsidiary. SolveDirect is fully focusing on expanding its business in the USA following the participation of a financial investor in this company. Hidden reserves amounting to € 3.86 million were realized within the context of the consolidation change. However, we anticipate medium-term negative earnings contributions from the at equity consolidation of this subsidiary as a consequence of the sharp increase in the number of employees as well as the expansion costs.

Successful restructuring in Italy leads to positive earnings in the current financial year

In the first three quarters of the 2009/10 financial year, revenues generated by the South West Europe region (Italy and Switzerland, 31% of total Group revenues) fell by 16% from the prior year, and operating EBIT was down 36%. The restructuring measures carried out in the last year, in particular capacity adjustments in Italy, have succeeded. As a result, a clearly positive operating EBIT of € 0.59 million could be generated despite a further revenue decline. Nevertheless, low proceeds from license sales burden earnings of this segment. For this reason, additional employees were dismissed in the second quarter, leading to non-recurring expenses of € 0.30 million, a development which will subsequently have a positive impact on earnings.

More extensive staff reductions in the Netherlands as a consequence of perceptible revenue drop

The development in the Netherlands (10% of Group revenues) was not gratifying by any means. A large public sector customer significantly reduced project orders, and the expected license sales could not be generated. This resulted in a revenue drop of 24% and a negative operating EBIT of € -0.55 million in the first nine months. A total of 22 employees had to be dismissed in order to return the subsidiary to a sustainably profitable cost basis, resulting in restructuring costs of € 0.87 million.

Improved business prospects starting in September after holiday months

In order to effectively deal with the significant revenue decline, we have reduced the number of salaried employees working for the BRAIN FORCE Group by about 200 people or about 30% of total staff since the end of 2008, correspondingly reducing personnel expenses by over € 10 million annually. Additional savings were realized by short-time working in Germany as well as a downward adjustment in the number of freelance employees and all other cost items. These were painful but necessary measures to put the company on a sound financial basis with respect to costs.

Clearly positive earnings in the current fiscal year

From today's perspective, we anticipate a more favorable economic environment again starting in September and an upswing in business (after the summer holiday months of July and August). The BRAIN FORCE Group should be able to generate sustainably positive operating results due to its considerably streamlined cost structure. For the 2009/10 fiscal year as a whole, we continue to expect revenues of about € 70 million and a clearly positive EBIT, taking into account non-recurring restructuring costs of € 1.82 million and book gains of € 6.33 million.

Yours,



Michael Hofer

# Financial Review

## Earnings in the first nine months (October 2009 to June 2010)

In the first nine months of the 2009/10 fiscal year (October 2009 to June 2010), the BRAIN FORCE Group generated revenues of € 53.97 million, down 23% from the prior year's level. Adjusted to take account of the three strategic transactions in Austria (sale of the Professional Services business at the end of December 2009, the change in the consolidation method for SolveDirect to inclusion at equity as of the beginning of January 2010 and full consolidation of INISYS Software-Consulting Ges.m.b.H. effective at the beginning of March 2010) the organic revenue decline was 18%.

The revenue decrease of € 16.52 million in absolute terms (organic revenue drop of € 11.38 million) could be significantly cushioned by consistent cost management and the restructuring measures implemented in the previous year. Nevertheless, due to the lower proceeds from license sales, the partial under-utilization of IT consultants and price pressure, operating EBITDA (before non-recurring expenses and income) was down by 74% or € 3.28 to 1.14 million. Operating EBIT declined from € +1.67 to -1.09 million.

Non-recurring restructuring costs of € 1.82 million in the first nine months of the 2009/10 fiscal year mainly related to the necessary dismissal of employees in the Aviation/Frankfurt and Infrastructure Optimization/Netherlands business units. The expected additional cost savings arising from these measures should accelerate the return to a positive operating EBIT on the part of these business units and the entire Group.

Furthermore, the BRAIN FORCE Group generated non-recurring income of € 6.33 million in the first three quarters of the 2009/10 fiscal year. A book gain of € 2.47 million arose from the sale of BRAIN FORCE SOFTWARE GmbH in Austria in December 2009. Hidden reserves of € 3.86 million were realized within the context of the change in the consolidation method of SolveDirect following the participation of a financial investor. After deducting restructuring costs, total non-recurring effects amounted to € 4.51 million in the first nine months, which are not included in the above-mentioned operating results. Taking account of these effects, EBITDA was € 5.65 million in the first nine months (prior year: € 3.35 million), and EBIT totaled € 3.42 million (prior year € 0.59 million).

