BRAIN FORCE

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we keep it … moving – for more than 25 years

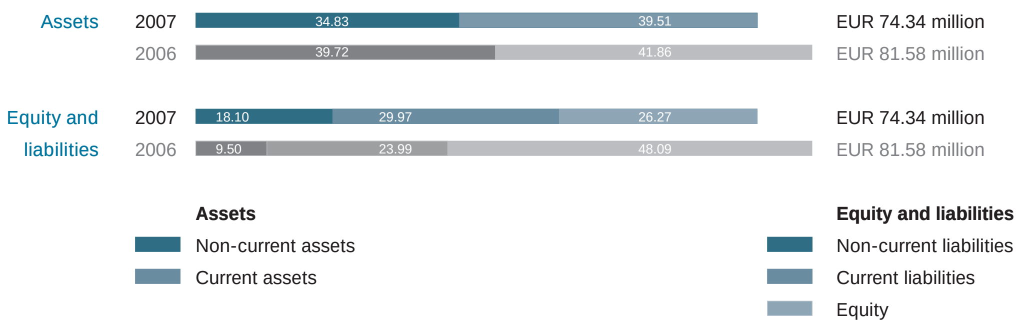
ANNUAL REPORT 2007

BRAIN FORCE HOLDING AG – at a glance

Key figures for the BRAIN FORCE Group according to IFRS		2007	2006
Balance sheet figures			
Balance sheet total	in million EUR	74.34	81.58
Non-current assets	in million EUR	34.83	39.72
Current assets	in million EUR	39.51	41.86
Equity [1]	in million EUR	26.27	48.09
Non-current liabilities	in million EUR	18.10	9.50
Current liabilities	in million EUR	29.97	23.99
Equity ratio	in %	35.3	58.9
Working capital[1]	in million EUR	9.55	17.87
Net liabilities	in million EUR	6.53	-
Gearing	in %	24.9	
Earnings			
Net sales	in million EUR	98.33	88.53
EBITDA	in million EUR	0.35	6.51
EBIT	in million EUR	-16.68	2.92
Profit before taxes	in million EUR	-17.91	3.23
Profit for the period	in million EUR	-19.91	4.17
Earning/loss per share[2]	in EUR	-1.29	0.30
Employees		1146	1172
hereof freelancers		283	329

1) including cash and cash equivalents and current financial liabilities
2) not including shares held in treasury

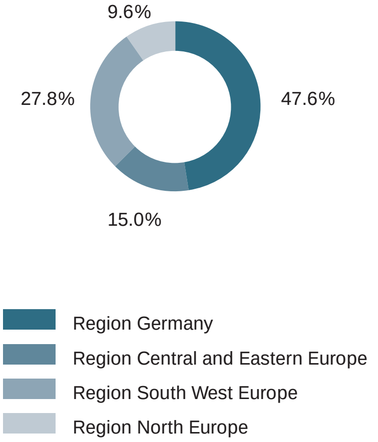
Balance sheet structure



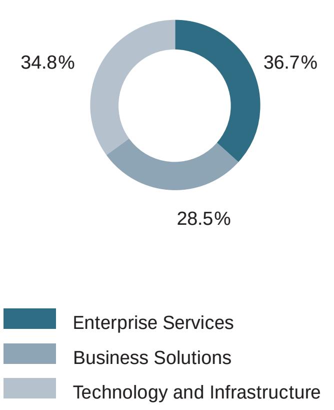
Ratios by geographical segment 2007	Region Germany	Region Central and Eastern Europe	Region South West Europe	Region North Europe	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	46,778,152.29	14,780,004.06	27,332,922.16	9,442,178.05	0.00	98,333,256.56
Segment operating result before segment depreciation and amortisation (EBITDA)	263,591.33	911,078.30	2,172,682.98	1,052,643.35	-4,053,967.02	**346,028.94**
Segment depreciation and amortisation	-11,771,781.73	-1,089,879.64	-1,308,218.95	-2,789,683.50	-69,527.70	**-17,029,091.52**
Segment operating result	-11,508,190.40	-178,801.34	864,464.03	-1,737,040.15	-4,123,494.72	**-16,683,062.58**
Financial result						**-713,405.91**
Share in profit of associates					-513,346.40	-513,346.40
Result before income taxes						**-17,909,814.89**
Income taxes						**-2,004,895.22**
Result for the period						-19,914,710.11
Segment assets	20,859,777.35	19,494,599.26	19,278,768.17	9,346,013.02	5,363,251.83	74,342,409.63
Segment liabilities	8,258,702.09	4,892,526.14	14,099,245.94	2,270,252.66	18,556,260.78	**48,076,987.61**
Segment capital expenditure	1,432,161.96	14,543,936.14	602,777.74	678,594.07	43,062.18	**17,300,532.09**

Ratios by business segment 2007	Enterprise Services	Business Solutions	Technology and Infrastructure	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	36,077,536.74	28,079,002.10	34,176,717.72	0.00	**98,333,256.56**
Segment assets	13,536,814.24	17,258,680.59	38,183,662.97	5,363,251.83	**74,342,409.63**
Segment capital expenditure	348,938.69	1,008,524.92	15,900,007.10	43,061.38	**17,300,532.09**

Net sales per region



Net sales per segment

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BRAIN FORCE marking its 25th anniversary

Information technology stimulates innovation! No other science has a similar potential. The development of IT represents only a short period in the history of industrialisation, but still exerts great influence on our life and corporate processes.

The advent of PCs and the global networking through the Internet constitute the basis for progress. IT allows for developments that were previously unthinkable. It revolutionises life and work. The age of communication connects people and allows countries and cultures to grow together. Thus, economic growth is promoted and a higher standard of living possible. The understanding of IT develops as dynamically as the IT landscape itself. Today, IT contributes decisively to corporate success. Only who is leading in this field, will be competitive.

BRAIN FORCE is part of this IT history. For 25 years we have been reacting dynamically to market developments and adapting to the needs of our customers. And one thing is certain – we keep it moving!

we keep it....

...moving

...for more than 25 years...

...we make it

content

Foreword by the Management Board

Dear shareholders and stakeholders, ladies and gentlemen,

The financial year 2007 turned out to be a year of changes for BRAIN FORCE. After a euphoric start, disillusionment set in, as the operating business did not develop as anticipated. One of the main reasons was that the integration of some companies acquired prior to 2007 had neither brought the planned dynamic into the development of net sales, nor managed to enhance profitability through expected synergy effects. The logic consequence was the impairment of goodwill, because the carrying amount of the acquired companies had been too high, given the actual development. This is why the Company, despite net sales of EUR 98.3 million, the highest in its corporate history, incurred an EBIT loss of EUR 16.7 million. When the Supervisory Board was confronted with this negative development in mid-August, it swiftly decided to change the composition of the Company's Management Board. The necessary new strategy should be implemented by the new leadership.

This new strategy aims at focusing on the strengths of the Company, expanding profitable areas, closing down loss-generating units, reorganising marketing and product portfolio, and abandoning its "Buy-and-Build" strategy. Companies already acquired should first be integrated efficiently and professionally in order to use their potential as driving force for growth. Obviously, each single area was reviewed to determine whether the cost structure of BRAIN FORCE could be tightened. Out of this an efficiency programme was developed, which is currently being implemented and, together with the other measures, has already led to a positive EBIT in the fourth quarter 2007. This turnaround should also hold true in the financial year 2008.

In the second half-year 2007 we decided to restructure the Company very swiftly and comprehensively in order to create a healthy basis for the further development of the Company as quickly as possible. In this process, it was of great advantage that I know the Company and its staff very well – I served as managing director responsible for the operating business of BRAIN FORCE from 2001 to 2004, and subsequently as member of the Supervisory Board. As of April 2008, Mag. Thomas Melzer will join me on the Management Board to lead BRAIN FORCE.

As you certainly know, on January 31, 2008 Unternehmens Invest AG announced its intention to make a takeover bid to the shareholders of BRAIN FORCE HOLDING AG through BF Informationstechnologie-Beteiligungsgesellschaft m.b.H., Wels, in which Unternehmens Invest Aktiengesellschaft and CROSS Industries AG, Wels, together hold the majority of the shares. Subsequently, BF Informationstechnologie-Beteiligungsgesellschaft m.b.H. announced in mid-February 2008 that as a result of further acquisitions of shares and a voting trust agreement subject to a condition precedent concluded with BEKO HOLDING AG, Vienna – subject to approval by the antitrust authority – a mandatory offer will be made. Since the content of the offer, due to statutory time limits stipulated in the Austrian Takeover Act, will be published only after this report has gone to press, the content of the offer and its effects on the future strategy of BRAIN FORCE cannot yet be dealt with at this point. However, we expect that – provided it is not prohibited by the Takeover Commission – the bidding documents related to the mandatory offer will be published between the middle and the end of March 2008. The details of BRAIN FORCE's future strategy are yet to be worked out in case of takeover.

I am absolutely convinced that the commitment and know-how of BRAIN FORCE staff will put the existing product portfolio and service range of our Company back on the success track.

On the following pages of the annual report for the financial year 2007 we would like to give you, dear shareholders, a very open and comprehensive overview of BRAIN FORCE's new strategy, the services offered to our international customers, and the identifiable growth potential. In 2008 we are marking the 25th anniversary of BRAIN FORCE and, on this occasion, I want to thank our staff, our customers and business partners for the cooperation.

Günter Pridt

Günter Pridt

Corporate Governance and Financial Communications

Corporate governance stands for the responsible management and control of companies. The efficient cooperation between the Management Board and the Supervisory Board, transparency in corporate communications and the regard for the interests of the shareholders are considered crucial by BRAIN FORCE.

The Management Board

Günter Pridt

Günter Pridt, born in 1951, joined IBM Austria in 1973. After holding various consulting positions related to key accounts and management positions in distribution and marketing, he assumed overall responsibility for the services sector of IBM Austria, Central Europe and Russia. In this function, he also served on the Management Board. From November 1997 to October 2000 he served as general manager and sole managing director of IBM Austria. In 2001, he joined the Management Board of BRAIN FORCE SOFTWARE AG, where he was in charge of the operating business as COO until 2004 and promoted the development of the services business in particular. He subsequently served on the Supervisory Board of the company. Since September 2007, Günter Pridt has been Chairman of the Management Board of BRAIN FORCE HOLDING AG and has initially been appointed until the end of 2009.

Thomas Melzer

Mag. Thomas Melzer, born in 1970, is the new CFO at BRAIN FORCE HOLDING AG as of April 2008. Prior to that, he had been working for Wienerberger AG, the world's largest brick manufacturer, where the business graduate (majoring in business administration) had been in charge of investor relations and corporate communications and had been a member of the Management Committee. In addition, Mag. Thomas Melzer had been a member of the Management Board of Cercle Investor Relations Austria (C.I.R.A.), which he had chaired prior to his departure.

