



Quarterly report **Q3/2005**

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BRAIN FORCE-Group

► Key figures per segment at 30.09.2005	Enterprise Services	Business Solutions	Technology and Infrastructure	unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	24,143,418.93	15,814,209.85	14,656,450.23	0.00	54,614,079.01
Segment operating result	1,321,199.44	1,012,185.01	1,560,068.67	-1,364,636.50	2,528,816.62
Financial result					62,547.88
Share of profit of associates		54,659.50			54,659.50
Result before taxes					2,646,024.00
Income taxes					-1,032,230.32
Result for the period					1,613,793.68
Segment assets	8,708,176.98	25,673,687.88	21,840,968.87	6,950,939.28	63,173,773.01
Segment liabilities	5,358,873.70	13,695,037.38	9,008,179.33	4,084,828.55	32,146,918.96
Segment capital expenditure	46,141.54	3,170,031.12	8,738,518.56	110,119.86	12,064,811.47
Segment depreciation and amortisation	29,475.34	902,354.29	682,636.83	91,214.71	1,705,681.17

Earnings per share EUR 0,15

► Geographical Segments at 30.09.2005	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	9,372,060.80	9,479,128.07	318,918.45
Germany	27,675,289.04	24,042,261.06	1,058,353.79
Italy	15,340,759.73	17,917,141.62	2,442,793.33
Other regions	2,225,969.44	11,738,242.26	8,244,745.90

Foreword by the Chief Executive Officer



The third quarter of 2005 has been the most successful 3-month period in the corporate history of BRAIN FORCE, a result with which we are extremely proud. Net sales in the third quarter of 2005 increased again to EUR 20.75 million, exceeding the second-quarter record. Likewise, the EBITDA of EUR 2.45 million and EBIT of EUR 1.69 million were at record levels.

This year's acquisitions sees the conclusion of the buy phase in the buy-and-build strategy. In the ensuing build phase we will be focusing our attention on integrating the company's operational divisions and exploiting the synergies embodied in our broad range of products. This also includes entering other national European markets with our new solutions: BRAIN FORCE Migration out of the Box, BRAIN FORCE Packaging Factory and BRAIN FORCE Net Organizer.

A handwritten signature in blue ink that reads "Helmut Fleischmann". The signature is written in a cursive, flowing style.

Helmut Fleischmann
Chief Executive Officer



100% shareholding
in VAI BV

► **Prevailing economic conditions**

The predominant influence upon the global economy remains the unabated rise in energy costs. Despite the ensuing risk of inflation and the threat of rising interest rates, global economic activity has remained buoyant and still constitutes the major driving force for the modest growth witnessed in the euro-zone.

In their "Euro-zone economic outlook" published on the 13th October, experts at the Munich-based Ifo Institute surmise that the likelihood of growth in industrial production with respect to the preceding quarters has definitely increased. There were significant increases in this indicator in Italy and Germany in the second quarter, standing at 7 percent and 5 percent respectively. The study forecast slightly higher industrial production, with growth of 0.4 percent anticipated for the third quarter and 0.3 percent for the fourth quarter of 2005.

Euro-zone GDP rose by 0.3 percent in the second quarter and as with industrial production, experts reckon with a growth rate of 0.4 percent and 0.3% for the third and fourth quarters respectively in 2005. Private consumption in the euro-zone remains below industrial production and GDP growth rates.

► **Integration and Expansion**

Integration and expansion have been at the heart of BRAIN FORCE management activities since the final acquisitions were completed.

As at 1st August 2005 BRAIN FORCE HOLDING AG held 98.19 percent of VAI BV shares. Finally, on 30th September the remaining shares in VAI B.V., Netherlands, previously held by an employee foundation, were transferred to BRAIN FORCE HOLDING AG, which now has a 100 percent stake in the company.

This signals the start of an international marketing effort for VAI solutions. With BRAIN FORCE Migration out of the Box and BRAIN FORCE Packaging Factory, as well as the related service projects, we aim to boost VAI's 2004 net sales of EUR 8.2 million significantly.

An action plan was developed and is currently being implemented to achieve these ambitious goals. Employees are enjoying the benefits of new training programs at the long-established BRAIN FORCE companies in Germany, Austria and Italy, while sales staff have recently been recruited solely for the purpose of launching the VAI solutions onto the market.

From 8th-10th November these solutions were presented publicly for the first time by the BRAIN FORCE group in Germany at the company's exponet stand in Cologne.

High degree of product
standardisation

The BRAIN FORCE Net Organizer was also successfully launched at the same trade fair. BRAIN FORCE Net Organizer assists companies in maintaining, documenting and planning their IT and telco networks.

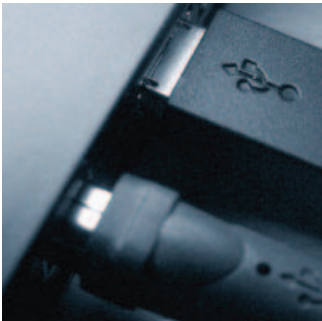
All three products feature a high degree of standardisation, so are imminently suitable for indirect distribution through a partnership network. The third quarter saw agreement on a program to establish two distinct distribution networks, one for eastern and central Europe, and the other for Great Britain, northern Europe and the USA. A Channel Manager shall assume responsibility for sales in each of the two regions. The distribution network command centres are to be established in Vienna and London respectively.

By establishing indirect distribution channels to access new markets, not only will the BRAIN FORCE group see an increase in licensing earnings, but the group's profit margins will also be improved.