The financial result significantly improved from € -1.12 to -0.46 million. However, the financial result in the first half of the prior year was negatively affected by the write-off of the KEMP convertible bond totaling € -0.63 million. The vast majority of financing costs related to the long-term fixed-interest loan. SolveDirect Service Management GmbH has been consolidated at equity since January 2010. As a result of the capital increases in this company, there is a negative dilution effect on the result from associates in addition to the profit after tax of SolveDirect related to our stake (89.9% as at June 30, 2010). Accordingly, the result from associates was € -1.20 million in the first nine months (prior year: 0). On balance, the profit before tax of the BRAIN FORCE Group amounted to € 1.76 million (prior year: € -0.53 million). The profit after tax from continuing operations was € 1.89 million, up from € -4.30 million in the first nine months of the previous fiscal year. The total result for the period (after tax, including discontinued operations) was € 1.71 million, compared to the prior-year figure of € -4.82 million. Earnings per share from continuing operations amounted to € 0.12 (prior-year: € -0.28). Earnings per share from continuing operations adjusted for non-recurring income was € -0.17, down from € +0.00 in the prior year.

### Revenues 9M in € million



Revenue decline significantly cushioned in operating results by strict cost management

Further restructuring as crucial measure enabling company to return to profitability

### EBITDA 9M in € million



High net profit for the first nine months due to positive non-recurring effects

## Third-quarter earnings (April to June 2010)

Consolidation effects, weak demand and price pressure result in third quarter revenue decline

In the third quarter of the 2009/10 fiscal year, Group revenues decreased by 21% to € 16.57 million and organically by 11%. The performance in Germany and South West Europe was not satisfactory, declining by -9% and -5% respectively, but nevertheless better than the average. Revenues in the Netherlands suffered the most dramatic downturn, falling by 35% as a consequence of the declining project business and significantly lower licensing proceeds. Revenues in Central East Europe fell by 76% as a result of the three strategic transactions. Revenues decreased from € 9.49 to 8.61 million in Germany, from € 2.36 to 1.53 million in the Netherlands, and from € 5.98 to 5.66 million in South West Europe, whereas revenues dropped from € 3.20 to 0.76 million in the Central East Europe region.

Improved but still negative EBIT of 0.26 million in the third quarter

The operating EBIT of the BRAIN FORCE Group deteriorated from € -0.01 to -0.41 million in the third quarter. However, group EBIT improved from € -0.94 to -0.26 million, which included non-recurring income of € 0.15 million related to the release of an overly high allocation to restructuring provisions (prior year: € -0.93 million for restructuring in Italy). The South West Europe region generated an operating EBIT of € 0.18 million (prior year: € 0.00 million), whereas the Central East Europe region posted an operating EBIT of € 0.04 million, compared to the prior-year figure of € 0.03 million. Operating EBIT in the Netherlands turned negative, dropping from € 0.17 to -0.20 million. The situation was the same in Germany, where operating EBIT deteriorated from € 0.44 to -0.13 million. Additional employees were dismissed in Germany (Frankfurt office) and in the Netherlands in the third quarter to help generate a sustainable earnings improvement. These reductions in the workforce should have a positive impact on the cost structure and earnings in both the fourth quarter as well as in the 2010/11 fiscal year.

## Cash flow

Positive gross cash flow of € 1.89 million

The gross cash flow from continuing operations was € 1.89 million in the first three quarters of the 2009/10 financial year, slightly below the previous year's level of € 1.93 million. Adjusted for the effect from the sale of BRAIN FORCE SOFTWARE GmbH, Vienna, the gross cash flow amounted to € -1.58 million. Payments for restructuring costs as well as the temporary increase in working capital (adjusted to take account of the change in the consolidation range) had a strongly negative impact on the cash flow from operating activities of continuing operations (operating cash flow), which amounted to € -3.87 million (prior year: € 5.28 million).

Positive cash flow from investing activities due to sale of the Professional Services business in Austria

The cash flow from investing activities amounted to € +0.91 million (prior year: € -1.48 million), including capital expenditures on property, plant and equipment and other intangible assets of € -1.20 million. The cash payment relating to the purchase price for the sale of BRAIN FORCE SOFTWARE GmbH less the proportionate share of costs arising from staff cutbacks resulted in a cash-in of € 3.47 million. All in all, the total cash outflow taking account of the deconsolidation of BRAIN FORCE SOFTWARE GmbH and SolveDirect Service Management GmbH as well as the initial consolidation of INISYS Software-Consulting GmbH was € 1.35 million.

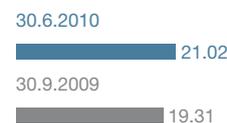
Cash and cash equivalents of € 3.42 million at the reporting date

The cash flow from financing activities at € 1.88 million showed an increase of current financial liabilities of € 2.03 million and € -0.16 million related to the scheduled payment of a non-current loan. The non-current financial liabilities amounting to € 9.96 million are due for payment in 2014. On balance, the change in cash and cash equivalents from continuing operations was € -1.08 million (prior year: € 0.38 million). The cash flow from the discontinued operations in Berlin totaled € -1.04 million (prior year: € -0.63 million). As at June 30, 2010, the BRAIN FORCE Group had cash and cash equivalents of € 3.42 million (June 30, 2009: € 4.80 million).