// Interview with the CEO



You have assumed the role of CEO of BRAIN FORCE AG in September 2007 and initiated a reorientation and restructuring. Why were these measures necessary?

BRAIN FORCE is a company which was founded 25 year ago and which has grown from a one-man business into a company with approx. 1,200 employees. It operates in the business segment of information technology and of software development and implementation. In these areas, the general conditions and demands have undergone dynamic changes over the past quarter century. This is why the products and services are subject to a constant innovation process and the Company has to reinvent itself, so to speak. This was done in part through own developments, in part the innovation and expansion of the product and service range was guaranteed by acquisitions of other companies. Unfortunately, the integration of these acquired companies has not always been successful. In part, the expected synergy effects, as well as sales and profit potentials were simply not reached. This resulted in an urgent need to reorganise and restructure the different business units.

Moreover, it seems important to me personally to introduce a different corporate culture and a different management system. A company with approx. 1,200 employees in several countries certainly needs to be managed differently than a small IT service provider.

What are the concrete measures that you have taken?

Apart from the accounting measures that have resulted in a corresponding, yet largely not cash-effective loss in 2007, unprofitable locations were shut down and development projects with too little profit potential were stopped. We restructured our distribution system and tightened the product and service portfolio. At the same time, we implemented a competence center organisation to provide each customer with the best BRAIN FORCE staff at all times. This enhances the efficiency of the Company and, at the same time, increases the satisfaction of our customers. After all, we restructured the Management Board and with Mag. Thomas Melzer as of April 2008 we won a new CFO experienced in capital markets.

Günter Pridt, Chief Executive Officer, BRAIN FORCE HOLDING AG

The fourth quarter 2007 could already be closed with a positive EBIT again. Will this trend continue in 2008?

By generating a positive EBIT in the fourth quarter, we are proceeding as planned. A first important success. From today's perspective, we will also generate a positive operating result in 2008.

What other objectives have you set for yourself and for BRAIN FORCE for 2008?

We are currently focusing on the integration of the companies already acquired. BRAIN FORCE shall be an efficient organisation with satisfied customers and staff, which also strives to generate the best possible result to satisfy its owners. This, I think, we can achieve with the measures already taken. Anyway, our focus is on improving the competitive position through the quality of our products and services. At the same time, I am trying – and this is of particular importance to me – to use the comprehensive know-how of our staff more intensely for the company. We want transparent decision-making processes, in which our staff are actively involved. For that purpose, the Company also needs a new communication and information policy. This can, of course, not be implemented overnight, since communication is not a one-way street and habits change only slowly. However, I think that the results achieved so far are cause for optimism that our goals will be reached in this year and in the next.

Catchword satisfied owners. A takeover bid by UIAG or BF Informationstechnologie-Beteiligungsgesellschaft m.b.H., respectively, has been announced. What is your take on it?

I cannot comment on that, first of all, for legal reasons, but I think Management would be well advised to focus on the operating business. As CEO I will, of course, give a statement as is provided for in the Takeover Act.

Report of the Supervisory Board

In performing its duties as stipulated by law and in the Company's memorandum and articles, the Supervisory Board held eight supervisory board meetings and two committee meetings during the course of 2007.

The Board of Management regularly informed the Supervisory Board, orally and in writing, about the operating activities and situation of the Company and its associates.

The financial statements of BRAIN FORCE HOLDING AG including the management report and the consolidated financial statements including the group management report as of December 31, 2007, compiled pursuant to Section 245a UGB (Austrian Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, were audited by PwC INTER-TREUHAND GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, appointed pursuant to Section 270 UGB.

The audit confirmed that the accounting, the financial statements and the consolidated financial statements are in accordance with the statutory requirements and that the provisions of the Company's memorandum and articles have been observed. The audit's findings did not highlight any discrepancies, and the auditor therefore issued an unqualified opinion. The management report is in accordance with the financial statements and the consolidated financial statements.

The Supervisory Board has approved the 2007 financial statements and the management report. It agrees with the proposal of the Board of Management regarding the appropriation of the result. The financial statements have thus been adopted in accordance with Section 125 AktG (Austrian Stock Corporation Act). The Supervisory Board has also approved the consolidated financial statements and the management report for the group.

Helmut Fleischmann resigned from the Management Board as of September 4, 2007. His function as CEO was assumed by Günter Pridt as of that date, initially by way of interim appointment in accordance with Section 90 (2) AktG; for this reason, his function as Deputy Chairman of the Supervisory Board was suspended as of September 4, 2007. As a result of his definitive appointment as CEO as of September 27, 2007, Günter Pridt laid down his supervisory board mandate as of this date. As of October 29, 2007 Wolfgang Lippert resigned from the Management Board. As of the beginning of April 2008, Mr. Thomas Melzer will join the Management Board as CFO.

The Supervisory Board draws attention to the fact that BF Informationstechnologie-Beteiligungsgesellschaft m.b.H., Wels, in which Unternehmens Invest Aktiengesellschaft and CROSS Industries AG, Wels, together hold the majority of the shares, has made a public mandatory offer to the shareholders of BRAIN FORCE HOLDING AG in accordance with Sections 22 ff. ÜbG (Takeover Act). The Supervisory Board, in this context, refers to its well-founded statement on this offer pursuant to Section 14 Takeover Act.

The Supervisory Board thanks the management and staff for the successful activities in the financial year 2007.

Vienna, March 26, 2008

Supervisory Board

Dr. Christoph Senft
Chairman of the Supervisory Board

Members of the Supervisory Board

The following persons served on the Supervisory Board in the financial year 2007:

Dr. Christoph Senft, Angerberg

- Chairman
- Since June 12, 2003; term of office until the end of the ordinary general meeting which decides on the financial year 2009
- Managing Director of MWS Industrieholding GmbH and MWS Aluguss GmbH, Austria
- Member of the Supervisory Board of MTC Memorex Telex Communications AG, Austria

Günter Pridt, Vienna

- Deputy Chairman
- Since April 14, 2005; due to his interim appointment as CEO in accordance with Section 90 (2) AktG his function as Deputy Chairman of the Supervisory Board was suspended as of September 4, 2007. As a result of his definitive appointment as CEO, Günter Pridt laid down his supervisory board mandate as of September 27, 2007.

Mag. Christian Schamburek, Brunn am Gebirge

- Deputy Chairman since October 23,2007
- Since June 11, 2003; term of office until the end of the ordinary general meeting which decides on the financial year 2010
- Managing Director of VARTA Batterie Ges.m.b.H., Austria
- Chairman of the UFB (Umweltforum Batterien), Austria

Mag. Wolfgang M. Hickel, Vienna

- Since June 14, 2000; term of office until the end of the ordinary general meeting which decides on the financial year 2007
- Principal of HTBLVA Spengergasse, Vienna, Austria

Christian Wolff, Switzerland

- Since April 14, 2005; term of office until the end of the ordinary general meeting which decides on the financial year 2008
- Member of the Supervisory Board of FatFoogoo AG, Austria
- Member of the Supervisory Board of HWA AG, Germany
- Member of the Supervisory Board of Azzuro Investments Holding AG, Switzerland

Prof. Ing. Peter Kotauczek, Breitenbrunn am Neusiedler See

- Since December 22, 2006; term of office until the end of the ordinary general meeting which decides on the financial year 2009
- CEO of BEKO Holding AG, Austria
- Chairman of the Supervisory Board of BEKO Engineering & Informatik AG, Austria
- Member of the Supervisory Board of TeleTrader Software AG, Austria

Members of the Audit Committee

The audit committee, which has to be appointed by the Supervisory Board in accordance with Section 92 (4a) AktG, was composed of the following members:

- Dr. Christoph Senft, Chairman
- Günter Pridt (until September 4, 2007)
- Mag. Christian Schamburek
- Mag. Wolfgang M. Hickel replaced Günter Pridt as member of the audit committee

By resolution of the Supervisory Board dated November 20, 2007 the audit committee was reduced to the following 2 members:

- Dr. Christoph Senft, Chairman
- Mag. Christian Schamburek

Corporate Governance Code

Commitment to transparency

We, as BRAIN FORCE HOLDING AG support the Austrian Code of Corporate Governance (ÖCGK). We are committed to its objectives and will continue to observe them in the future. We have complied with the ÖCGK as amended in January 2006 in the past financial year. We have selected the following important points that illustrate how we live this Code in our Company. In addition to the "L regulations" that must be complied with, we have listed explanations to the "C regulations (comply or explain)" in 2007.

Equal treatment of all shareholders
Point 1 ÖCGK

Due to the great number of shareholders of BRAIN FORCE HOLDING AG, the Company is strongly committed to transparency. We publish all relevant information in a detailed annual report, in quarterly reports, at conferences for analysts and through our ongoing public relations work.

BRAIN FORCE HOLDING AG informs its shareholders by providing a vast number of publications – such as ad-hoc info on preliminary results. We point out important events in advance in our company diary. All information is published on our website under "Investor Relations" and "…/publications". This is available to all shareholders and analysts at the same time and may be used long-term by any interested parties.

All shares carry the same rights
Point 2 ÖCGK

All shares in the Company are ordinary shares and therefore carry the same rights. We are committed to the principle of "one share – one vote".

Convening the annual general meeting
Point 4 ÖCGK

The annual general meeting is announced at least 30 days prior to the date. This is longer than the minimum period of three weeks stipulated in the ÖCGK.

Supervisory and Management Boards
Points 9 to 11 ÖCGK

The Board of Management updates the Supervisory Board at regular meetings (at least once a quarter). Additional meetings are called as required: for example, to prepare an annual shareholders' meeting, to consult on the budget and to discuss current strategic decisions. The Supervisory Board therefore has all the information it needs to perform its supervisory function.

Composition of the Management Board Point 16 ÖCGK

Due to the resignation of the Management Board member Mr. Helmut Fleischmann as of September 4, 2007 and the Management Board member Mr. Wolfgang Lippert as of October 29, 2007 and due to the interim appointment of Mr. Günter Pridt as CEO pursuant to Section 90 (2) AktG as of September 4, 2007, Mr. Günter Pridt served as sole Managing Director for the period beginning at the end of October. The Management Board is complemented by Mag. Thomas Melzer as CFO as of the beginning of April 2008. Due to the interim appointment to the Management Board of Mr. Günter Pridt, his Supervisory Board function was suspended as of September 4, 2007. Upon his definitive appointment as member of the Management Board, Mr. Günter Pridt laid down his supervisory board mandate.

Additional disclosures in the annual report Point 30 ÖCGK (deviation)

The total remuneration of the Board of Management is disclosed in the annual report, including the variable portion. Furthermore, the expenses for severance payments and pensions for members of the Board of Management are disclosed in the annual report. Due to the informative value of these disclosures no further details are presented.

