



we make **it**

BRAIN FORCE-Group

Ratios by segment as at
September 30, 2006

	Enterprise Services	Business Solutions	Technology and Infrastructure	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	24,552,939.26	19,260,760.83	19,367,835.17	0.00	63,181,535.26
Segment EBITDA	862,820.52	3,011,845.10	1,882,083.01	-1,986,748.24	3,770,000.39
Segment depreciation and amortisation	24,841.31	1,246,228.32	1,145,183.35	92,856.54	2,509,109.52
Segment operating result	837,979.21	1,765,616.78	736,899.66	-2,079,604.78	1,260,890.87
Financial result					130,838.27
Share in profit of associates		215,797.93	-12,558.41		203,239.52
Result before taxes					1,594,968.66
Income taxes					-210,770.41
Result for the period					1,384,198.25
Segment assets	20,058,072.65	22,887,713.24	21,236,357.99	10,195,426.75	74,377,570.63
Segment liabilities	7,685,558.44	9,026,201.74	8,208,354.96	3,983,568.41	28,903,683.55
Segment capital expenditure	7,810,946.71	727,504.47	960,624.32	87,882.77	9,586,958.27

Earnings per share EUR 0.10

Geographical segments as at September 30, 2006

	Segment net sales	Segment assets	Segment capi- tal expenditure
	EUR	EUR	EUR
Austria	7,677,541.04	10,315,014.02	95,873.17
Germany	29,004,736.57	35,645,517.47	8,702,809.41
Italy	19,183,542.99	17,822,743.45	423,206.60
Netherlands	6,641,900.41	9,571,516.90	362,022.56
Other regions	673,814.25	1,022,778.79	3,046.53

Foreword by the Chief Executive Officer



Ladies and gentlemen, Shareholders,

in the third quarter, once again we reached major milestones of our expansion strategy. We were able to finalise the take-over of System GmbH and to consolidate the company into the group by September 30. Along with this acquisition, we have entered into a number of important sales partnerships. What is more, we have signed a comprehensive sales cooperation contract with the Austrian company S&T System Integration & Technology Distribution AG, so that we are now present in large parts of Europe. With the expansion of our sales partner network, we are opening up another growth area for our services and products that goes beyond the potential for organic and inorganic development.

What is most satisfying is the increase in net sales. In the first nine months, we were able to achieve net sales of EUR 63.2 million, i.e., 15.7 percent more than in the corresponding period of the previous year. In particular our Business Solutions and Technology & Infrastructure business saw an impressive 32 percent growth. This strikingly demonstrates that the strategy of focussing on expansion in areas in which high margins may be obtained is successful.

Due to the insolvency of our long-standing customer BenQ Mobile, the Enterprise Services segment experienced a slight growth only. Against the background of their failure, we had to make an extraordinary adjustment of receivables that affected the group's EBITDA (earnings before depreciation and amortization) which fell short of our expectations by EUR 3.77 million. Even though we had knowledge of BENQ's cost cutting activities, we were surprised by their sudden insolvency, particularly as we were in the midst of negotiations for further joint projects.

This however was countered by excellent growth of the operative cash flow. It increases in the first nine months over last year by EUR 5 million.

Yours sincerely,


Helmut Fritschmann
Chief Executive Officer

Quarterly report Q3/2006

Future market Managed Services

BRAIN FORCE looks back on a successful track record in acquisitions. Pursuant to our buy and build strategy, the group acquired in the last few years various companies in Italy, the Netherlands and Germany which are all leaders in their respective markets. The last was System GmbH with its headquarters in Frankfurt/Main, which was taken over last summer. System is a specialist in managed services, a definite growth market. The Gartner research company anticipates annual growth rates in this segment of up to seven percent, which clearly exceeds the growth potential of classical IT service business.

Enhancing its profile

In the past, BRAIN FORCE was able to successfully carry out a number of projects as a managed service provider. With System's expertise in infrastructure management coupled with BRAIN FORCE's know-how in application management, the group is considerably enhancing its profile. As a managed service provider with a perfectly coordinated portfolio, BRAIN FORCE is now able to undertake major IT projects for their customers, thereby generating long-term contracts. At the same time, products and solutions such as *Net Organizer* or *Packaging Robot* may be offered which will noticeably improve the company's margins and thus also profitability. Also, synergy potentials between the subsidiaries in the various countries may be put to very good use.

In the third quarter, the group extended its sales partner network and now has 30 or so co-operation partners to sell BRAIN FORCE's product portfolio in Europe. The group was recently able to enter into a far-reaching cooperation agreement with Vienna-based S&T Integration & Technology Distribution AG which specialises in IT solutions and services and holds a leading position in the growth markets of Central and Eastern Europe. S&T has branches in 19 countries of Central and Eastern Europe and will sell BRAIN FORCE's products and solutions in these growth markets. Through this move, BRAIN FORCE gained an entry into the markets of the booming Eastern European countries, which is of major strategic concern.