Integration of Indis S.p.A., Italy is also well advanced following the acquisition of shares at the end of June. Preparations to consolidate both sites in Milan are virtually complete. This will see the merger of both Italian companies on 1st January 2006 and produce numerous cost-related synergy benefits in the coming year. Of particular note is the fact that the merger of Indis and BRAIN FORCE in Italy has already generated several new customers for Microsoft's Axapta ERP system. It was the market opportunities in this segment that constituted a major reason for the decision to invest in the acquisition of Indis S.p.A. in the first place.

The final step to the 100 percent integration of BRAIN FORCE Financial Solutions AG was paved by way of several optional public exchange offers, the aim of which was to achieve the current shareholding of 95.15 percent. It is now possible under German commercial law to effect a so-called "squeeze out". To these ends BRAIN FORCE HOLDING AG has already lodged an application with the executive board of BRAIN FORCE Financial Solutions AG for an extraordinary general meeting of BRAIN FORCE Financial Solutions AG to vote on the resolution with respect to the "squeeze out".

Once the resolution has been passed at the general meeting and has been entered in the commercial register, nothing more stands in the way of the German merger of the companies. However, this registration process can be delayed if objections are lodged by individual shareholders against resolutions brought before the general meeting. The taxation losses carried forward by BRAIN FORCE Financial Solutions AG, amounting to approximately EUR 60 million, can be offset against the profits of BRAIN FORCE SOFTWARE GmbH thanks to the merger,





Record quarterly
figures

reducing the taxation rate in Germany significantly.

On the 30th September 2005 initial steps were taken to enter the U.S. market at the end of the third quarter. BRAIN FORCE HOLDING AG acquired a 10 percent shareholding in KEMP Technologies Inc, New York within the scope of an increase in its cash capital. The participation agreement makes provision for further increases in the cash capital in three stages up to a shareholding of 30 percent at the end of the next three quarters. The capital increases and the resulting shareholding are both coupled to the achievement of the sales and earnings targets.

As a countermove, KEMP Technologies Inc. is acquiring all rights to the BRAIN FORCE HOLDING AG product "Load Balancer B-100". The B-100 already constitutes the core element of KEMP's "LoadMaster" product. With the proceeds of the increase in capital, KEMP will immediately be in a position to market its "LoadMaster" in the United States with the required intensity.

► Sales and revenue

The third quarter of 2005 has been the most successful quarter in the history of BRAIN FORCE. Net sales in the third quarter of 2005 increased by EUR 3.3 million or 19.1 percent to a record EUR 20.75 million, exceeding the second-quarter record (EUR 17.42 million). Over the first 9 months of 2005 the group achieved net sales of EUR 54.61 million, thereby exceeding the comparable figure for the previous year (EUR 47.97 million) by 13.8 percent.

The third quarter EUR 2.45 million EBITDA was EUR 1.55 million or 171.5 percent higher than the figure from the second quarter. For the first nine months of 2005, EBITDA amounts to EUR 4.23 million (Previous year EUR 2.99 million). This equates to an increase of 41.5 percent. The EBITDA margin for the nine-month period has reached 7.8 percent, after being at 5.3 percent for the first six months.

EBIT also reached record levels in the third quarter, peaking at EUR 1.69 million (Second quarter: TEUR 430). For the first nine months of 2005 EBIT amounts to EUR 2.53 million (Previous year EUR 1.74 million). This equates to an increase of TEUR 793 or 45.7 percent. The EBIT margin was 4.6 percent.

Profit after minority interests for the 9-month period was EUR 1.51 million (Previous year TEUR 688). This equates to an increase of TEUR 817 or 118.8 percent. Earnings per share were EUR 0.15 (Previous year EUR 0.09).

The group's mainstay:
Enterprise Services

► **Development in primary segments**

The 2005 results for the newly created segments are described below.

In the first 9 months of 2005, **Enterprise Services (ES)** achieved net sales of EUR 24.14 million and a segment EBIT of EUR 1.32 million. The segment generated 44.2 percent of BRAIN FORCE group net sales, the highest contribution by any segment. As of 30th September, the EBIT margin was 5.5 percent.

Our international subsidiaries in Germany contributed EUR 17.21 million to ES segment net sales; the Austrian companies generated net sales of EUR 6.94 million.

The Enterprise Services division remains the core business within the BRAIN FORCE group. Modest growth rates are always possible. We were particularly pleased in the 3rd quarter to acquire two new customers from the banking sector in Austria and to sign commercial and legal skeleton agreements with AGIS Allianz Dresdner Informationssysteme GmbH, ensuring that BRAIN FORCE is once again their strategic IT partner in 2006.

Business Solutions (BS) recorded net sales of EUR 15.81 million in the first 9 months of 2005 and a segment EBIT of EUR 1.10 million. The EBIT margin was 6.4 percent and the share of net group sales 29.0 percent.

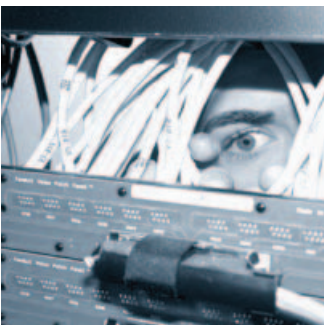
The German international subsidiaries contributed EUR 7.25 million to net sales for the segment. The second best-performing country for this segment was Italy, where net sales totalled EUR 6.77 million. Austria accounted for net sales of EUR 1.45 million in this segment, with the other countries contributing TEUR 336.

A major success in the third quarter was the sale of BRAIN FORCE Web CRM Systems to a major Italian business newspaper.