## Financial Position

The balance sheet total of the BRAIN FORCE Group was € 53.55 million as at June 30, 2010, and equity amounted to € 21.02 million. Accordingly, the equity ratio improved to 39% after 35% as at September 30, 2009, which is primarily related to the positive total result for the period in the amount of € 1.71 million. Working capital (inventories plus trade receivables less trade payables and other current liabilities) increased from € 2.83 to 3.74 million in the first three quarters of the 2009/10 financial year. This is primarily related to the temporary increase in trade receivables. Net debt as at June 30, 2010 was € 8.67 million, compared to € 5.65 million as at September 30, 2009. The increase in net debt is due to different and partially opposing reasons. The cash inflow from the sale of BRAIN FORCE SOFTWARE GmbH, Austria and the decrease in financial liabilities related to the deconsolidation of SolveDirect Service Management GmbH contributed to lowering net debt, whereas the negative cash flow from operating activities (payment of restructuring costs and buildup of working capital) as well as the acquisition of Inisys tended to raise it. Gearing (ratio of net debt to equity) of the BRAIN FORCE Group was at a level of 41% as at June 30, 2010, compared to the figure of 29% as at September 30, 2009.

### Equity in € million



### Net debt in € million



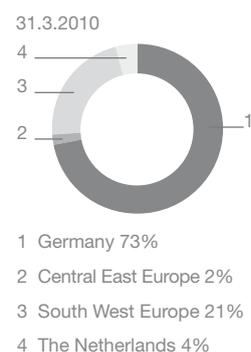
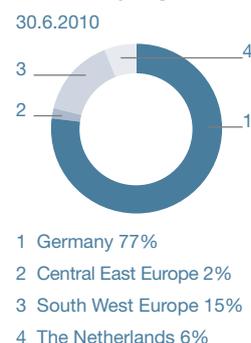
## Order Intake

As of June 30, 2010, the order volume at the Group level amounted to € 16.16 million, a decrease of 2% compared to the last balance sheet date of December 31, 2009. Adjusted for the loss of contracts attributable to the divested company BRAIN FORCE SOFTWARE GmbH, Austria, for SolveDirect Service Management GmbH, which is now consolidated at equity and the shutdown of the Berlin office, the order volume of the BRAIN FORCE Group for the first three quarters of the 2009/10 fiscal year was down by 18% from the prior-year level at June 30, 2009 due to the ongoing difficult economic situation with short project duration and low project volumes. Compared to March 31, 2010, the order intake has weakened by 10%, which is due to seasonal fluctuations relating to the fact that orders generally decline slightly before the summer holiday months of July and August.

On June 30, 2010, the order volumes are attributable to the regions as follows:

- ▶ Germany accounts for orders of € 12.45 million (March 31, 2010: € 13.17 million).
- ▶ Central East Europe has orders on hand of € 0.30 million (March 31, 2010: € 0.34 million).
- ▶ South West Europe accounts for orders of € 2.43 million (March 31, 2010: € 3.67 million).
- ▶ The Netherlands have an order intake of € 0.99 million (March 31, 2010: € 0.76 million).

### Revenues by Regions



## Research and Development

BRAIN FORCE has adapted the level of research and development to the difficult market conditions and reduced revenues. In Germany, development work was continued on the new FINAS module BRAIN FORCE Fördercenter. This is designed to clearly present all government incentives on one display mask. Accordingly, financial consultants will be able to offer their customers tax-optimized pension plans, improving the quality of consulting and thus increasing sales prospects. In addition, within the context of periodic maintenance and updating, we made adjustments to other FINAS modules to reflect current legal regulations.

In the Netherlands, BRAIN FORCE was confirmed by Microsoft as a Services Ready Partner for the desktop optimization of Windows and Office products. This demonstrates that the company has the tried and tested competence to implement state-of-the-art technologies, and has successfully and repeatedly proven this. Only 200 companies around the world belong to the Microsoft Services Ready Program. BRAIN FORCE has also made further progress in developing Packaging Robot 3.0. The software is in the testing phase and is already available as a Release Candidate.

**BRAIN FORCE was confirmed by Microsoft as a Services Ready Partner**

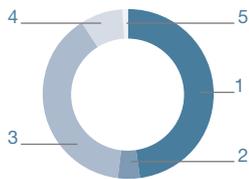
Controlling module converted by Inisys to .Net technology and expanded to include financial planning functionalities

In Austria, the recently acquired company INISYS Software-Consulting GmbH converted its controlling module based on Microsoft Dynamics to the latest .NET technology, which was also expanded to encompass important financial planning functionalities. The new planning approach enables extremely quick cash flow planning on the basis of cost accounting and investment planning.