Supervisory Board committees Points 41 and 43 ÖCGK

The audit committee required pursuant to Section 92 (4a) AktG was set up in the financial year 2006. Currently, the following members of the Supervisory Board were elected to serve on the audit committee: Dr. Christoph Senft as chairman and Mag. Christian Schamburek as member of the audit committee. As the number of Supervisory Board members does not exceed 6, the Supervisory Board did not form any additional committees; all tasks are fully performed by the Supervisory Board as a whole.

No Supervisory Board member serves on a competitor's board Points 45 and 58 ÖCGK (deviation)

BRAIN FORCE HOLDING AG declares that the Supervisory Board member Prof. Ing. Peter Kotauczek is CEO of BEKO HOLDING AG and Chairman of the Supervisory Board of BEKO Engineering & Informatik AG, as well as Supervisory Board member of TeleTrader Software AG. The companies of the BEKO Group represent competitors of BRAIN FORCE exclusively in Austria, where it is limited to the area of IT services. BRAIN FORCE is not competing with TeleTrader Software AG, but these two companies are rather working together as partners on the market.

Remuneration scheme for members of the Supervisory Board
Point 51 ÖCGK

At the ordinary general meeting in 2008 the following remuneration scheme will be proposed for the Supervisory Board members for 2007: Graded according to function as chairman, deputy chairman and member, the Supervisory Board members receive attendance fees and an annual remuneration in addition to expenses and reimbursements of costs. Committee members also receive attendance fees for committee meetings graded according to their function.

Supervisory Board represents all shareholders
Point 53 and 54 ÖCGK (deviation)

The Supervisory Board's main task is to monitor management in accordance with Section 95 AktG. This task is fully performed by the appointed members of the Supervisory Board. Except for the Supervisory Board member Prof. Ing. Peter Kotauczek, the Company is not aware of any other appointed member representing five percent or more of the shareholding. The supervisory function is performed by all members independently in keeping with statutory requirements. For these reasons, a corresponding declaration of the individual Supervisory Board members and a presentation in the annual report or on the homepage are not provided.

Employee representation
Point 59 ÖCGK

The statutory provisions relating to employee representation are fully applied in our Company. To date, our employees have not elected a shop steward for BRAIN FORCE HOLDING AG. For this reason, there is no employee representative on the Supervisory Board.

Corporate Governance
Point 60 ÖCGK

Each year, BRAIN FORCE HOLDING AG renews its pledge to adhere to the Corporate Governance Code, including any deviations. This document can be accessed online at www.brainforce.com under "Investor Relations".

Comprehensive information to shareholders
Points 63 to 67 ÖCGK

The shareholders of BRAIN FORCE HOLDING AG are given regular and timely information within the required deadlines through regular publications. The reports are compiled in accordance with International Financial Reporting Standards (IFRS). All documents are accessible via the Internet. This means that private shareholders also have full access to all information. This includes annual reports and much more – details on our strategic direction, for example – extending far beyond the minimum requirements. Our financial calendar of important events is an additional source of information, which can be found at the end of the annual report.

Group management report
Point 67 ÖCGK

The Company is exposed to financial and non-financial risks. So that the Board of Management is always well placed to recognise and react to risks, a systematic reporting system has been set up and is operated by members of the Support and Control Center. These risks and risk management instruments are described in the management report.

Control and risk management
Point 80 ÖCGK (deviation)

Due to the size of the Company, control and risk management of the BRAIN FORCE Group is carried out by the Support and Control Center within the Company, which reports regularly and directly to the Board of Management on the results of its audits. The Company's Board of Management is therefore confident that it has adequate information on the feasibility of its risk management. Therefore it has not specifically commissioned a review of its risk management.

Directors' Dealings and Holdings

According to the disclosures on directors' dealings made pursuant to Section 48d (4) BörseG (Austrian Stock Exchange Act) the following share transactions were carried out in 2007:

- Marchsixteen Finance Services LLP, London – close relationship to the Supervisory Board member Christian Wolff:
  1. Acquisition of 64,417 BRAIN FORCE shares; date of the conclusion of the transaction: July 6, 2007, date of the transfer transaction: November 19, 2007
  2. Acquisition of 3,650 BRAIN FORCE shares; date of the conclusion of the transaction: July 6, 2007, date of the transfer transaction: January 29, 2008

Furthermore, the following directors' holdings existed as of December 31, 2007:

- Marchsixteen Finance Services LLP, London – close relationship to the Supervisory Board member Christian Wolff: 496 BRAIN FORCE shares
- Dr. Christoph Senft, Chairman of the Supervisory Board: 15,000 BRAIN FORCE shares
- BEKO Holding AG, Vienna – close relationship to the Supervisory Board member Prof. Ing. Peter Kotauczek: 874,364 BRAIN FORCE shares

BRAIN FORCE Share

Transparent communication

BRAIN FORCE pursues a transparent and timely information policy in its investor relations work. The overriding objective is to consolidate and strengthen the confidence in the Company of all groups of stakeholders relevant to the capital market. For analysts, private and institutional investors, as well as the general public all information on the Company is available in a clear form at any time on the central Internet platform www.brainforce.com. This information also includes the current share price and the assessment by investment banks, which are available for download. In 2007, analyses on BRAIN FORCE were carried out by two research houses:

- HVB Equity Research, Knut Woller
- SES Research, Felix Ellmann

A detailed compilation of information, however, is no substitute for the personal contact and the in-depth conversation with investors and analysts. Therefore, BRAIN FORCE carried out numerous roadshows, investors' conferences and individual conversations in Germany, Austria and Switzerland in 2007. The presentation on the German Equity Forum in November 2007, which was marked by the change in the Management Board and the reorganisation of the Company, in particular met with a positive response from stakeholders.

Share Performance in 2007

The share of BRAIN FORCE HOLDING AG experienced an eventful year 2007. At the beginning of the reporting period the share continued its good performance of the prior year and on February 15, 2007 reached its highest annual price of EUR 3.48. Subsequently however, the share price for the first time started to decline, initially characterised by a general weakness on the capital markets. The announcement of special depreciation and failure to reach the budgeted figures for the whole year then led to a significant decline in share price, so that the lowest price of the BRAIN FORCE share was reached on September 3, 2007 at EUR 1.73.

The liquidity of the share at 28,657 shares or EUR 76,514.19 per day in the Frankfurt Xetra trading and at 17,883 shares or EUR 48,154.53 in Vienna remained below the prior year level.

	2007	2006
Share capital in EUR	15,386,742	15,386,742
Number of shares	15,386,742	15,386,742
Average number of shares traded per day*)	28,657	51,753
Closing rate (ultimo) on XETRA in EUR	2.40	3.15
Market capitalisation (ultimo) in EUR	36,928,181	48,468,237
Highest share price of the year in EUR	3.48	3.72
Lowest share price of the year in EUR	1.73	2.75
Earnings per share in EUR	-1.29	0.30

*) at the XETRA Exchange

Dividend

As a result of the restructuring year 2007 the Management Board at the ordinary general meeting on May 28, 2008 will propose not to distribute a dividend for the financial year 2007.

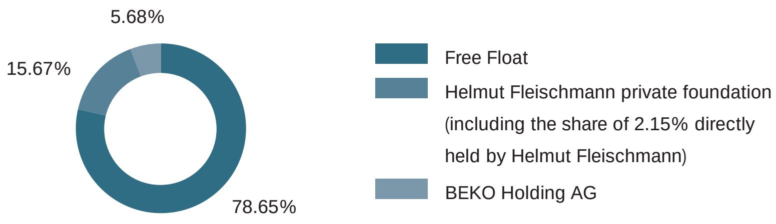
Share Repurchase Programme

Based on the authorisation granted by the ordinary general meeting on May 9, the Company decided 2007 to carry out a share repurchase programme, beginning on May 15, 2007. The resolution to repurchase 1,538,674 shares or 10.0 percent of the share capital is carried out via the Stock Exchange and ends on November 9, 2008. By June 2007 the Company had acquired a total of 1,009,384 shares, which were all used for the acquisition of SolveDirect.com Internet-Service GmbH. The Company did not hold any own shares as of December 31, 2007.

Share information	
ISIN	AT0000820659
Stock symbol	BFC
Reuters Instrument Code	BFCG.DE
Class of shares	no-par-value ordinary bearer shares
Sock exchanges	
XETRA	Prime Standard
Frankfurt	Regulated Market Prime Standard
Vienna	Prime Market
Munich	OTC market
Stuttgart	OTC market
Hamburg	OTC market
Berlin-Bremen	OTC market
Duesseldorf	OTC market

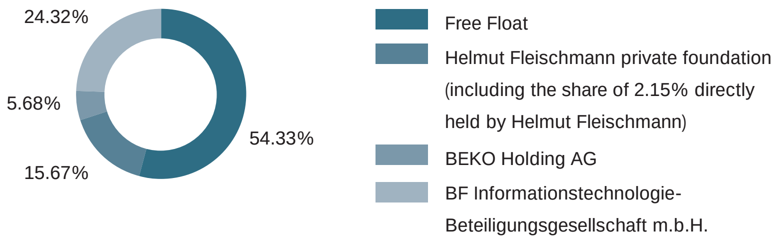
Ownership structure of BRAIN FORCE HOLDING AG

Ownership structure as of December 31, 2007
According to the knowledge of the Company, the following shareholders held 5 percent or more of the shares in the Company as of December 31, 2007:



Ownership structure as of February 29, 2008

According to the knowledge of the Company, the following shareholders held 5 percent or more of the shares in the Company as of February 29, 2008:



Share performance

Corporate Strategy

Strategies are crucial for a company's net assets and results of operations. BRAIN FORCE is acting focused on issues and creating synergies – for the success today and in the future.

Corporate Strategy

For BRAIN FORCE the financial year 2007 was marked by numerous radical changes and innovations, the effects of which will heavily impact the further development of the Company.

In the past years, BRAIN FORCE focused on growth based on a “Buy-and-Build” strategy, under which in several European countries companies were acquired for the purpose of leveraging their know-how, product and customer structure in the BRAIN FORCE holding group. This could in part be achieved, in part however, the expected synergy effects could not be generated in the integration of acquired companies so that profit growth lagged behind sales growth. After the announcement of ambitious business objectives for the year 2007 made in November 2006, these were clearly missed in the first three quarters. The main reason for that was the poor integration of the acquired companies. In addition, the company experienced serious operating problems in its core business.

These developments and the resulting impairment of goodwill in the second and third quarter 2007 at the same time were the beginning of a comprehensive reorganisation and restructuring process within the company, which was launched with the objective or awareness, respectively, that the funds for future investments have to be generated internally.