In the first nine months of the current year, **Technology and Infrastructure (TI)** had a 26.8 percent share of net group sales. The segment achieved net sales of EUR 14.66 million and a segment EBIT of EUR 1.56 million. The EBIT margin improved on the six-monthly figures significantly (2.5 percent) and is at 10.6 percent after the first nine months.

In this segment, the Italian subsidiary recorded net sales of EUR 8.57 million. The international subsidiaries in Germany contributed EUR 3.22 million, The Netherlands initial contribution was EUR 1.35 million, Austria TEUR 985 and the other companies accounted for TEUR 542 of segment net sales.

The increase in the EBIT margin with respect to the six-month period is attributable to seven-



Software licences
supplied to the
City of Munich

ral factors. The major contributing factor was the above-mentioned sale of the B-100 Load Balancer rights to KEMP Technologies Inc for approximately TEUR 750. The other was the provision of software licenses to the City of Munich, the Bavarian capital, in September, constituting the major proportion of those due as part of an ongoing project. VAI also contributed to the segment result, with a higher EBIT margin than in the first six months.

Group costs not assigned to the segments (overheads) amounted to EUR 1.36 million as of 30th September 2005.

▶ **Order situation**

As of 30th September 2005, orders on hand amounted to EUR 23.22 million, an increase of 62.5 percent compared to 30th September 2004. The orders on hand include the figures for both acquisitions, Indis and VAI. The increase in current orders adjusted for these values (organic increase) is still at 53.3 percent on the basis of values as at 30th September 2004.

Enterprise Services (ES) had orders on hand to the value of EUR 10.04 million.

Orders on hand for Business Solutions (BS) amounted to EUR 10.70 million at the reporting date.

The Technology and Infrastructure division has orders on hand amounting to EUR 2.49 million.

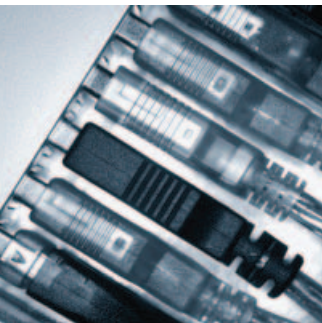
▶ **Research and product development**

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

In the first 9 months of the year, the development priorities of the BS division were as follows:

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

In the first nine months the TI division was primarily concerned with the ongoing development of the BRAIN FORCE Net Organizer (in earlier reports the name of the project was given



Staff numbers
up by 28 percent

as CaMs). As mentioned above, the product was presented publicly for the first time in November. The response to the product has been outstanding, with an initial pilot customer on the books and sales to commence in January 2006.

▶ **Human Resources**

As of the reporting date 30th September 2005, staffing levels stood at 798 salaried employees, 28.3 percent above the comparable figure for the end of 2004 (622) and 31.0 percent above the level for 30th September 2004 (609). These figures include 50 Indis and 70 VAI employees. Without the inclusion of these employees, the increase in staff levels is 9.0 percent compared to the end of 2004 and 11.3 percent higher than 30th September 2004.

Staffing levels by business area are as follows:

Enterprise Services:	247
Business Solutions:	274
Technology and Infrastructure:	267
Group functions:	10

On average, 688 staff were employed during the first nine months.

▶ **Anticipated developments**

The record figures for the third quarter are a clear indication of the operational capabilities of the BRAIN FORCE group. As at 30th September the key EBITDA and EBIT parameters used to measure the operational profitability had already surpassed the end of year figures for 2004. Consequently, we anticipate an increase of EUR 0.25 in earnings per share in 2005. Although the EBIT will come under pressure from the increased depreciation of immaterial assets from the purchase price allocation, the 100 percent integration of BRAIN FORCE Financial Solutions AG will have a significantly more beneficial impact on taxation.

The board plans to propose a dividend of EUR 0.08 for the 2005 fiscal year at the annual general meeting.

In 2006 we anticipate net sales of EUR 90 million, with an EBITDA margin of 10 percent or EUR 9 million. We anticipate an EBIT margin of 5 percent or EUR 4.5 million and an earnings per share of EUR 0.30.



Consolidated interim financial statements and notes as at 30th September 2005

► BRAIN FORCE-Group

Consolidated balance sheet at September 30, 2005

	30.09.2005	31.12.2004
Assets	EUR	EUR
Non-current assets		
Property, plant and equipment	1,516,853.77	969,684.00
Goodwill	10,287,265.72	4,706,826.78
Other intangible assets	8,341,894.65	4,160,161.38
Investments in associates	402,762.68	535,221.85
Other financial assets	467,572.42	187,180.22
Other receivables and other assets	1,829,834.25	169,396.72
Deferred tax assets	994,364.33	799,886.96
	23,840,547.82	11,528,357.91
Current assets		
Inventories	348,889.21	295,634.98
Trade receivables	24,659,535.90	17,458,047.06
Financial assets	3,445,990.68	3,941,418.00
Other receivables and other assets	2,458,509.02	699,313.18
Cash and cash equivalents	8,420,300.38	14,551,208.04
	39,333,225.19	36,945,621.26
	63,173,773.01	48,473,979.17