## Human Resources

### Employees by segments

30.6.2010



- 1 Germany 48%
- 2 Central East Europe 4%
- 3 South West Europe 39%
- 4 The Netherlands 8%
- 5 Holding and Other 1%

30.6.2009



- 1 Germany 44%
- 2 Central East Europe 14%
- 3 South West Europe 33%
- 4 The Netherlands 8%
- 5 Holding and Other 1%

The total number of people working for the BRAIN FORCE Group as at June 30, 2010 amounted to 500 salaried employees, a decline of 33% compared to June 30, 2009. In addition, the company employed 238 people on a freelance basis for various customer projects, a figure which is 12% lower than in 2009. Thus the BRAIN FORCE Group made downward adjustments to its total number of staff as a response to the economic crisis and the resulting revenue decrease. The most extensive personnel reductions took place in the Central East Europe region, where the number of employees was down 81% year-on-year. However, this is exclusively due to the sale of BRAIN FORCE SOFTWARE GmbH, Austria and the at equity consolidation of SolveDirect Service Management GmbH. The number of employees in the Netherlands was considerably reduced in the third quarter in response to the continuing low order volume. The total number of staff in Germany also declined perceptibly, down 21% compared to June 30, 2009. Furthermore, short-term working in Germany was extended. The work force in the South West Europe region was downsized by 13% from the previous year.

On balance, the BRAIN FORCE Group employed 738 people on the balance sheet date, a drop of 28% or 282 employees from the comparable figure at June 30, 2009.

The breakdown of staff (salaried and subcontractors) by region as at June 30, 2010 is as follows:

- ▶ Germany: 355 (previous year: 448 / Chg.: -21%)
- ▶ Central East Europe: 28 (previous year: 146 / Chg.: -81%)
- ▶ South West Europe: 291 (previous year: 336 / Chg.: -13%)
- ▶ The Netherlands: 56 (previous year: 80 / Chg.: -30%)
- ▶ Holding and Other: 8 (previous year: 10 / Chg.: -22%)

On average, the staff of BRAIN FORCE was comprised of 567 salaried employees in the months October 2009 to June 2010 (previous year: 791) and 233 people on a freelance basis (previous year: 294). The total average number of employees in the BRAIN FORCE Group during the first three quarters of the 2009/10 fiscal year amounted to 800, a decline of 26% from the previous year.

# Quarterly Report (IFRS) of the BRAIN FORCE Group

Income Statement in EUR	4-6/2010	4-6/2009	10/2009-6/2010	10/2008-6/2009
<b>Continuing operations</b>				
Revenues	16,567,876	21,028,641	53,969,648	70,488,976
Cost of sales	-13,669,106	-16,245,490	-43,685,615	-53,524,182
<b>Gross profit</b>	<b>2,898,770</b>	<b>4,783,151</b>	<b>10,284,033</b>	<b>16,964,794</b>
Selling expenses	-1,795,985	-2,450,196	-5,861,067	-7,601,645
Administrative expenses	-1,578,653	-2,183,355	-5,496,940	-6,900,444
Other operating expenses	-58,233	-220,401	-341,689	-1,237,261
Other operating income	121,689	59,405	326,417	442,621
<b>Operating profit / loss before non-recurring items (Operating EBIT)</b>	<b>-412,412</b>	<b>-11,396</b>	<b>-1,089,246</b>	<b>1,668,065</b>
Non-recurring income	0	0	6,325,381	0
Non-recurring expenses	150,000	-925,656	-1,815,519	-1,076,622
<b>Operating profit / loss after non-recurring items (EBIT)</b>	<b>-262,412</b>	<b>-937,052</b>	<b>3,420,616</b>	<b>591,443</b>
Financial income	1,381	22,648	40,474	71,445
Financial expenses	-153,721	-201,228	-505,361	-1,196,079
<b>Financial result</b>	<b>-152,340</b>	<b>-178,580</b>	<b>-464,887</b>	<b>-1,124,634</b>
Result from associates	-317,276	0	-1,198,482	0
<b>Profit / loss before tax</b>	<b>-732,028</b>	<b>-1,115,632</b>	<b>1,757,247</b>	<b>-533,191</b>
Income taxes	377,294	69,977	128,568	-3,770,147
<b>Profit / loss after tax from continuing operations</b>	<b>-354,734</b>	<b>-1,045,655</b>	<b>1,885,815</b>	<b>-4,303,338</b>
Loss after tax from discontinued operations	-100,366	-222,393	-198,317	-488,249
<b>Profit / loss after tax</b>	<b>-455,100</b>	<b>-1,268,048</b>	<b>1,687,498</b>	<b>-4,791,587</b>
Changes in fair values of available-for-sale financial assets	430	1,300	-7,278	1,059
Currency translation differences	29,226	18,944	26,039	-28,277
Other result	29,656	20,244	18,761	-27,218
<b>Total profit / loss</b>	<b>-425,444</b>	<b>-1,247,804</b>	<b>1,706,259</b>	<b>-4,818,805</b>
<b>Earnings per share 1)</b>	<b>-0.03</b>	<b>-0.08</b>	<b>0.11</b>	<b>-0.31</b>
Earnings per share - adjusted 2)	-0.03	-0.02	-0.17	0.00
Earnings per share from continued operations	-0.02	-0.07	0.12	-0.28
Earnings per share from discontinued operations	-0.01	-0.01	-0.01	-0.03