After the end of the financial year 2007, which ended with a turnaround already in the fourth quarter, Unternehmens Invest AG on January 31, 2008 announced its intention to make a takeover bid to the shareholders of BRAIN FORCE through BF Informationstechnologie-Beteiligungsgesellschaft m.b.H., in which Unternehmens Invest AG and CROSS Industries AG together hold the majority of the shares. Subsequently, BF Informationstechnologie-Beteiligungsgesellschaft m.b.H. announced in mid-February 2008 that it had acquired additional shares in BRAIN FORCE and concluded a voting trust agreement subject to a condition precedent with BEKO HOLDING AG, Vienna, which is why – in case the voting trust agreement is not prohibited by the antitrust authority – it will make a mandatory offer pursuant to the Austrian Takeover Act. Since the offer will be published only after this report was issued, the contents of the offer cannot yet be referred to, neither can the effects of a possible takeover of BRAIN FORCE by BF Informationstechnologie-Beteiligungsgesellschaft m.b.H. on the future strategy of BRAIN FORCE be estimated. In the announcement of the takeover bid on January 31, 2008 it was declared that BRAIN FORCE shall be positioned as “platform for a Central European IT Group” in the future and continue to be listed on the Vienna Stock Exchange. Against the backdrop of the announcements made by BF Informationstechnologie-Beteiligungsgesellschaft m.b.H. so far, from today’s perspective the basic focus is likely to remain on the core business of BRAIN FORCE.

BRAIN FORCE started the current 2008 financial year under the slogan “consolidation and stabilisation of the business situation”. The main focus this year is on the core markets Germany, Austria, Italy and the Netherlands, as well as Switzerland and the Czech Republic. It is intended to expand existing strengths and competences, optimise the product and service portfolio, and raise profitability.

The new identification of strategic business segments by BRAIN FORCE also has to be seen in this context, which shall be serviced across regions by a cost-efficient, group-wide competence center structure. In concrete terms, the competence center concept means that expertise existing in the Group is not maintained in detail at the local level, in order to be able to offer all products and services with the respective team anywhere. In the future, the respective competence centers will rather be responsible group-wide for the respective projects in terms of a “do once” concept. This way we can ensure that the customer is always serviced by the respective experts from the competence center, in cooperation with the local BRAIN FORCE team or with external partners.

As of the beginning of the financial year 2008, the following competence centers are located within the strategic business segment “Business Solutions”:

- **Competence Center Financial Services**
  This center comprises the front-office products of BRAIN FORCE FINAS Suite and our services, with strong focus on financial service providers.
- **Competence Center Microsoft Dynamics**
  This competence center deals with the implementation and the integration of CRM and ERP systems (formerly known as Navision and Axapta) of Microsoft. We have extended these systems with so-called separate “add-ons” so that we are able to offer additional industry-specific and non-industry-specific functions.

- **Competence Center Service Management**
  With the on-demand Service Management platform of SolveDirect Solutions BRAIN FORCE offers solutions for centrally hosted ITIL helpdesk management and system interfacing. By including all internal and external service partners involved in the service process, service processes are integrated, accelerated and made clearly measurable.

The following competence centers are located within the strategic business segment "Infrastructure Solutions":

- **Competence Center Desktop Application Management**
  On the basis of Microsoft Standards MSI we offer individual solutions for the preparation, the fully automated installation and management of operating systems and applications on dispersed workstation computers.
- **Competence Center ICT Suite**
  Based on the documentation and planning of physical IT and TC networks and the recording of communication services, BRAIN FORCE ICT Suite represents an integrated solution for billing ITC services according to origin within the Company and as an external billing solution.
- **Competence Center Server and Workstation Management**
  On the basis of project and SLA agreements, this center offers services relating to the construction and operation of complex IT networks – starting with the hardware and software rollout over planning, integration and regular updates of security solutions to monitoring and fault clearance of individual servers and workstations during operations.

First steps to implement this competence center strategy were taken in preliminary talks for partnerships to service the Swiss market regarding Microsoft Dynamics (ERP) by BRAIN FORCE Italy and regarding Desktop Application Management by BRAIN FORCE Netherlands.

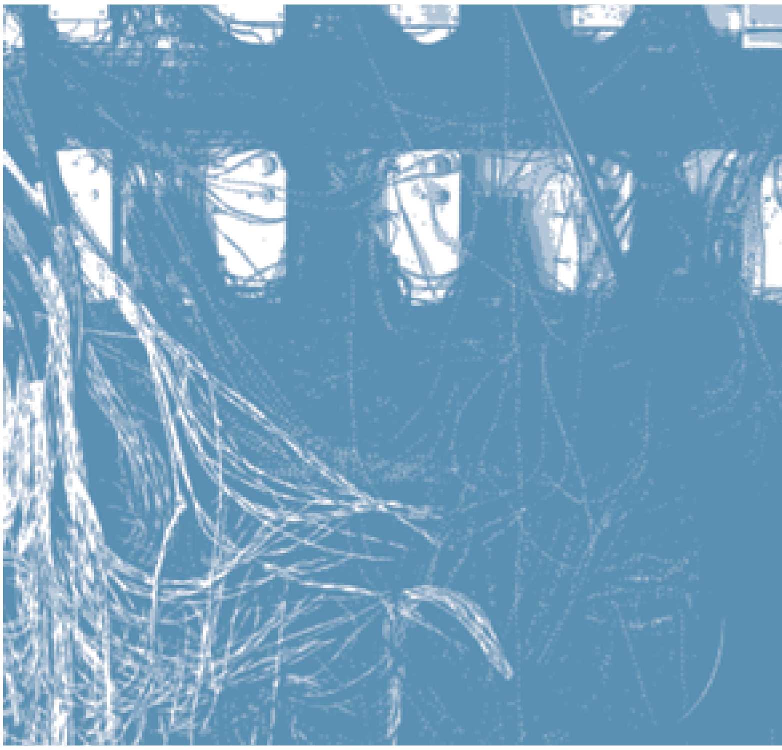
A reorientation seems reasonable in the medium term for the segment Professional Services (formerly Enterprise Services), which is extremely important in terms of strategy and results particularly in the core markets Germany and Austria, in order to be able to counter the emerging labour shortage and the related margin pressure accordingly.

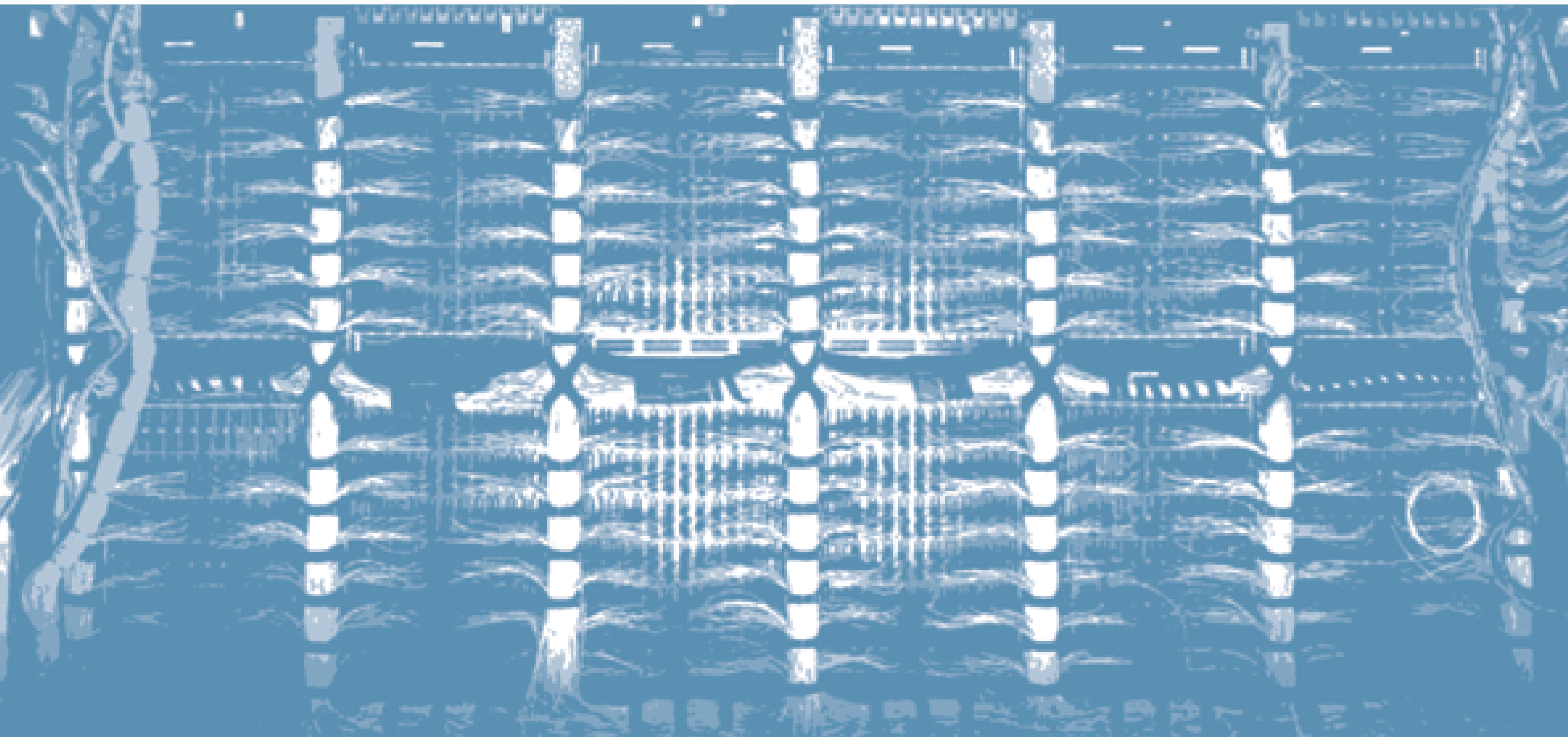
Beyond the financial year 2008 and the planned stabilisation and increase in profitability, first investments should again be made into future growth as of 2009. The regional focus as well as the type of growth investments (organic, external) has to be adjusted to the market development as well as to the possibilities arising from a potential new ownership structure.

In 2008 we aim at ensuring the basis for the medium and long-term growth possibilities of BRAIN FORCE through the conclusion of the reorientation and the enhancement of efficiency and thus competitive position of the Company. It goes without saying that we are currently also working on new strategies and competence centers, tailored to the demands of the market.

then...

In the early 80s IBM brings the first personal computer (PC) to the market.