	30.09.2005	31.12.2004
Equity and liabilities	EUR	EUR
Equity		
Equity attributable to equity holders of the parent		
Share capital	10,257,828.00	10,257,828.00
Reserves	16,083,611.06	15,544,408.42
Retained earnings	4,405,312.23	3,506,217.91
Own shares	-331,531.58	-410,267.40
Minority interest	611,634.34	959,956.25
	31,026,854.05	29,858,143.18
Non-current liabilities		
Financial liabilities	1,605,201.41	0.00
Other liabilities	13,724.52	16,558.00
Provisions for post employment benefits	3,725,358.40	2,163,242.00
Deferred tax liabilities	1,150,659.03	456,355.69
	6,494,943.36	2,636,155.69
Current liabilities		
Financial liabilities	6,465,581.68	2,486,734.49
Trade payables	6,992,755.09	5,527,841.90
Other liabilities	10,767,510.36	7,452,360.60
Tax provisions	1,413,159.93	480,035.08
Other provisions	12,968.54	32,708.23
	25,651,975.60	15,979,680.30
	63,173,773.01	48,473,979.17

► **BRAIN FORCE-Group**
Consolidated income
statement 01.01.-30.09.2005

	Quarterly report 01.07.2005 – 30.09.2005	Quarterly report 01.07.2004 – 30.09.2004	9-Months report 01.01.2005 – 30.09.2005	9-Months report 01.01.2004 – 30.09.2004
	EUR	EUR	EUR	EUR
1. Net sales	20,754,829.43	16,172,033.40	54,614,079.01	47,974,412.55
2. Changes in work in progress	62,986.45	7,671.51	40,776.18	6,978.38
3. Other own work capitalised	295,913.04	394,209.00	842,218.04	1,379,921.00
4. Other operating income	190,812.66	115,457.92	611,967.70	709,020.98
5. Material and production costs	-13,817,677.01	-11,465,436.86	-38,390,759.45	-34,857,956.63
6. Employee benefits costs	-3,041,387.03	-2,605,086.24	-8,660,206.04	-7,761,179.17
7. Depreciation and amortisation expense	-761,751.57	-458,217.49	-1,705,681.17	-1,256,746.66
8. Other operating expenses	-1,996,445.22	-1,450,939.52	-4,823,577.65	-4,458,916.60
9. Operating result	1,687,280.75	709,691.72	2,528,816.62	1,735,533.85
10. Financial result	-21,880.69	12,230.17	62,547.88	1,390.38
11. Share of profit of associates	-65,309.83	34,075.63	54,659.50	246,920.94
12. Result before income taxes	1,600,090.23	755,997.52	2,646,024.00	1,983,845.17
13. Income taxes	-389,575.60	-313,559.56	-1,032,230.32	-1,124,253.20
14. Result for the period	1,210,514.63	442,437.96	1,613,793.68	859,591.97
Result for the period attributable to:				
Equity holders of the parent	1,190,466.14	350,833.82	1,505,405.30	688,000.26
Minority interest	20,048.49	91,604.14	108,388.38	171,591.71
	1,210,514.63	442,437.96	1,613,793.68	859,591.97

Earnings per share EUR 0,15

► Consolidated cash flow statement 01.01. - 30.09.2005

	01.01.2005 - 30.09.2005	01.01.2004 - 30.09.2004
	EUR	EUR
Cash flow from operating activities		
Result before taxes	2,646,024.00	1,983,845.17
Adjustments for		
+ Depreciation	1,705,681.17	1,256,746.66
- Financial result	-62,547.88	-85,696.85
- Share of profit of associates	-33,154.86	-246,920.94
+ Loss on disposal of property, plant and equipment and other intangible assets	37,544.61	36,238.47
+/- Changes in provisions for post-employment benefits and other provisions	288,528.71	-204,852.60
+/- Changes in inventories	-53,254.23	-201,430.78
+/- Changes in receivables	-6,458,313.54	-3,191,013.39
+/- Changes in payables	-120,326.85	1,216,591.73
+/- Currency translation differences	13,387.11	-11,371.57
	-2,036,431.76	552,135.90
+/- Interest paid/received	54,133.84	-84,306.47
+ Dividend	187,115.57	243,273.54
- Taxes on income paid	-368,048.22	-125,538.82
Net cash flow from operating activities	-2,163,230.57	585,564.15
Cash flow from investing activities		
- Acquisition of subsidiaries	-5,328,351.21	-99,964.50
+ Sale of share in subsidiaries	0.00	129,603.24
- Cash outflow for investments in property, plant and equipment and other intangible assets	-1,628,841.63	-1,697,374.82
+/- Changes in investments and financial assets	295,675.44	-6,958,866.56
+ Cash inflow from the disposal of property, plant and equipment and other intangible assets	16,760.23	8,246.20
Net cash flow from investing activities	-6,644,757.17	-8,618,356.44
Cash flow from financing activities		
+ Proceeds from issue of ordinary shares	0.00	15,490,148.32
+/- Cash inflow / outflow from financial liabilities	3,764,226.31	481,650.48
- Paid dividend	-606,310.98	0.00
- Purchase of own shares	-480,835.25	-410,267.40
Net cash flow from financing activities	2,677,080.08	15,561,531.40
Increase / Decrease in cash and cash equivalents	-6,130,907.66	7,528,739.11
Cash and cash equivalents at beginning of year	14,551,208.04	4,345,280.20
+/- Increase / decrease	-6,130,907.66	7,528,739.11
Cash and cash equivalents at end of period	8,420,300.38	11,874,019.31

► **Consolidated statement of changes in equity**

Balance January 1, 2004

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period January 1 - September 30, 2004

Total result for the period

Issue of share capital in kind

Transaction costs related to issue of share capital

Changes in own shares

Other movements within minority interest

Balance September 30, 2004

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period October 1 - December 31, 2004