BRAIN FORCE today has a large sales partner network and sells its product portfolio in almost all European countries. At the same time, the group taps into an additional sales channel for its large service range by way of indirect product marketing.





Following a successful squeeze-out, the group merged BRAIN FORCE Financial Solutions AG with German BRAIN FORCE SOFTWARE GmbH. Thus, the chapter of integration, which began with the take-over of former NSE Software AG in 2003, has been completed, so that the group may fully benefit from the resulting tax benefits. Furthermore, a number of projects, particularly in the financial services area, may be carried out even more stringently. Also, we now have the possibility of making better use of synergies and increasing the sales power of the German BRAIN FORCE subsidiary.

Market driver
service sector

Prevailing economic conditions

According to the German Association for Information Technology, Telecommunications and New Media (BITKOM), the information technology and communication industry (ICT) in Europe will grow this year by 3.1 percent to EUR 664 billion. In 2007, the association expects similar growth rates. In light of major investments being made in new technologies, it is expected to rise by another 2.9 percent.

The service sector is considered to be one of the most important market drivers. With an increase of 5.3 percent, it is among the fastest growing segments. In particular there is a very high demand for professional services such as outsourcing, consulting and system integration, and it is anticipated that this trend will continue or even become more pronounced in 2007.

This positive development is a result of the excellent economic situation in Europe and above all in those markets which are the most important to BRAIN FORCE, i.e., Italy and Germany. These two countries have displayed a below-average growth in the past. Now they are catching up – a tendency which has a beneficial effect on ICT services and this will continue throughout 2007.

Gain in net sales
despite BenQ



Sales and revenue situation

The BRAIN FORCE group closed the first nine months of the 2006 financial year with a clear gain in net sales and was again able to outperform the good results achieved in the corresponding period of the previous year. Altogether, the group produced net sales of EUR 63.18 million, i.e., a year on year growth of 15.7 percent over 2005 in which net sales accounted for EUR 54.61 million. Net sales in Q3, 2006 were EUR 20.28 million, which was a slight decline by 2.3 percent compared with the same quarter of the previous year (EUR 20.75 million).

The third quarter result was mainly affected by the surprising insolvency of our long-standing customer BenQ Mobile GmbH & Co. OHG. This led to BRAIN FORCE making an adjustment of receivables, so that the EBITDA for the first nine months of 2006 is EUR 3.77 million vs. EUR 4.23 million in 2005. In the third quarter of 2006, the EBITDA is EUR 0.51 million vs. EUR 2.45 million in the previous year.

From an EBIT perspective, the result of the first three quarters of 2006 is EUR 1.26 million vs. EUR 2.53 million in 2005. Besides the matters referred to above, this is due to higher depreciation and amortization expense based on purchase price allocation pursuant to IFRS 3 resulting from the take-overs of Indis, Italy and VAI, Netherlands which took place last year. This year, depreciation and amortization account for TEUR 620, i.e., TEUR 423 more than in the corresponding period of the previous year. Without considering these special effects, the group was able to achieve the same result as the year before. Earnings per share for the first nine months were EUR 0.10 as opposed to EUR 0.15 in the previous year.

Cash flow, i.e., net liquid funds from operations, showed a clear increase over the reported period: While in the corresponding period of the previous year, it was negative (EUR -2.16 million), it grew over the first nine months of this year to EUR 3.16 million.



Business Solutions with
distinct higher EBITDA

Development in primary segments

The **Enterprise Services (ES)** segment achieved net sales of EUR 24.55 million and an EBITDA of EUR 0.86 million in the first nine months of 2006. While net sales rose by 1.7 percent compared with the previous year, i.e., EUR 24.14 million, the EBITDA, which was EUR 1.35 million in 2005, declined by 36.3 percent. This is mainly due to the extraordinary adjustment of receivables necessary as a result of the insolvency of our customer BenQ Mobile.

Altogether, the division contributes 38.9 percent to BRAIN FORCE HOLDING's total net sales, thus being the top segment of the group in terms of net sales. The German subsidiaries contributed EUR 17.12 million to net sales, while Austria achieved net sales of EUR 7.23 million. The subsidiaries in other countries only made limited contributions to this segment's net sales.

In addition to the continuation of contracts with various existing customers, the German organisation was able to sign new contracts with two renowned customers in the telecommunications and the IT industries. What is more, major preparations required to win over two customers in the internet industry were completed which led to the conclusion of long-term contracts early in Q4. In Austria, two financial service providers as well as Austria's largest mobile phone operator decided in favour of BRAIN FORCE.

In the first three quarters, the **Business Solutions (BS)** segment achieved net sales of EUR 19.26 million (previous year: EUR 15.81 million), which is equivalent to a YoY growth of 21.8 percent. With a share of 30.4 percent of group net sales, the segment has an EBITDA of 3.01 million, which is 57.6 percent above the result for the previous year (EUR 1.91 million). The Italian subsidiaries contributed the largest share of EUR 10.11 million, followed by Germany (EUR 8.49 million), Austria (EUR 0.43 million) and the Czech Republic (EUR 0.23 million).