1) Results are attributable exclusively to the equity holders of the parent company

2) Adjusted for non-recurring expenses and income and the loss from discontinued operations

Segment Reporting 10/2009 - 06/2010 in EUR	Germany	Central East Europe	South West Europe	The Netherlands	Holding and Other	BRAIN FORCE Group
Revenues (consolidated)	26,925,256	4,889,964	16,676,061	5,478,367	0	<b>53,969,648</b>
Operating EBITDA <sup>1)</sup>	493,268	694,748	1,273,344	61,128	-1,378,319	<b>1,144,170</b>
EBITDA	-151,732	694,748	972,825	-808,872	4,947,062	<b>5,654,031</b>
Depreciation and amortization	-602,412	-290,784	-686,354	-612,109	-41,757	<b>-2,233,416</b>
Operating EBIT <sup>1)</sup>	-109,144	403,964	586,990	-550,981	-1,420,076	<b>-1,089,246</b>
Non-recurring expenses and income	-645,000	0	-300,519	-870,000	6,325,381	<b>4,509,861</b>
EBIT	-754,144	403,964	286,472	-1,420,981	4,905,305	<b>3,420,616</b>
Capital expenditure	304,749	121,909	399,811	333,570	43,129	<b>1,203,168</b>

Segment Reporting 10/2008 -06/2009 in EUR	Germany	Central East Europe	South West Europe	The Netherlands	Holding and Other	BRAIN FORCE Group
Revenues (consolidated)	33,102,777	10,313,874	19,897,552	7,174,773	0	<b>70,488,976</b>
Operating EBITDA <sup>1)</sup>	2,888,609	1,072,628	1,501,655	815,864	-1,856,598	<b>4,422,158</b>
EBITDA	2,728,552	986,057	671,661	815,864	-1,856,598	<b>3,345,536</b>
Depreciation and amortization	-751,827	-782,593	-585,638	-580,176	-53,859	<b>-2,754,093</b>
Operating EBIT <sup>1)</sup>	2,136,782	290,035	916,017	235,688	-1,910,457	<b>1,668,065</b>
Non-recurring expenses and income	-160,057	-86,571	-829,994	0	0	<b>-1,076,622</b>
EBIT	1,976,725	203,464	86,023	235,688	-1,910,457	<b>591,443</b>
Capital expenditure	545,718	252,277	506,211	475,874	93,116	<b>1,873,196</b>

1) adjusted for non-recurring expenses and income and the loss from discontinued operations

Cash Flow Statement in EUR	10/2009-6/2010	10/2008-6/2009
Profit / loss before tax	1,757,247	-533,191
Depreciation and amortization	2,233,416	2,754,093
Financial result	464,887	1,124,634
Result from associates	1,198,482	0
Gains / losses from the disposal of property, plant and equipment and intangible assets	-693	2,399
Other non-cash expenses / income	-2,858,079	-250,000
Changes in non-current provisions and liabilities	-208,781	-230,229
Net interest paid	-431,046	-346,250
Income taxes received / paid	-269,353	-588,162
<b>Gross Cash flow of continuing operations</b>	<b>1,886,080</b>	<b>1,933,294</b>
Changes in inventories	-23,238	-76,510
Changes in trade receivables	-3,363,963	4,890,954
Changes in trade payables	1,140,197	-1,045,969
Changes in other current assets and liabilities	-3,540,047	-386,465
Currency translation differences	26,783	-39,338
<b>Cash flow from operating activities of continuing operations</b>	<b>-3,874,188</b>	<b>5,275,966</b>
Acquisition of subsidiaries	-1,111,079	126,379
Net payments for the sale of subsidiaries	3,305,233	300,000
Net payments from deconsolidation of subsidiaries	-77,243	0
Investments in property, plant and equipment and other intangible assets	-1,203,168	-1,873,196
Sale of property, plant and equipment and other intangible assets	693	103,747
Investments in financial assets	0	-136,766
<b>Cash flow from investing activities</b>	<b>914,436</b>	<b>-1,479,836</b>
Increase in financial liabilities	2,032,064	164,294
Repayments of financial liabilities and bank overdrafts	-156,519	-3,584,348
Dividends paid	0	0
Capital increase	0	0
Purchase of treasury shares	0	0
<b>Cash flow from financing activities of continuing operations</b>	<b>1,875,545</b>	<b>-3,420,054</b>
<b>Change in cash and cash equivalents from continuing operations</b>	<b>-1,084,207</b>	<b>376,076</b>
<b>Change in cash and cash equivalents from discontinued operation</b>	<b>-1,039,014</b>	<b>-630,895</b>
Cash and cash equivalents at the beginning of the period	5,543,493	5,050,101
Change in cash and cash equivalents	-2,123,221	-254,819
<b>Cash and cash equivalents at the end of the period</b>	<b>3,420,272</b>	<b>4,795,282</b>