Total result for the period

Transaction costs related to issue of share capital

Other movements within minority interest

Balance December 31, 2004

Fair value adjustments of securities

Currency translation differences

Net income recognised directly in equity

Result for the period

Total result for the period

Dividend paid

Changes in own shares

Other movements within minority interest

Balance September 30, 2005

Attributable to equity holders of the parent						Minority Interest	Total Equity
Share capital	Share premium	Other reserves	Retained earnings	Own Shares	Total		Total
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
4,834,789.00	5,673,438.51	-226,452.87	1,731,178.51	0.00	12,012,953.15	687,292.30	12,700,245.45
0.00	0.00	373,031.78	0.00	0.00	373,031.78	0.00	373,031.78
0.00	0.00	16,047.79	0.00	0.00	16,047.79	2,221.39	18,269.18
0.00	0.00	389,079.57	0.00	0.00	389,079.57	2,221.39	391,300.96
0.00	0.00	0.00	688,000.26	0.00	688,000.26	171,591.71	859,591.97
0.00	0.00	389,079.57	688,000.26	0.00	1,077,079.83	173,813.10	1,250,892.93
5,423,039.00	10,846,078.00	0.00	0.00	0.00	16,269,117.00	0.00	16,269,117.00
0.00	-781,583.94	0.00	0.00	0.00	-781,583.94	0.00	-781,583.94
0.00	0.00	0.00	0.00	-410,267.40	-410,267.40	0.00	-410,267.40
0.00	0.00	0.00	0.00	0.00	0.00	14,319.84	14,319.84
10,257,828.00	15,737,932.57	162,626.70	2,419,178.77	-410,267.40	28,167,298.64	875,425.24	29,042,723.88
0.00	0.00	-370,029.79	0.00	0.00	-370,029.79	0.00	-370,029.79
0.00	0.00	12,836.81	0.00	0.00	12,836.81	-5,775.28	7,061.53
0.00	0.00	-357,192.98	0.00	0.00	-357,192.98	-5,775.28	-362,968.26
0.00	0.00	0.00	1,087,039.14	0.00	1,087,039.14	79,525.07	1,166,564.21
0.00	0.00	-357,192.98	1,087,039.14	0.00	729,846.16	73,749.79	803,595.95
0.00	1,042.13	0.00	0.00	0.00	1,042.13	0.00	1,042.13
0.00	0.00	0.00	0.00	0.00	0.00	10,781.22	10,781.22
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

Notes regarding the consolidated interim financial statements for 30th September 2005

► **The company**

BRAIN FORCE HOLDING AG, Vienna, is an international company involved in both non-sector-dependent services and solutions in the field of technical infrastructure as well as sector-specific solutions for financial services companies. The main offices of the parent company are at Wagramer Strasse 19, 1220 Vienna, Austria.

► **Accounting principles, general notes**

These consolidated interim financial statements for BRAIN FORCE HOLDING AG as at 30th September 2005 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB).

All subsidiaries, i.e. those companies in which the group has a direct or indirect participation with over half the voting rights or is otherwise enabled to assume control of the operation, have been consolidated. The interim accounts as of 30th September 2005 incorporated in 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 development of equity capital corresponds to that used in the annual accounts as of 31st December 2004.

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

► **Consolidated group**

Brain Force Datenverarbeitungs GmbH, Vienna, changed its name to BRAIN FORCE SOFTWARE GmbH with the entry in the company register dated 19th May 2005. Brain Force Datenverarbeitungs AG, based in Unterschleissheim, Germany, was transformed into a limited liability company ("GmbH"). The company name was then changed to BRAIN FORCE Hamburg GmbH when it was entered in the commercial register on 26th September 2005.

Under the purchase agreement of 27th June 2005, BRAIN FORCE HOLDING AG acquired a 100 percent shareholding in Indis S.p.A. of Milan, Italy. The transfer of control and initial consolidation of the assets and liabilities of the acquired company took place on the day on which the shareholding was acquired. For reasons of immateriality, current results between the date of acquisition and the key date 30th June 2005 were not incorporated. The results were consolidated as of 1st July 2005.

On 27th June 2005 BRAIN FORCE HOLDING AG concluded an option for the acquisition of a 100 percent shareholding in VAI B.V., Veenendaal, The Netherlands. On 1st August 2005 the option was exercised and 98.19 percent of VAI BV was acquired. The remaining 1.81 percent was acquired during the same reporting period.

Consequently, BRAIN FORCE HOLDING AG holds a 100 percent stake in VAI B.V., The Netherlands. Initial consolidation of the assets and liabilities was effected on 1st August 2005. The EUR 1,500,000.00 increase in capital resolved at the extraordinary general meeting of BRAIN FORCE Financial Solutions AG, Munich, Germany held on 7th March 2005 was undertaken between 7th July and 20th July 2005. By exercising the subscription rights the shareholding was increased from 76.13 percent to 87.32 percent.

The shareholding was further increased by 3.07 percent to 90.39 percent through an exchange offer made between 23rd August and 19th September 2005. The exchange offer was made to all BRAIN FORCE Financial Solutions AG shareholders who acquired new shares not listed on the stock market as part of the EUR 1,500,000 increase in capital for the issue price of EUR 1.00 per share. The offer was made to exchange one new share in BRAIN FORCE Financial Solutions AG for one share in BRAIN FORCE HOLDING AG plus an additional cash payment of EUR 0.50 per share.