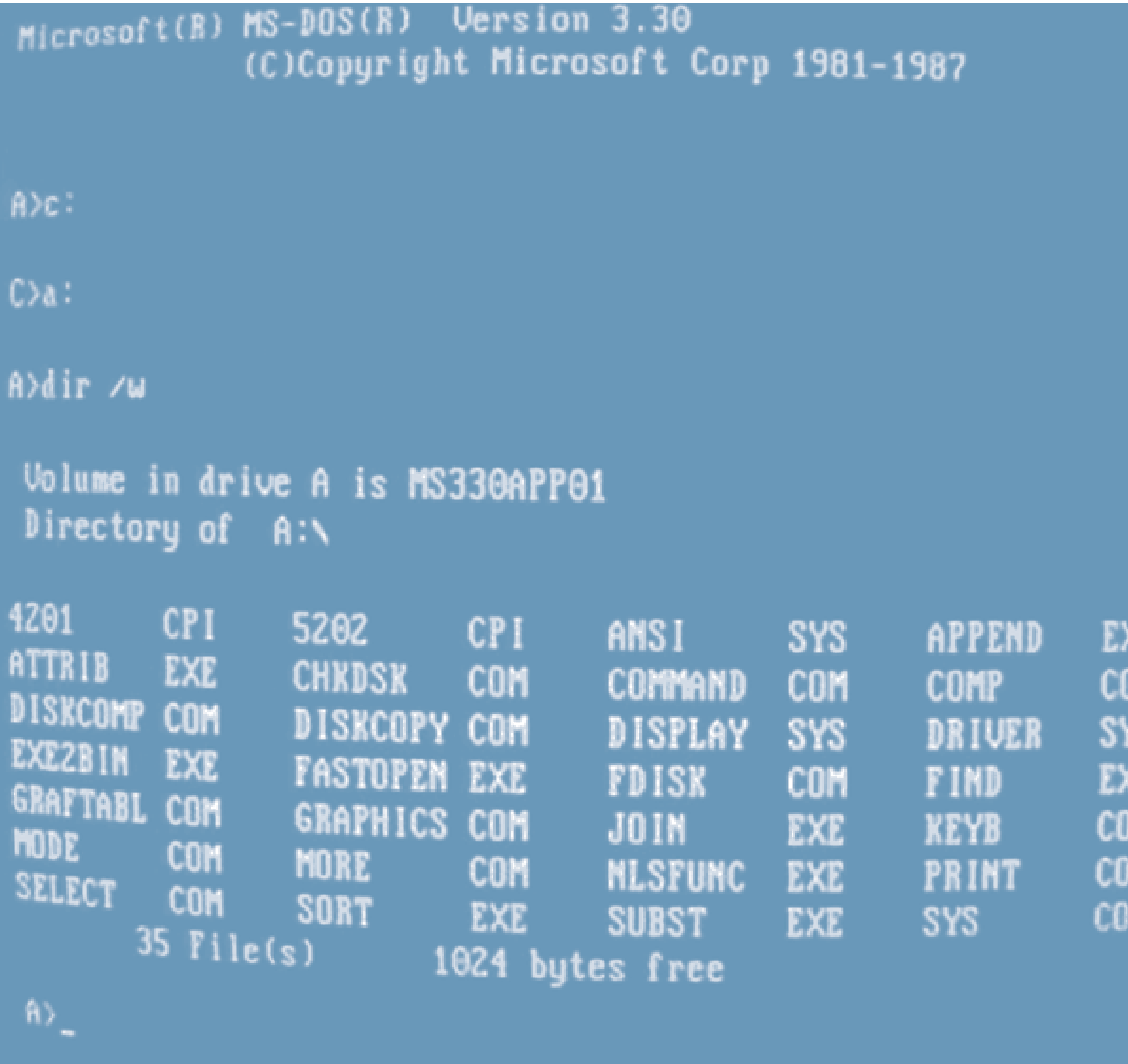


...today

Today, information technology defines our everyday life – be it at the workplace, in the household or in the spare time. High tech is considered a driving force of the economy and provides for growth and progress. It is the basis of our business and guarantees our success.

then...

In 1981 Microsoft presents its operating system MS-DOS 1.



...today

Today, computer programmes control all kinds of processes. Our innovative software applications support companies in their business processes. Optimised business and infrastructure solutions constitute an important contribution to the successful future of our customers.

then...

Information technology is a complex
science reserved to a few.

...today

Today, the IT industry is a globally leading industry with enormous growth prospects. BRAIN FORCE is an expert in IT services. Our staff have the crucial know-how and long years of experience to turn IT processes into a success in a flexible and individual manner.

Corporate Description

BRAIN FORCE is an international managed services provider with a perfectly adjusted product portfolio and represented in seven European countries and 13 locations.

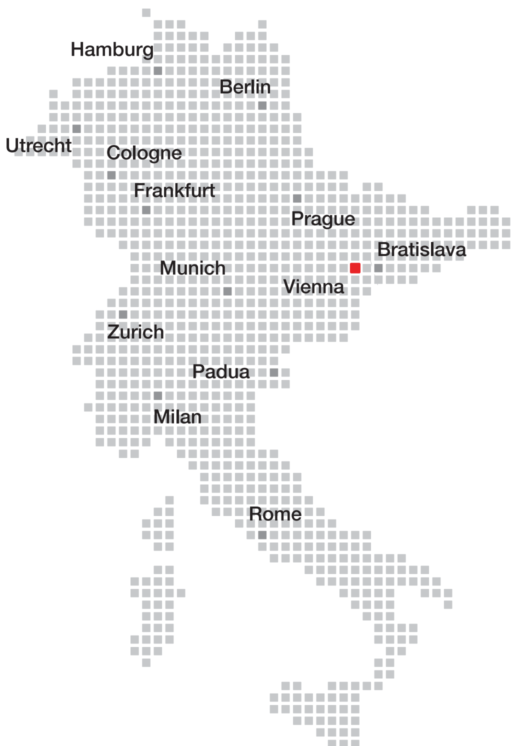
Company Profile

Within the past 25 years BRAIN FORCE developed into an internationally operating IT company and is represented at 13 locations in seven European countries. In the course of its Buy-and-Build strategy the Group expanded its portfolio significantly and has grown into an experienced managed services provider, which also offers a vast range of software solutions.

The portfolio comprises the following strategic business segments:

- **Business Solutions:**
  Our applications solutions and services to support business processes are bundled here.
- **Infrastructure Solutions:**
  Our applications solutions and services to support and to manage ITC infrastructures are bundled here.
- **Professional Services (formerly Enterprise Services):**
  In addition to the services from the segments Business Solutions and Infrastructure Solutions, all additional activities of the Group are bundled here regarding the recruitment and provision of IT experts.

BRAIN FORCE is represented at the following locations:

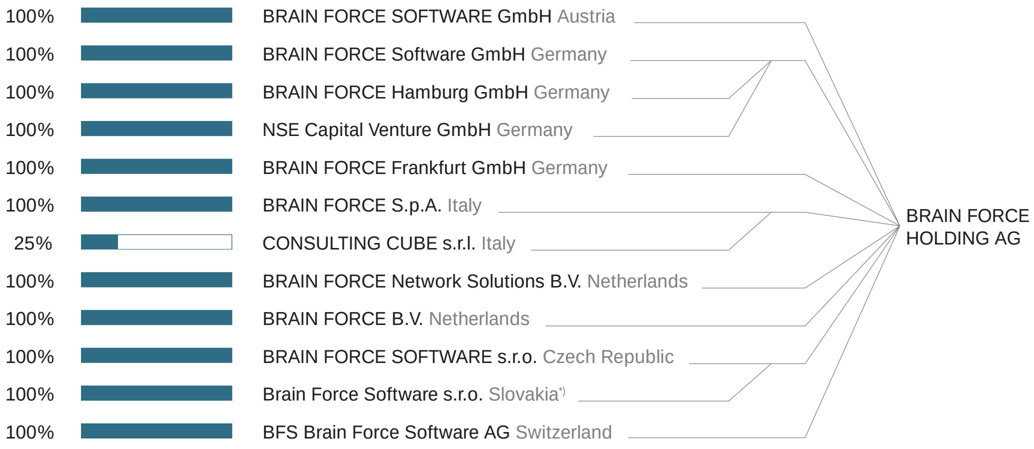


Group Structure

In the financial year 2007 SolveDirect.com Internet-Services GmbH was taken over and merged with BRAIN FORCE SOFTWARE GmbH, Austria, in August of that year. Moreover, BRAIN FORCE SOFTWARE s.r.o., Prague, and BRAIN FORCE SOFTWARE GmbH, Vienna, are holding 85 percent and 15 percent, respectively, in Brain Force Software s.r.o., Bratislava.

The following graph shows the current Group structure at the balance sheet date:

BRAIN FORCE HOLDING AG (shares in percent)



*) of which 85% is held by BRAIN FORCE SOFTWARE s.r.o., Czech Republic, and 15% by BRAIN FORCE GmbH, Austria

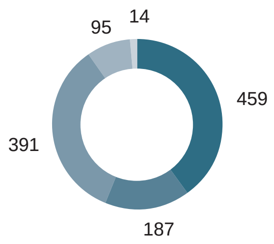
Staff

Staff as key factor to success

Motivation, know-how and enthusiasm – these are the key requirements for an innovative company in the high technology environment. These are also the qualities characterising BRAIN FORCE staff and synonymous for the success with customers and, consequently, of the Group. And this has been the case for 25 years. It is only with these qualities that the mission statement of BRAIN FORCE – “we make it” – can be realised. As of December 31, 2007, 1,146 persons were working for BRAIN FORCE, 283 of which demonstrated their know-how in numerous IT projects on a freelance basis.

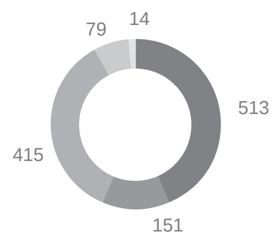
Breakdown of staff by region

2007



Region Germany
Region Central and Eastern Europe
Region South West Europe
Region North Europe
Group functions

2006



Region Germany
Region Central and Eastern Europe
Region South West Europe
Region North Europe
Group functions