Balance Sheet in EUR	30.6.2010	30.9.2009
<b>ASSETS</b>		
Property, plant and equipment	1,975,978	2,464,411
Goodwill	11,001,151	14,516,571
Other intangible assets	3,082,302	10,213,570
Investments in associates	11,142,072	9,809
Financial assets	45,602	193,376
Other receivables and assets	73,848	100,252
Deferred tax assets	1,005,023	433,899
<b>Non-current assets</b>	<b>28,325,976</b>	<b>27,931,888</b>
Inventories	268,579	267,256
Trade receivables	19,730,109	19,457,294
Other receivables and assets	1,803,072	1,249,600
Cash and cash equivalents	3,420,272	5,543,493
<b>Current assets</b>	<b>25,222,032</b>	<b>26,517,643</b>
<b>Total assets</b>	<b>53,548,008</b>	<b>54,449,531</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of the parent company		
Share capital	15,386,742	15,386,742
Reserves	12,104,149	12,085,388
Retained earnings	-6,469,778	-8,157,276
<b>Equity</b>	<b>21,021,113</b>	<b>19,314,854</b>
Financial liabilities	9,960,146	10,877,500
Other liabilities	137,837	138,273
Provisions for post-employment benefits	1,408,023	1,964,139
Deferred tax liabilities	330,378	1,783,410
<b>Non-current liabilities</b>	<b>11,836,384</b>	<b>14,763,322</b>
Financial liabilities	2,129,013	313,349
Trade payables	8,040,287	7,526,871
Other liabilities	8,223,388	9,368,320
Income tax provisions	1,210,347	1,113,692
Other provisions	1,087,476	2,049,123
<b>Current liabilities</b>	<b>20,690,511</b>	<b>20,371,355</b>
<b>Total equity and liabilities</b>	<b>53,548,008</b>	<b>54,449,531</b>

Changes in equity in EUR	Attributable to equity holders of the parent company				
	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
<b>Balance 1.10.2008</b>	<b>15,386,742</b>	<b>15,536,020</b>	<b>-274,545</b>	<b>-3,287,819</b>	<b>27,360,398</b>
Total result for the period 10/2008 - 6/2009	0	0	-27,218	-4,791,587	-4,818,805
<b>Balance 30.6.2009</b>	<b>15,386,742</b>	<b>15,536,020</b>	<b>-301,763</b>	<b>-8,079,406</b>	<b>22,541,593</b>
Transfer of reserves	0	-3,159,954	0	3,159,954	0
Profit/loss after tax	0	0	0	-3,237,824	-3,237,824
Total result for the period 6-9/2009	0	-3,159,954	11,085	-77,870	-3,226,739
<b>Balance 30.9.2009</b>	<b>15,386,742</b>	<b>12,376,066</b>	<b>-290,678</b>	<b>-8,157,276</b>	<b>19,314,854</b>
Total result for the period 10/2009 - 6/2010	0	0	18,761	1,687,498	1,706,259
<b>Balance 30.6.2010</b>	<b>15,386,742</b>	<b>12,376,066</b>	<b>-271,917</b>	<b>-6,469,778</b>	<b>21,021,113</b>

# Notes to the Quarterly Report

## Accounting and Measurement Principles

This interim report of BRAIN FORCE HOLDING AG as at June 30, 2010 has been prepared in accordance with the principles contained in the International Financial Reporting Standards (IFRS), as stipulated in IAS 34, "Interim Financial Reporting". The accounting and measurement principles applied in preparing the consolidated financial statements presented in the annual report as at September 30, 2009 remain unchanged. For more information on accounting and measurement principles, we refer to the annual report and the consolidated financial statements as at September 30, 2009, which serve as the basis for this interim report.

## Consolidation Range

All subsidiaries, including those companies in which BRAIN FORCE HOLDING directly or indirectly holds more than half of the voting rights or over which BRAIN FORCE exerts a controlling influence are included in the consolidated financial statements.