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

Company	share by %
BRAIN FORCE SOFTWARE GmbH, Vienna, Austria	100
BRAIN FORCE SOFTWARE GmbH, Unterschleißheim, Munich, Germany	100
BRAIN FORCE Hamburg GmbH, Unterschleißheim, Munich, Germany	100
BRAIN FORCE SOFTWARE S.p.A., Milan, Italy	100
Brain Force Software B.V., Amsterdam, Netherlands	100
BFS Brain Force Software AG, Zurich, Switzerland	100
Brain Force Financial Solutions AG, Munich, Germany	90.39
Brain Force Software Ltd., Cambridge, United Kingdom	100
Brain Force Software a.s., Prague, Czech Republic	85
SBT s.r.o., Bratislava, Slovakia ¹⁾	100
NSE Capital Venture GmbH, Munich, Germany ²⁾	100
SFP Software für FinanzPartner GmbH, Munich, Germany ²⁾	49
CONSULTING CUBE s.r.l., Milan, Italy ³⁾	25
Indis S.p.A., Milan, Italy	100
VAI B.V., Veenendaal, Netherlands	100

¹⁾ The share is held by Brain Force Software a.s.

²⁾ The share is held by Brain Force Financial Solutions AG.

³⁾ The share is held by Brain Force Software S.p.A.

A total of 14 companies (31.12.2004: 12) are fully consolidated and two associates (31.12.2004: 1) at equity are incorporated in the interim consolidated financial statements as of 30th September 2005.

▶ **Methods of consolidation**

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

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

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

▶ **Net worth and financial position**

Compared to the 31st December 2004 reporting date, the balance sheet total increased by 33.3 percent to EUR 63.17 million (31.12.2004: EUR 48.47 million). The increase was mainly the result of the corporate acquisitions that took place during the last fiscal year and the associated expansion of the consolidated group.

Non-current assets rose to EUR 23.84 million (31.12.2004: EUR 11.53 million), equivalent to 37.7 percent of total assets.

Goodwill reported was up by EUR 5.58 million to EUR 10.29 million (31.12.2004: EUR 4.71 million.).

Aside from software and development costs, other intangible assets of EUR 8.34 million (31.12.2004: EUR 4.16 million) also include the capitalised intangible assets of both the acquired companies as part of the purchase price allocation in accordance with IFRS 3. In particular, these encompass product development costs, orders on hand and customer relationships.

Development costs amounted proportionally to 10.5 percent of total assets (31.12.2004: 8.0 percent).

Miscellaneous financial assets increased by TEUR 281 to TEUR 468. This includes the acquisition of the shareholding in KEMP Technologies Inc, New York, amounting to 10 percent.

Miscellaneous long-term receivables increased to EUR 1.83 million (31.12.2004: TEUR 169). These include a USD 900,000 convertible bond issue to KEMP Technologies Inc. and the long-term share of a TEUR 875 debt owed by BHW Lebensversicherung AG in conjunction with the further development and maintenance of the inventory system at BHW Leben.

The short-term assets amount to 62.3 percent of total assets and EUR 39.33 million on the reporting date (31.12.2004: EUR 36.94 million).

The trade receivables item displayed a 41.3 percent increase to EUR 24.66 million (31.12.2004: EUR 17.46 million). The increase is attributable on the one hand to the rise in sales earnings, and on the other to the negative impact of extended payment periods negotiated with individual key accounts involving the average period of outstanding accounts. Debts transferred during the course of the corporate acquisition also play a part. This item includes accounts receivable from affiliated companies totalling TEUR 109 (31.12.2004: TEUR 71).

The financial assets item amounting to EUR 3.45 million (31.12.2004: EUR 3.94 million) encompasses short-term investments in securities held for trading purposes, incorporating any exchange rate fluctuations during the current period.

The EUR 1.76 million rise in miscellaneous receivables is largely attributable to the short-term share of the claim against BHW Lebensversicherung AG described above, amounting to EUR 1.17 million.

As of the reporting date, cash and cash equivalents amounted to EUR 8.42 million. (31.12.2004: EUR 14.55 million).

IFRS group equity rose to EUR 31.03 million (31.12.2004: EUR 29.86 million). As resolved at the annual general meeting held on 10th June 2005, a dividend of EUR 0.06 per share was paid to the shareholders of BRAIN FORCE HOLDING AG, amounting to a distribution of TEUR 606.

On the 30th September 2005 reporting date the company held 79,304 of its own shares. During the 2005 fiscal year 138,889 shares were utilised at an historical cost of EUR 373,472.40 in partial settlement of the purchase price of the holding in Indis S.p.A. At the time of the hand-over of shares, 'fair value' amounted to EUR 481,944.83. As part of the first public BRAIN FORCE HOLDING AG exchange offer, 49,602 company shares were issued to BRAIN FORCE Financial Solutions AG shareholders. During the reporting period, 115,150 shares were acquired as part of the share buy-back at an historical cost of TEUR 481.

As of the reporting date, the equity ratio was 49.1 percent (31.12.2004: 61.6 percent). Authorised capital was EUR 5,128,914.00 as of the reporting date of 30th September 2005.

As of 30th September 2005, the proportion of equity held by minority shareholders amounted to TEUR 612 (31.12.2004: TEUR 960). The decrease is a result of the purchase of additional shares in BRAIN FORCE Financial Solutions AG.

At EUR 6.49 million (31.12.2004: EUR 2.64 million) long-term liabilities show a EUR 3.85 million increase. EUR 1.61 million comprises long-term financial liabilities. This encompasses the TEUR 750 long-term share of client relationship finance in conjunction with the acquired further development and maintenance of the BHW Leben inventory system by BRAIN FORCE Hamburg GmbH. The remaining TEUR 855 are financial liabilities of VAI BV. The longterm staff obligations rose by EUR 1.57 million. The takeover of Indis S.p.A., Milan boosted the figure by EUR 1.27 million, with the increase in dispatch obligations for BRAIN FORCE SOFTWARE S.p.A., Milan, and the two Austrian companies adding TEUR 300.