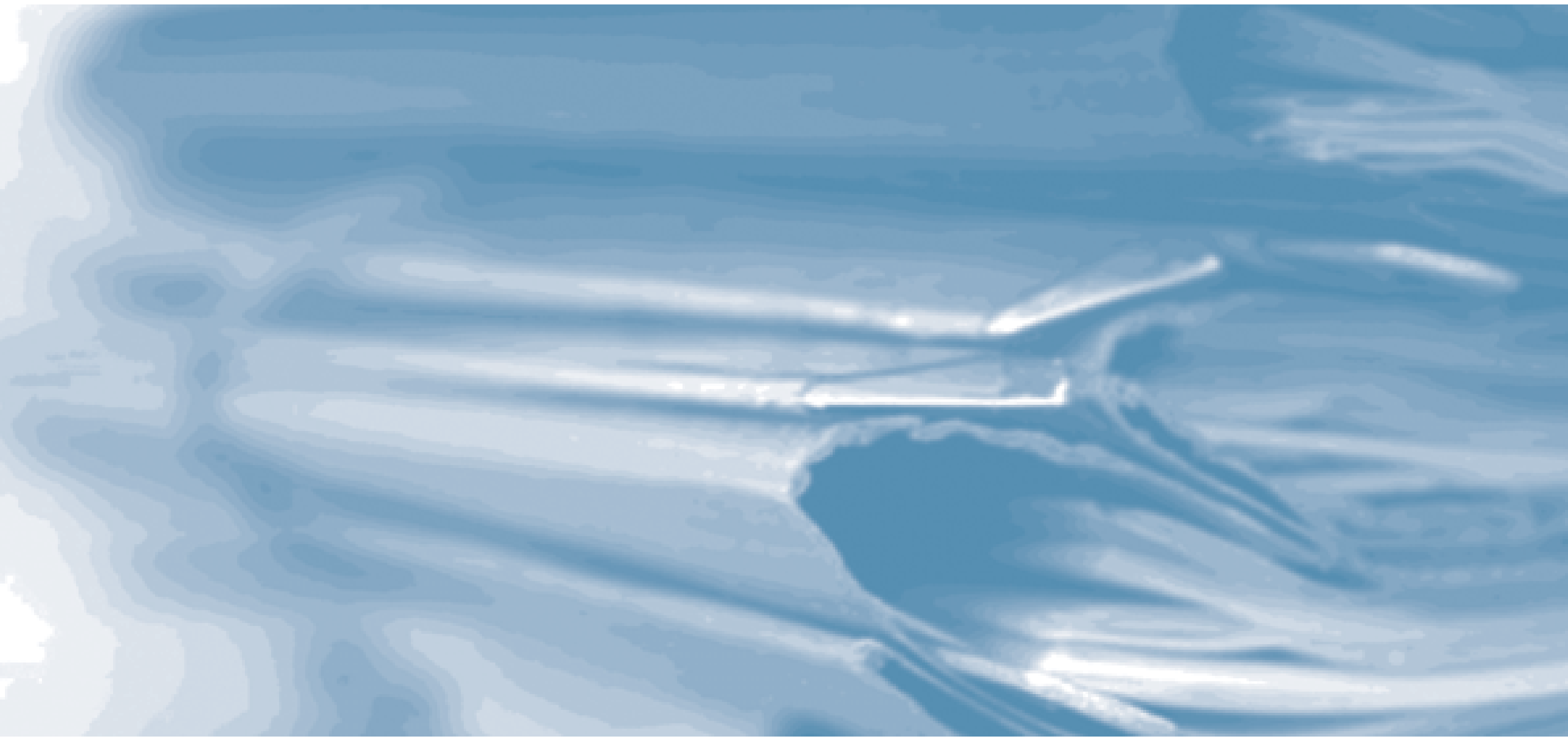
Bundling of competences

As internationally established company BRAIN FORCE offers its staff various career opportunities in Austria and abroad. The professional mobility between the locations is being promoted particularly with regard to the competence center structure. In these competence centers the experience and know-how of staff are bundled and the vast potentials used – and this is done across borders. The new competence center concept is also accompanied by an HR policy which is more focused on personnel development. In order to expand the competences in the individual areas and integrate new staff in the competence centers, respectively, professional development and training measures are currently being evaluated, with the main focus of course being on the transfer of know-how within the Company, from one staff to another.

From their origin as local organisational units, from now on more international projects will be managed out of the competence centers, which provide staff with considerable potential for development in the Business Solutions segment as well as in Infrastructure Solutions and Professional Services. In addition to the professional development and training measures mentioned, the international orientation of staff is promoted in order to further enhance their competence and industry know-how. Furthermore, in addition to a fixed salary, BRAIN FORCE offers its staff additional compensation components or flexible working time models to counter the steady trend towards shortage of qualified personnel. Only by doing so the Group will manage to maintain the high professional level, and at the same time, act more swiftly and successfully in the fierce competition than its competitors in the market.

BRAIN FORCE marking 25th anniversary

13 locations ++ 7 countries ++ 1,200 staff ++ EUR 98.3 million in net sales ++ more than 300 customers



Professional Services ++ Business Solutions ++ Infrastructure Solutions ++ BRAIN FORCE FINAS Suite ++ IT Service Management Solutions ++ Microsoft Dynamics AX + NAV ++ BRAIN FORCE Visual Space ++ Microsoft Dynamics CRM ++ Managed Services ++ ICT Suite ++ Application Management

ITIL ++ software as a service ++ software audit ++ cost efficiency ++ risk minimisation ++ investment security ++ outsourcing ++ project experience ++ service orientation

we keep it...

innovative
individual
international
interaktive
interesting
investing
informative

...moving

...for more than 25 years

Group Management Report

With perspectives to success. BRAIN FORCE has the necessary know-how and the respective structures to service tomorrow's growth markets already today.

Group Management Report

Economic Climate

Due to the continued disturbances on the financial markets the International Monetary Fund (IMF) has significantly lowered its 2008 growth forecast for the Euro zone. It lowered its forecasts to 1.6 percent and thus its expectations of autumn 2007 by 0.5 percent. The economic forecast was also lowered for Germany, which is the most important and strongest-selling market for BRAIN FORCE, from 1.9 percent to 1.5 percent.

Growth forecast lowered for Germany

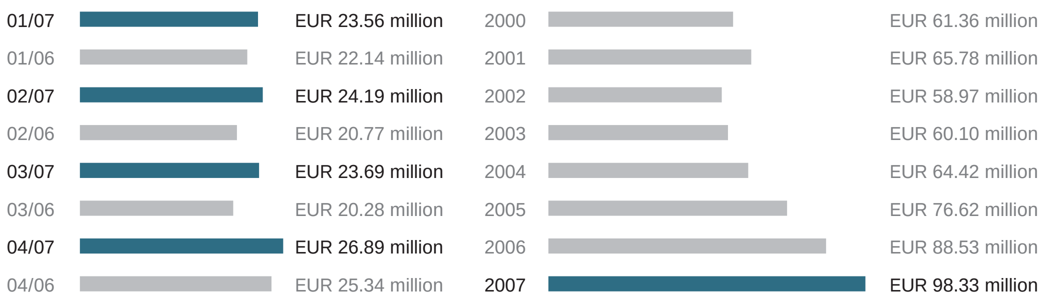
This step is also in line with the forecast of the EU Commission, which also lowered its expectations from 2.2 percent to now 1.8 percent. The Commission anticipates a marked slowdown for Germany in particular. The economic forecast of the EU at 1.6 percent is slightly higher than that of the IMF, however, in its autumn forecast it expected an increase of 2.1 percent.

The driving forces for growth continue to be providers of information technology and telecommunications (ITC). They have high expectations for the year 2008. According to the BITKOM economic poll from December 2007 78 percent of the companies anticipate rising sales, 16 percent expect net sales to remain flat, and only 6 percent anticipate a decline in sales. Software providers and IT service providers have the best prospects. 85 percent of the software companies polled expect rising sales in 2008, slightly more than three quarters also anticipate higher revenues than in the prior year.

Net sales and earnings

In the financial year 2007, the BRAIN FORCE Group generated net sales of EUR 98.3 million, thus exceeding the prior year figure of EUR 88.5 million by 11.0 percent.

Net sales by quarter and year



Positive development in the fourth quarter

The 2007 performance ratios were affected by restructuring expenses, impairment of goodwill, and unscheduled depreciation/amortisation in the second and third quarter of the reporting year. EBITDA (operating result before depreciation and amortisation) amounted to EUR 0.35 million or EUR 2.46 million, respectively, before restructuring expenses and thus were significantly below the prior year figure of EUR 6.51 million. EBITDA showed a positive development in the last quarter of the financial year, in which an EBITDA of EUR 1.91 million could be generated.

EBITDA by quarter and year

01/07	EUR 0.40 million	2000	EUR 4.37 million
01/06	EUR 1.98 million	2001	EUR 2.85 million
02/07	EUR 0.90 million	2002	EUR 1.90 million
02/06	EUR 1.28 million	2003	EUR 3.01 million
03/07	EUR -2.86 million	2004	EUR 4.13 million
03/06	EUR 0.51 million	2005	EUR 6.05 million
04/07	EUR 1.91 million	2006	EUR 6.51 million
04/06	EUR 2.74 million	2007	EUR 0.35 million

EBIT (earnings before interest and taxes) is stated at EUR -16.68 million. Net of restructuring expenses, impairment of goodwill and unscheduled depreciation/amortisation, the figure amounted to EUR -2.53 million, which is also below the prior year figure of EUR 2.92 million. Impairment of goodwill amounts to EUR 8.65 million, unscheduled depreciation/amortisation due to diminution in value is EUR 3.09 million. The development in the fourth quarter was clearly positive, with EBIT at EUR 0.74 million again in the black.

EBIT by quarter and year

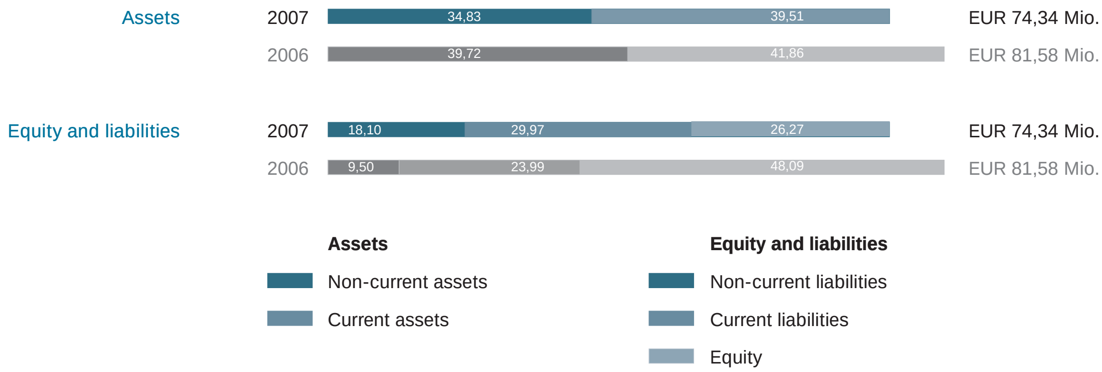
01/07	EUR -0.69 million	2000	EUR 2.52 million
01/06	EUR 1.17 million	2001	EUR -9.10 million
02/07	EUR -10.05 million	2002	EUR 0.07 million
02/06	EUR 0.44 million	2003	EUR 0.18 million
03/07	EUR -6.68 million	2004	EUR 2.39 million
03/06	EUR -0.35 million	2005	EUR 3.58 million
04/07	EUR 0.74 million	2006	EUR 2.92 million
04/06	EUR 1.66 million	2007	EUR -16.68 million

Earnings per share amount to EUR -1.29, whereas they were still positive at EUR 0.30 in 2006.