Within the context of an extraordinary general meeting held on November 25, 2009, BRAIN FORCE HOLDING AG in its capacity as the sole shareholder of BRAIN FORCE SOFTWARE GmbH, Vienna, approved the spin-off of an operating unit of SolveDirect into a newly-created limited liability company. The new entity, SolveDirect Service Management GmbH, Vienna, was entered into the commercial registry on December 3, 2009. Subsequently, based on a purchase and sale agreement dated December 16, 2009, all shares in BRAIN FORCE SOFTWARE GmbH, Vienna were sold to BEKO Engineering & Informatik AG, Nöhagen. BRAIN FORCE SOFTWARE GmbH, Vienna, was deconsolidated as at December 31, 2009.

Following the spin-off of the operating unit of SolveDirect, BRAIN FORCE HOLDING AG announced the conclusion of an investment agreement with the 3TS Cisco Growth Fund in respect to its subsidiary SolveDirect Service Management GmbH, Vienna. The fund, specializing in growth companies in the Central and Eastern European IT sector, will invest up to € 6 million in SolveDirect over the next years. Depending on the capital requirements needed to finance the expansion of SolveDirect on the U.S. market, the investment is to be carried out via several capital increases of SolveDirect Service Management GmbH, in which BRAIN FORCE HOLDING will not participate. Due to the controlling rights defined in the investment agreement, SolveDirect Service Management GmbH was deconsolidated at the time of the formal closing of the investment agreement, and recognized as an associated company at equity. The relevant date for the deconsolidation and recognition at equity was January 1, 2010.

Based on a purchase and sale agreement dated February 25, 2010, BRAIN FORCE HOLDING AG acquired a 100% stake in INISYS Software-Consulting GmbH, Neulengbach. The company specializes in the sale and implementation of the ERP software solutions Microsoft Dynamics NAV and AX as well as Microsoft CRM in Austria, and boasts its own sector-independent cost accounting module. INISYS Software-Consulting GmbH was included in the consolidated financial statements of BRAIN FORCE HOLDING AG as at March 1, 2010, and was rebranded in BRAIN FORCE GmbH as per 5.8.2010.

## Comments on the Income Statement

Group revenues fell by 23% from the comparable period of the previous year to € 53.97 million. Operating EBITDA (before non-recurring income) of continuing operations declined by 74% from € 4.42 to 1.14 million. The operating result (EBIT) amounted to € -1.09 million, down from € 1.67 million in the prior year. Group EBITDA rose 69% to € 5.65 million, which includes the book gain derived from the sale of BRAIN FORCE SOFTWARE GmbH (€ 2.47 million), the net result of the deconsolidation and recognition at equity of SolveDirect Service Management GmbH at its fair value (€ 3.86 million) as well as non-recurring restructuring costs (€ -1.82 million). Group EBIT increased by € 2.83 million, from € 0.59 to 3.42 million.

The financial result improved by € 0.66 million, from € -1.12 to -0.46 million. The financial result in the first three quarters of the prior year was negatively affected by the write-off of the KEMP convertible bond totaling € -0.63 million. The result from associates amounted to € -1.20 million, which is related to SolveDirect Service Management GmbH. This includes the negative earnings contribution of € -0.51 million in the fiscal year and the dilutive effect of € -0.69 million from the participation of an investor after the first capital increase in March 2010.

The profit after tax from continuing operations in the first three quarters of the 2009/10 fiscal year amounted to € 1.89 million, following a loss after tax of € -4.30 million generated in the first nine months of the prior year, which was primarily due to the necessary write-offs of the KEMP convertible bond and capitalized tax loss carry-forwards in Germany after the take-over of a majority stake in BRAIN FORCE HOLDING AG by a subsidiary of Cross Industries AG.

## Segment Information

BRAIN FORCE HOLDING AG reports according to geographic segments in accordance with the management approach contained in the stipulations of IFRS 8, "Operating Segments". Segment earnings (operating EBITDA and operating EBIT) are reported before brand licensing costs and intercompany charges. Segment information is included in this interim report directly after the consolidated income statement.

## Comments on the Cash Flow Statement

The gross cash flow from continuing operations was € 1.89 million, or approximately 2% below the previous year's level of € 1.93 million. Adjusted for the effect from the sale of BRAIN FORCE SOFTWARE GmbH, Vienna, the gross cash flow amounted to € -1.58 million. The increase in working capital and the decrease in other current provisions for restructuring, had a negative effect on the cash flow from operating activities, which amounted to € -3.87 million, considerably below the prior-year level.

The cash flow from investing activities amounted to € +0.91 million, up from € -1.48 million in the prior year. The positive cash flow from investing activities includes a cash inflow of € 3.31 million from the sale of BRAIN FORCE SOFTWARE GmbH, Vienna. A total of € 1.11 million was used for the acquisition of subsidiaries. The cash outflow arising from the deconsolidation of SolveDirect amounted to € -0.08 million. Capital expenditures on property, plant and equipment and other intangible assets totaled € 1.20 million. The cash flow from financing activities was € 1.88 million, showing an increase in financial liabilities and overdrafts by € 2.03 million and repayment of financial liabilities totaling € 0.16 million.