In Italy, two contracts were signed with a major automotive company and a specialist in glass for the motor industry. In Germany, the *BRAIN FORCE Baufinanzierung* software was installed at an Austrian banking group and extended by internet connection. Furthermore, substantial updates of software systems already in use were carried out for two existing customers.

Technology and
Infrastructure grows
in net sales

In the **Technology and Infrastructure (TI)** segment, net sales of EUR 19.37 million were achieved in the reporting period, i.e., a YoY growth of 32.1 percent (previous year: EUR 14.66 million). The EBITDA was EUR 1.88 million (previous year: EUR 2.24 million), which is 16.1 percent below the value for the previous year. Italian subsidiaries contributed EUR 9.08 million, Dutch subsidiaries EUR 6.64 million and German subsidiaries EUR 3.39 million of net sales.

In the Netherlands, we were able to sell *Packaging Robot*, a tool for automatic software packaging, to 15 customers from various industries. Furthermore, a magazine publishing house asked BRAIN FORCE Netherlands to help them with the rollout of Microsoft Vista. The German organisation replaced the *beusenKNV* solution used by an IT service provider by an expanded version of *Net Organizer*, thereby producing enhanced network documentation.

Group overheads (costs not allocated to segments) amounted to EUR 2.08 million in the nine first months.



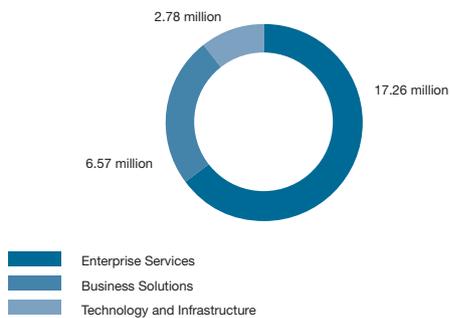
Orders

As at September 30, 2006, current orders at group level amounted to EUR 26.60 million, which is 24.7 percent more than at the beginning of the year (31.12.2005: EUR 21.33 million). As compared with the previous quarter 2006, the backlog rose by 28.9 percent. The acquisition of System GmbH has been allocated to Enterprise Services, so that this segment experienced a strong increase in order intake.

Orders by segments:

- ▶ The Enterprise Services division has orders in hand of EUR 17.26 million (31.12.2005: EUR 7.32 million).
- ▶ The Business Solutions division has orders in hand of EUR 6.57 million (31.12.2005: EUR 10.62 million).
- ▶ The Technology and Infrastructure division has orders in hand of EUR 2.78 million (31.12.2005: EUR 3.39 million).

Orders by segments





New product versions

Research and product development

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

In the third quarter, BS expanded the *BRAIN FORCE Finanzanalyse Center* system, which was completed for a customer in the insurance industry with *BRAIN FORCE Vorsorgeoptimierung*. The ergonomics of our solution was further improved, a consistent look and feel was created, and the layout was adapted in line with the group's new corporate design.

BRAIN FORCE Baufinanzierung was expanded by the addition of application service providing ability. In this way, the group opens up another market: In future it will be in a position to offer the software to estate agents for rent over the internet.

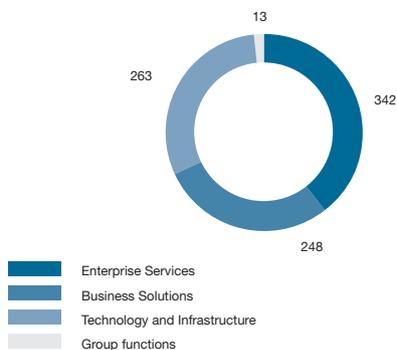
The TI division launched a new version of *BRAIN FORCE Net Organizer*. Unlike its predecessor, *Net Organizer 2.0* not only enables auto routing and auto moving but also offers the ability to display complete corporate networks on screen and to document these. This gives our customers the ability to better check networks using their desktop and to pin-point error sources even faster which clearly reduces costs arising from downtimes.

Human Resources

As at September 30, 2006 there were 866 salaried employees, i.e., 6.4 percent more than the comparable figure for the beginning of the year. Furthermore, the group had 319 freelance employees. This represents an increase of 11.1 percent from the turn of the year. The rise is also due to the addition of 123 salaried and freelance employees of System GmbH.

Staffing levels by business areas

Staffing levels by business area are as follows:



Strengthen its competence

Anticipated developments

With the take-over of System GmbH, the BRAIN FORCE group has further strengthened its competence in the field of managed services. What is more, the concern has a perfectly coordinated portfolio of products and solutions. Therefore, BRAIN FORCE is excellently positioned not only to meet increasing market demand but to take strong advantage of constantly changing market conditions.

In the years to come, BRAIN FORCE will undergo both organic and inorganic growth. Currently the group holds liquid funds and short-term investment of current assets amounting to EUR 15 million. This should be a sound basis for structured financing of even larger take-overs, which will complete BRAIN FORCE's product portfolio and round off its position in markets of strategic importance.