The longterm deferred taxes rose by TEUR 695, primarily attributable to the deferred taxes being earmarked as part of the purchase price allocation assets.

Short-term liabilities amounted to EUR 25.65 million as at 30th September 2005 (31.12.2004: EUR 15.98 million), increasing by EUR 9.67 million. This item reflects a EUR 4.01 million increase in short-term financial liabilities to EUR 6.47 million (31.12.2004: EUR 2.49 million). EUR 2.25 million of this figure are attributable to short-term financing debt for BRAIN FORCE Hamburg GmbH and TEUR 549 for VAI BV. BRAIN FORCE SOFTWARE S.p.A., increased short-term financial liabilities to EUR 2.67 million.

Trade payables were up by EUR 1.46 million to EUR 6.99 million (31.12.2004: EUR 5.53 million); this includes payments received of TEUR 525 (31.12.2004: TEUR 392). Other short-term liabilities amounted to EUR 10.77 million (31.12.2004: EUR 7.45 million). This includes outstanding purchase price commitments of EUR 2.07 million. These are largely attributable to the variable purchase price agreements with respect to the acquisition of VAI B.V. The rise in staff numbers resulted not only in an increase in commitments to employees, but also to social security providers. Miscellaneous liabilities include deferred income of EUR 1.33 million (31.12.2004: EUR 1.17 million).

Short-term tax provisions amounted to EUR 1.41 million at 30th September 2005 (31.12.2004: TEUR 480).

As of reporting date 30th September 2005, working capital stood at EUR 13.68 million (31.12.2004: EUR 20.97 million).

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

The group profit and loss statement was compiled in compliance with the type-of-expenditure format. During the period 1st January to 30th September 2005, sales earnings reached EUR 54.61 million (Previous year: EUR 47.97 million). Internal expenditure capitalised in the period under review amounted to TEUR 842 (Previous year: EUR 1.38 million).

The item 'Material and miscellaneous production costs' amounted to EUR 38.39 million (Previous year: EUR 34.86 million.). Consequently, net sales rose by 13.8 percent, with concomitant expenses rising 10.1 percent.

Administration and sales staff costs rose by 11.6 percent to EUR 8.66 million (Previous year: EUR 7.76 million).

Scheduled depreciation and amortisation expenses, including the capitalisation of assets as part of the purchase price allocation, amounted to EUR 1.71 million (Previous year: EUR 1.26 million); there was no non-scheduled depreciation of goodwill during the period under review.

The remaining operating expenses rose by 8.2 percent to EUR 4.46 million (Previous year: EUR 4.46 million).

The financial result stood at TEUR 63 (previous year: TEUR 1); the share of profit for associated companies capitalised employing the equity method amounted to TEUR 55 (previous year: TEUR 247).

The result before income taxes was EUR 2.65 million (Previous year: EUR 1.98 million).

Income taxes amounted to EUR 1.03 million (Previous year: EUR 1.12 million).

▶ **Segment reporting**

Until recently, the company consisted of the following three divisions: Professional Services, Communication Networks and Financial Solutions. With restructuring of the group's management, the BRAIN FORCE group now comprises the following business areas:

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

The Enterprise Services division provides a wide range of services: Consulting, Programming, Infrastructure, Integration, Migration Rollout, Operation, Support and Maintenance. The Business Solutions division consists of three competence centres: Outsourcing Solutions, Financial Solutions and Enterprise Solutions.

The Technology and Infrastructure division also comprises three competence centres: Network Solutions, Communication Solutions and Security Solutions.

The division key figures for the reporting period are as follows:

	Enterprise Services	Business Solutions	Technology and Infrastructure	unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	24,143,418.93	15,814,209.85	14,656,450.23	0.00	54,614,079.01
Segment operating result	1,321,199.44	1,012,185.01	1,560,068.67	-1,364,636.50	2,528,816.62
Financial result					62,547.88
Share of profit of associates		54,659.50			54,659.50
Result before taxes					2,646,024.00
Income taxes					-1,032,230.32
Result for the period					1,613,793.68
Segment assets	8,708,176.98	25,673,687.88	21,840,968.87	6,950,939.28	63,173,773.01
Segment liabilities	5,358,873.70	13,695,037.38	9,008,179.33	4,084,828.55	32,146,918.96
Segment capital expenditure	46,141.54	3,170,031.12	8,738,518.56	110,119.86	12,064,811.47
Segment depreciation and amortisation	29,475.34	902,354.29	682,636.83	91,214.71	1,705,681.17

The geographical key figures are as follows:

	Segment net sales	Segment assets	Segment capital expenditure
	EUR	EUR	EUR
Austria	9,372,060.80	9,479,128.07	318,918.45
Germany	27,675,289.04	24,042,261.06	1,058,353.79
Italy	15,340,759.73	17,917,141.62	2,442,793.33
Other regions	2,225,969.44	11,738,242.26	8,244,745.90

► **Acquisition**

With the signing of the purchase agreement on 27th June 2005, BRAIN FORCE HOLDING AG acquired a 100 percent shareholding in Indis S.p.A. of Milan, Italy. Since the company was acquired near to the time of initial consolidation for the period to 30th June 2005, the regulations governing provisional preparation of initial accounts as defined in IFRS 3.61 and 3.62 were applied. Consequently, the first rendering of accounts in relation to the merger at the end of the reporting period in which the merger took place was provisional; this is because the stated current values assignable to the identifiable assets, liabilities and contingent liabilities can only be provisionally determined. The interim account statement for the period to 30.09.2005 includes the adjustment of the provisional values.