## Comments on the Balance Sheet

Total assets amounted to € 53.55 million on the reporting date of June 30, 2010, a decrease of about 2% from the comparable level at September 30, 2009. Major changes took place in several balance sheet items due to change in the consolidation range, encompassing the deconsolidation of BRAIN FORCE SOFTWARE GmbH, Vienna and SolveDirect Service Management GmbH, Vienna, the recognition of the stake in the associated company SolveDirect at fair value and the initial consolidation of INISYS Software-Consulting GmbH.

Non-current assets made up 53% of total assets, amounting to € 28.33 million on the reporting date. Property, plant and equipment and other intangible assets were reduced by € 6.78 million due to the change in the consolidation range. Capital expenditures on property, plant and equipment and other intangible assets totaling € 1.20 million in the reporting period (of which € 0.78 million comprised product development costs) was in contrast to scheduled depreciation of € 2.23 million. The reduction in goodwill by € 3.52 million can be attributed to the consolidation change in SolveDirect by € 4.68 million and the addition of goodwill amounting to € 1.16 million, which is related to the acquisition of INISYS. Investments in associates rose to € 11.14 million, of which SolveDirect accounts for € 11.13 million.

Current assets comprised 47% of total assets on the reporting date of June 30, 2010. Trade receivables increased by 1% from the comparable figure at September 30, 2009 to € 19.73 million or 37% of total assets. However, adjusted to take account of the change in the consolidation range, trade receivables actually rose by € 2.35 million. On the reporting date of June 30, 2010, cash and cash equivalents amounted to € 3.42 million.

IFRS-based equity in the BRAIN FORCE Group at June 30, 2010 was € 21.02 million, corresponding to an equity ratio of 39%. The positive total result of € 1.71 million for the reporting period enabled the company to significantly improve its equity ratio. Non-current liabilities amounted to € 11.84 million, a drop of € 2.92 million. This is primarily attributable to the deconsolidation of SolveDirect Service Management GmbH, in which case non-current financial liabilities declined by € 0.82 million and deferred tax liabilities by € 1.62 million.

Current liabilities rose by € 0.32 to 20.69 million. This rise is related to the increase of current financial liabilities (€ 1.82 million) as well as trade payables (€ 0.51 million). Other liabilities decreased by € 1.14 to 8.22 million, which is mainly the result of deconsolidations. Other provisions were reduced by € 0.96 to 1.09 million. Working capital at the reporting date was € 3.74 million, rising by € 0.91 million compared to the level at September 30, 2009. Net debt on June 30, 2010 rose by € 3.02 to 8.67 million from the balance sheet date of September 30, 2009.

As at June 30, 2010, the number of outstanding shares was 15,386,742. Authorized capital amounted to € 7,693,371.

## Acquisition

Based on the share purchase agreement dated February 25, 2010, BRAIN FORCE HOLDING AG assumed control of a 100% stake in INISYS Software-Consulting GmbH, Neulengbach. The initial consolidation date of March 1, 2010 was chosen. Within the context of the initial consolidation, BRAIN FORCE made use of the valid stipulations contained in IFRS 3 relating to provisionally determining initial accounting. Accordingly, the initial recognition of the business combination was only carried out on a provisional basis at the end of the reporting period in which the business combination took place because the fair values of the identifiable assets, liabilities or contingent liabilities could only be determined provisionally.

The purchase price including ancillary acquisition costs amounted to € 1.27 million. Assets with a fair value of € 0.51 million were acquired, including non-current assets of € 0.12 million. Cash and cash equivalents of € 0.16 million were also taken over. The financial liabilities assumed by BRAIN FORCE total € 0.40 million, of which € 0.04 million are non-current liabilities, whereas goodwill amounts to € 1.16 million.

The acquired company generated revenues of € 0.86 million in the reporting period, and a total result for the period of € 0.06 million. Total assets amounted to € 0.74 million as at June 30, 2010, and borrowed capital totaled € 0.58 million.

## Audit Waiver for the Interim Report

This interim report as at June 30, 2010 was neither audited nor subject to an auditor's review.

Vienna, August 12, 2010

The Management Board



Michael Hofer



Thomas Melzer

## Financial Calendar

Date	Event
August 12, 2010	Report on the first three quarters of 2009/10
December 21, 2010	Annual Financial Statements 2009/10 and press conference
February 16, 2011	Report on the first quarter of 2010/11
March 2, 2011	13th Annual General Meeting
March 4, 2011	Ex-dividend day 2010
March 7, 2011	Dividend payment day for 2010
May 12, 2011	First Half-Year Report 2010/11
August 18, 2011	Report on the first three quarters of 2010/11
December 21, 2011	Annual Financial Statements 2010/11 and press conference

## Information on the Company and the BRAIN FORCE Share

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