For financial year 2007, BRAIN FORCE expects net sales of EUR 116 million and an EBIT of EUR 6.4 million.

Consolidated balance sheet as at September 30, 2006

	30.09.2006	31.12.2005
Assets	EUR	EUR
Non-current assets		
Property, plant and equipment	1,579,153.25	1,537,326.89
Goodwill	15,100,900.26	10,066,500.26
Other intangible assets	10,189,916.34	8,206,118.97
Investments in associates	968,824.36	403,880.80
Other financial assets	190,879.99	461,352.44
Other receivables and other assets	859,038.66	1,598,935.66
Deferred tax assets	3,089,929.53	2,297,968.21
	31,978,642.39	24,572,083.23
Current assets		
Inventories	404,820.73	274,956.68
Trade receivables	24,628,316.88	24,807,325.04
Financial assets	4,722,880.88	0.00
Other receivables and other assets	2,784,738.43	2,182,955.28
Cash and cash equivalents	9,858,171.32	11,786,376.11
	42,398,928.24	39,051,613.11
	74,377,570.63	63,623,696.34

	30.09.2006	31.12.2005
Equity and liabilities	EUR	EUR
Equity		
Equity attributable to equity holders of the parent		
Share capital	15,386,742.00	10,257,828.00
Reserves	24,611,321.55	15,641,836.12
Retained earnings	5,505,748.15	5,812,121.08
Own shares	-29,924.62	-29,924.62
	45,473,887.08	31,681,860.58
Minority interest	0.00	425,830.27
	45,473,887.08	32,107,690.85
Non-current liabilities		
Financial liabilities	1,031,682.59	750,000.00
Other liabilities	27,449.07	27,449.07
Provisions for post-employment benefits	3,827,588.64	3,781,674.08
Other provisions	61,000.00	1,464,000.00
Deferred tax liabilities	1,659,415.41	1,360,947.11
	6,607,135.71	7,384,070.26
Current liabilities		
Financial liabilities	2,271,307.05	5,433,834.34
Trade payables	7,081,016.06	7,604,542.86
Other liabilities	10,693,234.19	9,774,733.87
Tax provisions	1,283,409.52	1,205,824.16
Other provisions	967,581.02	113,000.00
	22,296,547.84	24,131,935.23
	74,377,570.63	63,623,696.34

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

	quarterly report 01.07.2006 - 30.09.2006	quarterly report 01.07.2005 - 30.09.2005	9-months report 01.01.2006 - 30.09.2006	9-months report 01.01.2005 - 30.09.2005
	EUR	EUR	EUR	EUR
1. Net sales	20,276,583.44	20,754,829.43	63,181,535.26	54,614,079.01
2. Changes in work in progress	-1,484.70	62,986.45	78,538.22	40,776.18
3. Other own work capitalised	431,219.36	295,913.04	1,235,820.67	842,218.04
4. Other operating income	410,722.97	190,812.66	1,182,036.04	611,967.70
5. Material and cost of purchased services	-14,382,332.44	-13,817,677.01	-44,843,614.40	-38,390,759.45
6. Employee benefit costs	-3,456,382.60	-3,041,387.03	-10,953,516.24	-8,660,206.04
7. Depreciation and amortisation expense	-858,087.23	-761,751.57	-2,509,109.52	-1,705,681.17
8. Other operating expense	-2,766,585.74	-1,996,445.22	-6,110,799.16	-4,823,577.65
9. Operating result	-346,346.94	1,687,280.75	1,260,890.87	2,528,816.62
10. Financial result	72,889.44	-21,880.69	130,838.27	62,547.88
11. Share of profit of associates	-52,940.19	-65,309.83	203,239.52	54,659.50
12. Result before income taxes	-326,397.69	1,600,090.23	1,594,968.66	2,646,024.00
13. Income taxes	-231,570.40	-389,575.60	-210,770.41	-1,032,230.32
14. Result for the period	-557,968.09	1,210,514.63	1,384,198.25	1,613,793.68
Result for the period attributable to:				
Equity holders of the parent	-557,968.09	1,190,466.14	1,384,198.25	1,505,405.30
Minority interest	0.00	20,048.49	0.00	108,388.38
	-557,968.09	1,210,514.63	1,384,198.25	1,613,793.68
Earnings per share			0.10	0.15