The purchase price, including incidental historical costs, amounts to EUR 1,808,387.83. Settlement was transacted partly in cash and partly through the transfer of equity shares. Identifiable assets with stated current values of EUR 4.16 million were acquired; these included non-current assets of EUR 1.58 million and cash and cash equivalents of EUR 1.30 million. Acquired liabilities amounted to EUR 3.08 million. The acquired goodwill totalled TEUR 728. Indis S.p.A., contributed to the result for the reporting period as follows: Net sales amounted to EUR 832,314.17 for the period from 1st July - 30th September 2005 and normal business activities earned EUR - 83,110.82.

By exercising its option right BRAIN FORCE HOLDING AG acquired a 100 percent shareholding in VAI B.V., Veenendaal, The Netherlands during the recently concluded reporting period. The purchase price, including incidental historical costs, amounts to EUR 7,545,028.41. This comprises a fixed cash purchase price and variable purchase price components. The variable portion of the purchase price is primarily calculated on the basis of future profits in the acquired company.

Identifiable assets with stated current values of EUR 6.24 million were acquired; these included non-current assets of EUR 3.91 million and cash and cash equivalents of TEUR 149. Acquired liabilities amounted to EUR 3.55 million. The acquired goodwill totalled EUR 4.85 million.

VAI B.V. contributed to the result for the reporting period as follows: Net sales amounted to EUR 1,347,506.91 for the period from 1st August - 30th September 2005 and normal business activities earned EUR 59,027.04.

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

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

Based on the pre-income tax result of EUR 2.65 million (Previous year: EUR 1.98 million) the net cash flow from operating activities is a EUR - 2.16 million loss (Previous year: TEUR + 586). The main reason for the negative development was a further increase in receivables compared to the reporting date of 31st December 2004. This increase in receivables was partly the result of the rise in net sales, while payment period extensions negotiated with certain customers have also had an adverse impact.

Despite an increase in liabilities on the balance sheet, a fact that can be attributed to the initial consolidation involving the acquisitions, there was a reduction in liabilities (adjusted by this effect), resulting in a negative flow of funds.

Received dividends of TEUR 187 reflect the distribution of Munich-based German associate SFP Software für FinanzPartner GmbH. TEUR 368 was paid in income tax.

Cash flow from investing activities totalled EUR - 6.64 million (Previous year: EUR - 8.62 million). The acquisition of tangible and other intangible assets accounted for EUR 1.63 million expenditure (Previous year: EUR 1.70 million.). Furthermore, EUR 5.33 million was utilised for the corporate acquisitions and for increasing the shareholding in BRAIN FORCE Financial Solutions AG. The cash inflow from change in miscellaneous financial investments and financial assets amounted to TEUR 296 (Previous year: EUR - 6.96 million).

Cash flow from financing activities amounting to EUR + 2.68 million (Previous year: EUR + 15.56 million) reflects the inclusion of financial liabilities of EUR 3.76 million (incl. EUR 1.61 million long-term) as well as the dividend payment of TEUR 606 made to shareholders of BRAIN FORCE HOLDING AG. Cash and cash equivalents amounting to EUR 15.49 million were generated last year through the issue of shares. TEUR 481 was used to buy back the company's own shares during the recently completed reporting period (Previous year: TEUR 410).

As of the reporting date 30th September 2005, the BRAIN FORCE group held cash and cash equivalents amounting EUR 8.42 million (31.12.2004: EUR 14.55 million) and short-term financial investment assets amounting to EUR 3.45 million (Previous year: EUR 3.94 million) at its disposal.

► **Other disclosures**

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

On 21st September 2005, the Executive Board of BRAIN FORCE HOLDING AG announced that the acceptance period for a new, optional public exchange offer to the shareholders of BRAIN FORCE Financial Solutions AG would commence on the 23rd September 2005 and end on 10th October 2005. The offer was made to exchange one new share in BRAIN FORCE Financial Solutions AG for one share in BRAIN FORCE HOLDING AG plus an additional cash payment of EUR 4.00 per share. BRAIN FORCE HOLDING AG reserves the right to extend the acceptance period.

There were two extensions to the acceptance period following the end of the exchange offer. The last acceptance period concluded at the end of 28th October 2005. The Executive Board then announced that a 95.15 percent shareholding in BRAIN FORCE Financial Solutions AG had been achieved.

On 10th November 2005 BRAIN FORCE HOLDING AG made it known that the majority shareholding in BRAIN FORCE Financial Solutions AG required for a squeeze out had been secured.

The Executive and Supervisory Boards of BRAIN FORCE HOLDING AG held no options as of the reporting date of 30th September 2005.

Staffing levels amounted to 798 salaried employees on the reporting date (30.09.2004: 609); orders amounted to EUR 23.22 million (30.09.2004: EUR 14.29 million).

Information

▶ Financial calendar

Date	Event
31.03.06	Annual Report 2005
11.05.06	Annual shareholders' meeting
29.05.06	Report on the first quarter

Imprint

Responsible for content:
BRAIN FORCE HOLDING AG
IZD Tower
Wagramer Strasse 19
A-1220 Vienna

Prepared by:
BRAIN FORCE SOFTWARE GmbH
Carl-von-Linde-Strasse 38
D-85716 Unterschleissheim
www.brainforce.com

Design:
Paul Lauer

Lithography:
Uwe Köhler

Editorial:
Martin Kögel

Printing:
Mediahaus Biering GmbH



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

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

www.brainforce.com