Net worth and financial position

The balance sheet total declined by 8.9 percent year-on-year to EUR 74.34 million (prior year: EUR 81.58 million). The decline is mainly due to the impairment of goodwill and the diminution in value of other assets. This is contrasted with the addition of assets from the acquisition of SolveDirect.com Internet-Service GmbH, Vienna (meanwhile merged into BRAIN FORCE SOFTWARE GmbH, Vienna).

Balance sheet structure



Non-current assets amount to 46.8 percent (prior year: EUR 48.7 percent) of total assets. As is customary in the industry, the share of property, plant and equipment is low at EUR 2.33 million (prior year: EUR 1.61 million). Capital expenditure on property, plant and equipment in the amount of EUR 1.59 million is contrasted with scheduled depreciation amounting to EUR 0.82 million.

Increased goodwill due to SolveDirect

Goodwill declined by EUR 5.44 million to EUR 15.86 million (prior year: EUR 21.30 million). This decline is composed of an adjustment of the acquisition costs of BRAIN FORCE B.V., Netherlands (formerly VAI B.V.) in the amount of EUR 2.37 million that did not affect income, and the impairment of goodwill in the amount of EUR 8.65 million. Goodwill rose by EUR 5.58 million due to the acquisition of SolveDirect.com Internet-Service GmbH.

The acquisition costs of BRAIN FORCE B.V. were adjusted due to a revised planning of future revenue from the acquisition and the related reduction in the performance-related purchase price.

Other intangible assets amount to EUR 13.07 million at December 31, 2007 (prior year: EUR 10.49 million). The development costs included amount to EUR 3.31 million (prior year: EUR 6.40 million) and thus account for 4.5 percent of total assets (prior year: 7.8 percent).

Financial assets accounted for under the equity method decreased by EUR 0.53 million. This item mainly includes the 30 percent share in KEMP Technologies Inc., the carrying amount of which was tested for impairment in the reporting year. Based on available information and the assessment of the future development, an impairment need in the amount of EUR 0.50 million was determined and recognised in the financial year 2007.

Other non-current receivables amount to EUR 0.75 million (prior year: EUR 0.83 million) and mainly include an underwritten convertible bond in the amount of EUR 0.61 million.

Noticeable corporate income tax reform

At December 31, 2007 deferred tax assets amount to EUR 2.63 million (prior year: EUR 4.77 million). This decline is due to adjustments in the utilisation of tax loss carryforwards expected in the future within BRAIN FORCE SOFTWARE GmbH, Munich. These adjustments, on the one hand, result from the change in the medium-term planning of the Company and, on the other hand, from the corporate income tax reform passed by the German Bundesrat (upper house of the German parliament).

Current assets account for 53.2 percent of total assets and declined by EUR 2.34 million to EUR 39.52 million.

Trade receivables increased EUR 2.32 million year-on-year to EUR 28.17 million (prior year: EUR 25.85 million).

Other current receivables and assets in the amount of EUR 1.64 million (prior year: EUR 2.13 million) mainly include the accrual of other maintenance contracts amounting to EUR 0.89 million (prior year: EUR 0.77 million).

At the closing date, cash and cash equivalents amount to EUR 9.44 million (prior year: EUR 13.53 million).

Group equity amounts to EUR 26.27 million (prior year: EUR 48.09 million). The equity ratio is 35.3 percent (prior year: 59.0 percent).

Non-current liabilities increased EUR 8.61 million to EUR 18.11 million. This increase results primarily from taking out a long-term loan in the amount of EUR 10 million.

Lower provisions for employee benefit obligations

The provisions for employee benefit obligations show a decline of EUR 1.32 million to EUR 2.56 million (prior year: EUR 3.88 million). The decline is mainly due to a statutory amendment of the Italian termination benefit system. As of the financial year 2007, the obligation to set up provisions is waived for entitlements of employees to termination benefits earned, since the contributions are paid to a statutory social security or a provision fund.

Other non-current provisions include the performance-related purchase price obligation from the acquisition of BRAIN FORCE B.V. and SolveDirect.com Internet-Service GmbH.

Performance-related purchase price obligation

Current liabilities increased 25.0 percent to EUR 29.97 million (prior year: EUR 23.99 million). The increase mainly results from the rise in financial liabilities to EUR 4.66 million (prior year: EUR 2.00 million) and in other liabilities to EUR 12.21 million (prior year: EUR 10.53 million). Other current provisions rose by EUR 1.32 million to EUR 2.56 million, EUR 2.33 million of which relates to the current performance-related purchase price obligations from the acquisition of BRAIN FORCE B.V. and SolveDirect.com Internet-Service GmbH.

At the closing date December 31, 2007, working capital amounts to EUR 9.55 million (prior year: EUR 17.87 million), net liabilities to EUR 6.53 million (prior year: EUR 0).

Cash Flow and investments

In the financial year 2007 a cash outflow results from operating activities in the amount of EUR 2.02 million (prior year: inflow of EUR 7.22 million). The decline over the prior year, on the one hand, is due to lower results and, on the other hand, to the increase in the cash outflow for long-term employee benefit obligations and other provisions to EUR 1.20 million. EUR 2.40 million (prior year: EUR 1.82 million) was paid in income taxes in the financial year 2007.

EUR 6.93 million for the acquisition of subsidiaries

The cash outflow from investing activities amounts to EUR 9.55 million (prior year: EUR 13.87 million), EUR 6.93 million of which relates to the acquisition of subsidiaries (prior year: EUR 11.16 million). The utilisation of funds mainly relates to the purchase price paid in cash for the acquisition of all shares in SolveDirect.com Internet-Service GmbH and performance-related purchase price payments for companies acquired in previous years. Furthermore, payments were made in connection with the squeeze-out of existing shareholders of Brain Force Financial Solutions AG and the subsequent shareholder action in the amount of EUR 0.47 million.

Capital expenditure on property, plant and equipment and other intangible assets amounts to EUR 2.82 million (prior year: EUR 2.81 million).

In the financial year 2007, EUR 9.80 million (prior year: EUR 9.97 million) was used for the acquisition of current financial assets.

Cash inflows amounting to EUR 9.95 million (prior year: EUR 10.03 million) result from the sale of current financial assets.

The cash flow from financing activities amounts to EUR 7.81 million (prior year: EUR 8.75 million). EUR 3.03 million (prior year: EUR 0.10 million) was used for the acquisition of own shares. Furthermore, a dividend amounting to EUR 1.51 million (prior year: EUR 0.82 million) was paid to the shareholders of BRAIN FORCE HOLDING AG. A cash inflow of EUR 12.35 million results from taking out financial liabilities.

Cash and cash equivalents reported at the closing date December 31, 2007 amount to EUR 9.44 million (prior year: EUR 13.53 million, EUR 0.33 million of which is restricted cash).

Orders

Increase in orders

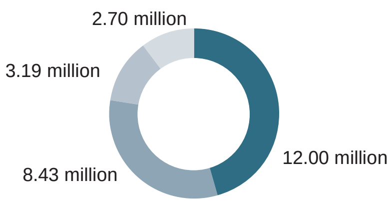
At the closing date December 31, 2007, the BRAIN FORCE Group had orders worth EUR 26.32 million (prior year: EUR 25.60 million), an increase of approx. 3 percent.

The orders are attributable to the individual business segments as follows:

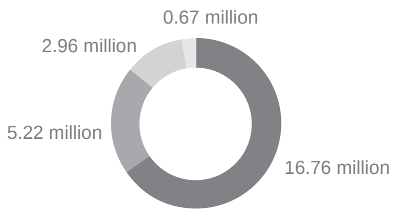
- The Enterprise Services segment accounts for EUR 11.90 million (prior year: EUR 16.09 million)
- The Business Solutions segment accounts for EUR 6.68 million (prior year: EUR 6.15 million)
- The Technology and Infrastructure segment accounts for EUR 7.74 million (prior year: EUR 3.36 million)

Orders by region in EUR

2007



2006



Region Germany
Region Central and Eastern Europe
Region South West Europe
Region North Europe

Region Germany
Region Central and Eastern Europe
Region South West Europe
Region North Europe

Research and product development

Enhancement of the software offered

The reasonable bundling of software and services is a characteristic of BRAIN FORCE. A continued enhancement of the software offered is therefore indispensable for the success of the Company. Only with state-of-the-art solutions in connection with the know-how as experienced managed services provider can the high expectations of the customers be met, who are demanding more full-service offers. That is why BRAIN FORCE is continuously enhancing its products in order to occupy the markets of tomorrow already today.

The research and product development activities of the BRAIN FORCE Group are bundled in the **Business Solutions (BS)** and **Technology and Infrastructure (TI)** segments.

The BS segment further expanded its core competencies by solutions for the financial services industry and occupied important trend markets in the past financial year. So, for instance, a new module was developed with *BRAIN FORCE Abgeltungssteuer*, which fully complies with the legal requirements for the introduction of a new withholding tax on capital yields as of January 1, 2009. Financial advisors can automatically compose a tailored product package of securities and funds for their customers and optimise their capital yields. In addition, with *BRAIN FORCE Gewerbeabsicherung* a module was developed for insurance consultancy, which specifically addresses the clientele of business enterprises. They are subject to certain risks and therefore need special insurances, such as content, public liability, industrial accident, commercial property, automobile and legal protection insurance.

New products expand the range

In the TI segment, with BRAIN FORCE ICT Bill the Group launched a modern, effective software solution for the billing of ITC services according to origin in companies on the market. Thus, ITC costs can be allocated on a lump-sum basis within the respective specialist department and a sustained contribution can be earned to its productivity enhancement or competitiveness, respectively. This way, BRAIN FORCE supports customers in developing their IT departments from pure cost centres into successful profit centres.

The *BRAIN FORCE Net Organizer* was also enhanced and complemented by the “Billing Ticket” tool. With this tool, interfaces to already existing billing systems, i.e. billing systems of ITC components, can easily be created for the customer. In this way, costs for the configuration, removal and the utilisation of components are calculated automatically and allocated to the right cost centre in the company. Thus, multiple entries and errors due to manual entries are avoided and the billing of costs is automated, which results in a significantly higher efficiency and a reduction in IT costs for the customer.

Furthermore, BRAIN FORCE completed Version 2.0 of the *Packaging Robot*. The new version contains a separate repackaging engine and supports Microsoft Softgrid for the virtualisation of applications, one of the major markets of the future in the entire IT management environment. Moreover, the new product *BRAIN FORCE Desktop Manager* was extended and complemented with the Rapid Deployment Program. The central management of user profiles in the company is even faster and more efficient as a result, which is crucial particularly with regard to the introduction of the new operating system Microsoft Vista.

Multi Level Service Management

The BRAIN FORCE division SolveDirect Solutions advanced the expansion of its service management platform into the direction of Multi Level Service Management. In this way, the ever more complex requirements of large, international service organisations are met with best-practice solutions, which demand closer networking between partners and organisations in the service processes up to the integration with ERP and supply chain solutions. Moreover, these integrated processes remain customer-specific and at the same time transparent and measurable. The resulting simplifications lead to enormous cost advantages and quality enhancements in the internal and external processes.