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

01.01.2006
- 30.09.2006

01.01.2005
- 30.09.2005

	EUR	EUR
Cash flow from operating activities		
Result before taxes	1,594,968.66	2,646,024.00
Adjustments for:		
+ Depreciation and amortisation	2,509,109.52	1,705,681.17
+/- Financial result	-130,838.27	-62,547.88
- Share of profit of associates	-203,239.52	-33,154.86
+ Losses from the disposal of property, plant and equipment and intangible assets	13,658.91	37,544.61
+/- Changes in provisions for post-employment benefits and other provisions	-527,504.42	288,528.71
+/- Changes in inventories	-85,042.89	-53,254.23
+/- Changes in receivables	2,411,386.26	-6,458,313.54
+/- Changes in payables	-1,425,388.59	-120,326.85
+/- Currency translation differences	7,974.21	13,387.11
	4,165,083.87	-2,036,431.76
+/- interests paid/received	-4,757.93	54,133.84
+ Dividends received	137,840.58	187,115.57
- Taxes on income paid	-1,140,329.94	-368,048.22
Net cash flow from operating activities	3,157,836.58	-2,163,230.57
Net cash flow from investing activities		
- Acquisition of subsidiaries	-8,294,414.29	-5,328,351.21
- Cash outflow for investments in property, plant and equipment and other intangible assets	-1,790,442.32	-1,628,841.63
- Cash outflow for investments in other financial assets	-9,420,543.47	-4,161,865.37
+ Sale of property, plant and equipment and other intangible assets	7,618.60	16,760.23
+ Cash inflow from the disposal of other financial assets and current financial assets	5,155,737.12	4,457,540.81
Net cash flow from investing activities	-14,342,044.36	-6,644,757.17
Cash flow from financing activities		
+ Proceeds from issue of ordinary shares	14,092,860.83	0.00
- Purchase of own shares	0.00	-480,835.25
- Dividends paid	-820,053.52	-606,310.98
+/- Proceeds from borrowing/repayment of financial liabilities	-3,666,439.30	3,764,226.31
Net cash flow from financing activities	9,606,368.01	2,677,080.08
Increase / decrease in cash and cash equivalents	-1,577,839.77	-6,130,907.66
Cash and cash equivalents at beginning of year	11,106,098.47	14,551,208.04
+/- Increase / decrease	-1,577,839.77	-6,130,907.66
Cash and cash equivalents at end of period	9,528,258.70	8,420,300.38

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 - September 30, 2005

Total result for the period

Dividend

Change of own shares

Other movements within minority interest

Balance September 30, 2005

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period October 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

Total result for the period

Increase in share capital

Transaction costs related to issue of share capital

Dividend

Other movements within minority interest

Balance September 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
10,257,828.00	15,738,974.70	-194,566.28	3,506,217.91	-410,267.40	28,898,186.93	959,956.25	29,858,143.18
0.00	0.00	11,004.85	0.00	0.00	11,004.85	0.00	11,004.85
0.00	0.00	28,733.97	0.00	0.00	28,733.97	2,690.95	31,424.92
0.00	0.00	39,738.82	0.00	0.00	39,738.82	2,690.95	42,429.77
0.00	0.00	0.00	1,505,405.30	0.00	1,505,405.30	108,388.38	1,613,793.68
0.00	0.00	39,738.82	1,505,405.30	0.00	1,545,144.12	111,079.33	1,656,223.45
0.00	0.00	0.00	-606,310.98	0.00	-606,310.98	0.00	-606,310.98
0.00	0.00	101,933.00	0.00	78,735.82	180,668.82	0.00	180,668.82
0.00	0.00	397,530.82	0.00	0.00	397,530.82	-459,401.24	-61,870.42
10,257,828.00	15,738,974.70	344,636.36	4,405,312.23	-331,531.58	30,415,219.71	611,634.34	31,026,854.05
0.00	0.00	-7,282.83	0.00	0.00	-7,282.83	0.00	-7,282.83
0.00	0.00	12,289.21	0.00	0.00	12,289.21	916.37	13,205.58
0.00	0.00	5,006.38	0.00	0.00	5,006.38	916.37	5,922.75
0.00	0.00	0.00	1,522,722.68	0.00	1,522,722.68	-6,026.27	1,516,696.41
0.00	0.00	5,006.38	1,522,722.68	0.00	1,527,729.06	-5,109.90	1,522,619.16
0.00	52,682.50	-101,933.00	0.00	301,606.96	252,356.46	0.00	252,356.46
0.00	0.00	-397,530.82	-115,913.83	0.00	-513,444.65	-180,694.17	-694,138.82
10,257,828.00	15,791,657.20	-149,821.08	5,812,121.08	-29,924.62	31,681,860.58	425,830.27	32,107,690.85
0.00	0.00	-22.25	0.00	0.00	-22.25	0.00	-22.25
0.00	0.00	10,560.85	0.00	0.00	10,560.85	0.00	10,560.85
0.00	0.00	10,538.60	0.00	0.00	10,538.60	0.00	10,538.60
0.00	0.00	0.00	1,384,198.25	0.00	1,384,198.25	0.00	1,384,198.25
0.00	0.00	10,538.60	1,384,198.25	0.00	1,394,736.85	0.00	1,394,736.85
5,128,914.00	10,770,719.40				15,899,633.40		15,899,633.40
	-1,811,772.57				-1,811,772.57		-1,811,772.57
			-820,053.52		-820,053.52		-820,053.52
			-870,517.66		-870,517.66	-425,830.27	-1,296,347.93
15,386,742.00	24,750,604.03	-139,282.48	5,505,748.15	-29,924.62	45,473,887.08	0.00	45,473,887.08

Notes on the financial statements as at September 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 September 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 September 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.

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. Once all conditions had been complied with, the shares of SYSTEAM GmbH were transferred to BRAIN FORCE HOLDING AG on September 29, 2006. The company was first consolidated as of September 30, 2006.

In the third quarter of 2006, shares held by minority shareholders in Brain Force Financial Solutions AG, Munich, Germany, i.e., 4.85 percent, were taken over. The transfer of the shares of the remaining shareholders was accomplished at the time of entry into the commercial register on July 17, 2006.

Following that, Brain Force Financial Solutions AG was, by virtue of the amalgamation contract dated August 7, 2006 and the resolution of the general meeting of August 7, 2006, amalgamated with BRAIN FORCE Software GmbH, Unterschleissheim, Germany. Amalgamation became effective by an entry in the commercial register of the acquiring company. This entry was made on August 30, 2006 in the register of BRAIN FORCE Software GmbH.

In June and August 2006, BRAIN FORCE HOLDING AG acquired further shares in KEMP Technologies Inc., New York, USA, thereby increasing its holding to 25 percent of shares of the company as at the reporting date.

VAI B.V., Veenendaal, Netherlands, which was acquired in the financial year 2005, was renamed as BRAIN FORCE B.V. by virtue of an entry in the commercial register on August 23, 2006.

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 ¹⁾	100
BRAIN FORCE S.p.A., Milan, Italy	100
Brain Force Software B.V., Amsterdam, Netherlands	100
BFS Brain Force Software AG, Kloten, Switzerland	100
BRAIN FORCE 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 ¹⁾	100
BRAIN FORCE B.V., Veenendaal, Netherlands	100
SYSTEM GmbH, Langen, Germany	100
SFP Software für FinanzPartner GmbH, Munich, Germany ¹⁾	49
CONSULTING CUBE s.r.l., Milan, Italy ²⁾	25
KEMP Technologies Inc., New York, USA	25

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

²⁾ 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 September 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 units 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 16.9 percent to EUR 74.38 million (31.12.2005: EUR 63.62 million). This growth is mainly due to the increase in capital which took place in the current financial year as well as take-overs.

Non-current assets constitute 43.0 percent of total assets and amount to EUR 31.98 million on September 30, 2006 (31.12.2005: EUR 24.57 million).

Investments in tangible and other intangible assets for the reporting period amounted to EUR 9.59 million. Of this amount, EUR 1.24 million involved development costs (previous year: TEUR 842). The increase in such own work capitalised is due to the development by the companies acquired in mid 2005 in Italy and the Netherlands. These additions also include assets and goodwill acquired on the take-over of SYSTEAM GmbH.

The development costs included in the other intangible assets of EUR 10.19 million (31.12.2005: EUR 8.21 million) amount to EUR 6.29 million (31.12.2005: EUR 6.69 million), constituting 8.5 percent of total assets (31.12.2005: 10.5 percent).

The reported goodwill amounts to EUR 15.10 million (31.12.2005: EUR 10.07 million). The increase of EUR 5.03 million results from the acquisition of SYSTEAM Ingenieurbüro für Datenkommunikation und Informatik GmbH, Langen, Germany. For further details, please see the 'Acquisitions' section.

The financial assets reported using the equity method increased by TEUR 565 to TEUR 969. The rise was mainly due to the acquisition of additional shares in KEMP Technologies Inc., whereby the total shareholding was increased from 10 percent at the beginning of the year to 25 percent as at September 30, 2006. The purchase price for the additional 15 percent amounted to USD 300,000. From the end of Q2 2006 onwards, the share in KEMP Technologies Inc. will be reported as shares in associated companies.

Other financial assets were reduced by TEUR 270 to TEUR 191. The decline is due to the modified posting of the shares in KEMP Technologies Inc..

Miscellaneous non-current receivables of TEUR 859 (31.12.2005: EUR 1.60 million) include for the most part a signed convertible bond of TEUR 709. The reduction reflects interest bearing receivables resulting from a maintenance and development order which are now posted as current assets.

The deferred tax assets as at September 30, 2006 amount to EUR 3.09 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 7, 2006, tax advantages in the form of accumulated deficits of TEUR 920 may be used in the medium term.

Current assets constitute 57.0 percent of total assets, increasing by EUR 3.35 million to EUR 42.40 million.

Trade receivables decreased 0.7 percent as compared to December 31, 2005 to EUR 24.63 million (31.12.2005: EUR 24.81 million). They include trade receivables from the first consolidation of SYSTEAM GmbH amounting to EUR 1.77 million. In the third quarter 2006, gross receivables of EUR 1.38 million were adjusted in light of the insolvency of BenQ Mobile GmbH & Co. OHG, Germany and the currently unsettled allocation of quotas.

Trade receivables include receivables from affiliates totalling TEUR 117 (31.12.2005: TEUR 294).

Financial assets totalling EUR 4.72 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 2.78 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 TEUR 875 as well as deferred charges of other maintenance contracts amounting to TEUR 945.

Cash and cash equivalents amounted to EUR 9.86 million on the effective date (31.12.2005: EUR 11.79 million).

IFRS-based group equity rose to EUR 45.47 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 1, 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 September 30, 2006, the number of own shares held is 7,159, i.e., the equity ratio including minority shares as at September 30, 2006 is 61.1 percent (31.12.2005: 50.5 percent).

As at September 30, 2006, authorised capital amounts to EUR 7,693,371.

By the take-over of 15 percent in Brain Force Software a.s., Prague, as well as by the assignment of 4.85 percent in Brain Force Financial Solutions AG, Munich, which were still outstanding, no minority shareholders participate in the fully consolidated companies as at September 30, 2006. The proportion of equity held by minority shareholders stood at TEUR 426 as at December 31, 2005.

Non-current liabilities fell by TEUR 777 to EUR 6.61 million (31.12.2005: EUR 7.38 million). This decrease is essentially due to 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 September 30, 2006, current liabilities amounted to EUR 22.30 million (31.12.2005: EUR 24.13 million) and were therefore reduced by EUR 1.83 million. This item saw the repayment of current financial liabilities totalling EUR 3.16 million and a reduction in trade payables of TEUR 523. The trade payables include advance payments received totalling TEUR 513 (31.12.2005: TEUR 809).

Other current liabilities amounted to EUR 10.69 million (31.12.2005: EUR 9.77 million), an increase of TEUR 918. This item reflects an increase in deferred maintenance contracts of TEUR 215 to EUR 1.74 million. Liabilities to employees increased by TEUR 662. Liabilities resulting from social security and wage tax withheld as well as sales tax went down by EUR 1.03 million. In addition, other short-term liabilities resulting from the first consolidation of SYSTEAM GmbH saw an increase of EUR 1.44 million.

Other provisions liabilities include the purchase price due for the acquisition of VAI B.V., Netherlands.

Working capital at the September 30, 2006 reporting date was EUR 20.10 million (31.12.2005: EUR 14.92 million). As liquid funds exceed financial liabilities, there is no net indebtedness.

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.-30.09.2006 were EUR 63.18 million (previous year: EUR 54.61 million). Net sales thereby rose by 15.7 percent. Other internal work capitalised amounted to EUR 1.24 million (previous year: TEUR 842).

The cost of materials and services totals EUR 44.84 million (previous year: EUR 38.39 million).

Employee benefit costs for administration and distribution rose by EUR 2.29 million over the figures for the previous year to EUR 10.95 million. This is mainly due to the larger consolidated group resulting from the acquisitions made in the second half of 2005.

Scheduled depreciation and amortisation expenses, including the capitalisation assets as part of the purchase price allocation, amounted to EUR 2.51 million (previous year: EUR 1.71 million); there was no non-scheduled depreciation of goodwill during the period under review.

Other operational expenses rose by EUR 1.29 million to EUR 6.11 million (previous year: EUR 4.82 million). This increase is mainly owed to the adjustment of receivables due from BenQ, which had to be provided for by BRAIN FORCE Software GmbH, Germany.

The financial result was TEUR 131 (previous year: TEUR 63); the proportion of profit for associates amounted to TEUR 203 (previous year: TEUR 55).

The result before income taxes was EUR 1.59 million (previous year: EUR 2.65 million), which means a reduction of EUR 1.06 million. Income taxes amounted to TEUR 211 (previous year: EUR 1.03 million). The reduction in income taxes results from the registration of deferred tax assets, i.e., accumulated deficits of BRAIN FORCE Software GmbH, Germany.

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 consultants and service providers through temporary contracts. Their scope covers all project phases, ranging from initial planning to implementation, testing, integration and operation. The breadth of services offered stretches from consulting to programming, infrastructure, integration, migration, rollout, operation, to support and maintenance.

Business Solutions (BS) provides products and project services to support the optimisation of business processes. The BS division comprises the following competence centres: Outsourcing Solutions, 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)	24,552,939.26	19,260,760.83	19,367,835.17	0.00	63,181,535.26
Segment EBITDA ^{*)}	862,820.52	3,011,845.10	1,882,083.01	-1,986,748.24	3,770,000.39
Segment depreciation and amortisation	24,841.31	1,246,228.32	1,145,183.35	92,856.54	2,509,109.52
Segment operating result	837,979.21	1,765,616.78	736,899.66	-2,079,604.78	1,260,890.87
Financial result					130,838.27
Share in profit of associates		215,797.93	-12,558.41		203,239.52
Result before taxes					1,594,968.66
Income taxes					-210,770.41
Result for the period					1,384,198.25
Segment assets	20,058,072.65	22,887,713.24	21,236,357.99	10,195,426.75	74,377,570.63
Segment liabilities	7,685,558.44	9,026,201.74	8,208,354.96	3,983,568.41	28,903,683.55
Segment capital expenditure	7,810,946.71	727,504.47	960,624.32	87,882.77	9,586,958.27

*) Earnings before Interests, Taxes, Depreciation and Amortisation

Geographical segments as at September 30, 2006:

	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	7,677,541.04	10,315,014.02	95,873.17
Germany	29,004,736.57	35,645,517.47	8,702,809.41
Italy	19,183,542.99	17,822,743.45	423,206.60
Netherlands	6,641,900.41	9,571,516.90	362,022.56
Other regions	673,814.25	1,022,778.79	3,046.53

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 1.59 million (previous year: EUR 2.65 million), the net cash and cash equivalents from operating activities show a cash inflow of EUR 3.16 million (previous year: cash outflow of EUR 2.16 million). This is a clear improvement in the operating cash flow of EUR 5.32 million. Depreciation increased, compared with the previous year, by TEUR 803 to EUR 2.51 million. Furthermore, the improvement is due to a reduction in receivables by EUR 2.41 million. The changes in other reserves, accrued liabilities and other liabilities show a cash outflow of EUR 1.95 million. Paid income taxes amount to EUR 1.14 million (previous year: TEUR 368).

The cash outflow resulting from investing activities was EUR 14.34 million (previous year: EUR 6.64 million). The sum of EUR 8.29 million in liquid funds was spent on the subsidiaries acquired (previous year: EUR 5.33 million). This sum includes the acquisition of minority shares in Brain Force Financial Solutions AG, Germany, and Brain Force Software a.s., Czech Republic, as well as the acquisition of the 100 percent share in SYSTEAM GmbH, Germany. The acquisition of tangible and other intangible assets accounted for expenditure of EUR 1.79 million (previous year: EUR 1.63 million). The cash outflow for the acquisition of other financial assets and investments amounted to EUR 9.42 million (previous year: EUR 4.16 million). This includes cash outflows of EUR 8.86 million for the acquisition of short-term securities as well as TEUR 234 for the acquisition of 15 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. The escrow holder shall pay the sum to the sellers of SYSTEAM GmbH once the conditions stated in the contract have been fulfilled. Money order for EUR 7.64 million was made on September 29, 2006 by the notary public. The other TEUR 329 remain on escrow accounts of the notary public and will be paid out in accordance with a joint written instruction issued by the seller and the purchaser.

Cash outflow of EUR 7.64 million will be recorded in the cash flow statement under the item 'Acquisition of subsidiaries' and the cash outflow of TEUR 329 will be posted under 'Acquisition of other financial assets and investments'. These are conditionally available funds.

The sale of other financial assets and investments generated a cash inflow of EUR 5.16 million (previous year: cash inflow of EUR 4.46 million).

Net cash inflow shown for financing activities totalled EUR 9.61 million (previous year: cash inflow of EUR 2.68 million). The issue of shares yielded EUR 14.09 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 3.67 million were repaid (previous year: cash inflow of EUR 3.76 million).

As of the September 30, 2006 reporting date, the BRAIN FORCE group has cash, cash equivalents and current financial assets amounting to EUR 14.58 million (31.12.2005: EUR 11.79 million) at its disposal. Of this amount, TEUR 329 (31.12.2005: TEUR 680) are conditionally available funds.

Acquisitions

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, Langen, Germany. 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.

Under the terms of this contract, the shares will be transferred subject to deferring conditions. Once all conditions were met, the shares of SYSTEAM GmbH were transferred to BRAIN FORCE HOLDING AG on September 29, 2006. In the framework of the first consolidation as at September 30, 2006, the regulation pursuant to IFRS 3, i.e., a provisional initial balance, was applied. In this context, the initial accounting for the business combination was determined provisionally at the end of the reporting period in which the merger took place as the present value of assets, liabilities or eventual liabilities that can be identified could only be determined on a provisional basis.

The purchase price including acquisition costs is EUR 7.85 million. Assets with a present value of EUR 5.90 million were acquired; these include non-current assets of EUR 2.78 million. Cash and cash equivalents which were acquired total TEUR 824, while liabilities account for EUR 3.09 million; EUR 1.20 million of which being non-current liabilities. The acquired goodwill is EUR 5.03 million.

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.

There were 866 salaried employees at the reporting date (30.09.2005: 798); orders amounted to EUR 26.60 million (30.09.2005: EUR 23.22 million).

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

Important dates

Date	Event
27.03.2007	Annual report 2006 Balance press conference
09.05.2007	Annual shareholders' meeting

Imprint

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IZD Tower
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A-1220 Vienna

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Carl-von-Linde-Strasse 38
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www.brainforce.com

Concept/Design:

Paul Lauer

Editors:

Martin Kögel, Florian Kränzle

Layout/Lithography:

Uwe Köhler

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

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

www.brainforce.com