Risk management

The BRAIN FORCE Group is exposed to various risks in the course of its international activities. The relevant risks are described below, as is the response of the BRAIN FORCE Group where appropriate.

Low currency risk

The liquidity risk is monitored by ongoing detailed financial planning at management board level. As the Group is mainly based in the Euro zone, currency risk is of minor importance. Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The financial liabilities in the BRAIN FORCE Group carry fixed and variable interest rates. The liquid funds are invested short-term.

Major non-financial risks are:

- Market and competitive risk: the BRAIN FORCE Group operates on a market characterised by intense competition. In addition, the software and IT services market is subject to economic fluctuations. These factors are accounted for, on the one hand, by focusing on core markets and core competencies and by systematically opening up new technologies and markets.
- The range of products offered by the BRAIN FORCE Group is varied and is subject to continuous and rapid technological change. It is also characterised by continuing changes

in customer short-cycle demands. The Group guards against this risk by continuing to develop and adapt its products to market requirements.

- Despite its diverse customer base, operating companies of the BRAIN FORCE Group in some countries are heavily dependent on individual major customers. In order to be able to minimise the impact on the result for BRAIN FORCE in case of default by customers, the focus is on a further diversification of the customer base to reduce the dependencies.
- Unpredictability of future business development: the growth of the BRAIN FORCE Group is dependent on factors such as customer potential and success in new markets. To exclude or minimise the risk of not meeting targets based on these factors, the Group carries out regular market monitoring and analyses.

Defined processes ensure quality

- Risks relating to software security and system disruptions: the BRAIN FORCE Group either works together with its customers on installing and integrating individual software or sells standard software solutions, which it has usually developed in-house. In order to exclude or detect errors that could result in liability at an early stage, the respective products are developed and implemented, guaranteeing the quality, on basis of defined processes and procedure models. After completion an acceptance test is carried out by the customer, either confirming that the programmes are working properly or identifying errors and necessary corrections. Programme errors are rectified within the warranty period. Regular project controlling ensures that liability risks from projects are kept to a minimum. Risk and change management is undertaken in line with the size and risk potential of the projects. A legal review of the contracts is mandatory.
- Insurance is taken out for specific liability risks and damages.
- In the financial year 2007, the Chairman of the Management Board, Mr. Helmut Fleischmann, was recalled early. Subsequently, legal actions were brought by both parties, which are still pending.

For the purpose of risk prevention and control, the local companies assume only those risks associated with their operating activities and always analyse them in relation to the possible profit. In particular, speculations outside the operating activities are impermissible. Risks outside the operating activity, such as financial risks, are monitored by the parent company and adequately hedged.

Instruments for risk monitoring

The main instruments used to monitor and control risks are the planning and controlling process, group guidelines, and regular reporting. Reporting plays a crucial role in monitoring and controlling economic risks associated with current business operations. The group auditor reviews the efficiency of the risk management in the Group annually and reports its findings to the Supervisory Board and Management Board.

Disclosures in accordance with Section 243a UGB

1. The share capital is made up of 15,386,742 no-par value bearer shares and was fully paid in.
2. Pursuant to Section 4 of BRAIN FORCE AG's articles of association anyone who reaches, exceeds or falls below 5, 10, 25, 50 or 75 percent of the voting rights through acquisition, sale or otherwise shall immediately notify the Company in writing of reaching, exceeding or falling below the above mentioned limits, as well as of the proportion of voting rights held, stating his address. Until this notification, as well as for the subsequent three months, the voting rights exceeding the respective limit are not taken into account. Beyond that the Board of Management is not aware of any limitations concerning voting rights or the transfer of shares.
3. As of December 31, 2007, the Company has been notified of the following direct or indirect investments of at least 10 percent:
   Helmut Fleischmann Privatstiftung: 15.67 percent.
4. There are no shares with special control rights.
5. The BRAIN FORCE Group does not have any stock option plans for employees.
6. There are no additional provisions in place regarding the members of the Board of Management and Supervisory Board beyond those laid down in the law.
7. Options to issue or repurchase shares:
   a) Authorised capital: In accordance with the resolutions passed by the general meeting on May 11, 2006 the Board of Management was authorised to raise the share capital within five years as of the registration of the corresponding amendment to the articles of association in the commercial register in one or several tranches by up to EUR 7,693,371 by issuing up to 7,693,371 new ordinary bearer shares (no-par value shares) against cash contributions and/or contributions in kind, with or without the exclusion of existing shareholders' subscription rights in case of cash contributions and/or contributions in kind and/or issue of shares to employees of the Company and of affiliated companies, and to specify the issue amount and terms of the issue in agreement with the Supervisory Board. In addition, the Supervisory Board is authorised to pass amendments to the articles of association, which result from the issue of shares from the authorised capital.
   b) Acquisitions of own shares: In accordance with the resolution passed by the ordinary general meeting of the Company on May 9, 2007, revoking the authorization granted to the Board of Management at the ordinary general meeting on May 11, 2006, pursuant to Sections 65 (1) No. 4 and 8 AktG (Austrian Stock Corporation Act) a new authorization was granted to the Board of Management to acquire own shares up to a maximum of 10 percent of the share capital for a period of 18 months as of the date this resolution was passed; the consideration to be paid shall be no less than EUR 1 and no more than EUR 15. The authorisation can be executed in full or in seve-

ral parts and in pursuit of one or several purposes by the Company, its group companies or a third party acting on its behalf. Furthermore, the Management Board was authorised, subject to the approval by the Supervisory Board, to decide on a different kind of disposal for the sale of own shares other than via the Stock Exchange or through a public offering, excluding the existing shareholders' subscription rights, whereby the subscription right of shareholders can only be excluded, if these shares are issued as compensation in the acquisition of a company, business, business unit or shares in one or several companies at home and abroad to service stock options granted to the staff, executive employees or members of the Management Board or Supervisory Board of the Company or a related company. This authorisation can be exercised once or several times, in full or in several parts, individually or jointly, and is valid for the maximum statutory period. In addition, the Management Board was authorised to withdraw the own shares without any further resolution by the general meeting. The Management Board decided to make use of this authorisation to dispose of own shares. The sale of own shares started on July 31, 2007 and ended on August 6, 2007. The shares were sold outside the Stock Exchange, excluding the subscription rights of shareholders, since the Company has already paid part of the purchase price in own no-par value shares in the acquisition of all shares in Solve-Direct.com Internet-Service GmbH, already approved by the Supervisory Board.

8. Company agreements that become effective, change or end at a change in control as a result of a takeover bid, as well as their effects are not made public by the Company, with the exception of the disclosures in paragraph 9, as this would seriously damage the Company.
9. For the case of a “hostile” takeover of the Company in the meaning of the Austrian Takeover Act (“Übernahmegesetz”) it was agreed separately with each member of the Board of Management that the managing director is entitled to unilaterally at any time terminate his management contract within a period of two (2) months as of the date the takeover becomes effective with immediate effect and without any further notification period and to resign immediately. The Company is obliged, if the managing director exerts this abovementioned right, to transfer to the board member his fixed compensation to which he would be entitled until the end of his full term as stipulated in his contract, in the form of a one-off payment as severance payment within four weeks after the date of his resignation.

Events after the balance sheet date

On January 29, 2008 the Company filed an application for the revocation of the listing of the shares of BRAIN FORCE HOLDING AG on the Regulated Market at the Frankfurt Stock Exchange. By resolution dated February 13, 2008 the application of the Company was approved. The revocation of the listing of the shares on the Regulated Market at the Frankfurt Stock Exchange will enter into effect after May 13, 2008.

Takeover bid to the shareholders of BRAIN FORCE HOLDING AG

On January 31, 2008 Unternehmens Invest Aktiengesellschaft, Vienna, announced its intention to make a takeover bid to the shareholders of BRAIN FORCE HOLDING AG through BF Informationstechnologie-Beteiligungsgesellschaft m.b.H., Wels, in which Unternehmens Invest Aktiengesellschaft and CROSS Industries AG, Wels, together hold the majority of the shares. Subsequently, BF Informationstechnologie-Beteiligungsgesellschaft m.b.H. announced in mid-February 2008 that it had acquired additional shares in BRAIN FORCE HOLDING AG and concluded a voting trust agreement subject to a condition precedent with BEKO HOLDING AG, Vienna, which is why – in case the voting trust agreement is not prohibited by the antitrust authority – it will make a mandatory offer pursuant to the Austrian Takeover Act. The mandatory offer had not been published at the reporting date.

Outlook

What effects a possible takeover of BRAIN FORCE by BF Informationstechnologie-Beteiligungsgesellschaft m.b.H. might have on the future development, cannot be measured reliably, since the takeover bid has not yet been published.

Positive operating result with rising sales

Given the announcements made so far by BF Informationstechnologie-Beteiligungsgesellschaft m.b.H. that BRAIN FORCE shall be positioned as platform for a Central European IT Group, from today’s perspective the basic focus is likely to remain on the core business. BRAIN FORCE will advance the integration of acquired companies, in order to optimise existing synergies and further improve the competitiveness in the market. Upon reaching a positive EBIT in the fourth quarter of the reporting year, the Group had first major successes in this regard. This trend is expected to continue so that the Management Board anticipates a positive operating result with rising sales in the financial year 2008.

Vienna, March 14, 2008

The Management Board

Günter Pridt

Consolidated Financial Statements

Transparent and always up to date – these are clear guidelines of the BRAIN FORCE controlling team and shall be synonymous with the Company's success in the future

Consolidated income statement for the year 2007	Notes	2007	2006
		EUR	EUR
1. Net sales	18, 23, 51	98,333,256.56	88,531,176.82
2. Cost of sales	24	-79,056,320.15	-63,908,239.32
3. Gross profit on sales		19,276,936.41	24,622,937.50
4. Selling expenses	24	-11,898,282.92	-9,301,687.42
5. Administrative expenses	24	-14,241,460.11	-12,203,190.97
6. Other operating expenses	24	-1,705,580.30	-2,107,610.39
7. Other operating income	25	531,134.09	1,907,663.25
8. Impairment of goodwill	24	-8,645,809.75	0.00
9. Operating result		**-16,683,062.58**	**2,918,111.97**
10. Financial income	28	71,923.83	125,918.63
11. Financial expense	28	-785,329.74	-220,620.69
12. Financial result	**28**	**-713,405.91**	**-94,702.06**
13. Result from associates	33	-513,346.40	406,554.38
14. Result before income taxes		**-17,909,814.89**	**3,229,964.29**
15. Income taxes	20, 29	-2,004,895.22	942,883.04
16. Result for the period		**-19,914,710.11**	**4,172,847.33**
Result for the period attributable to:			
Equity holders of the parent company		-19,914,710.11	4,172,847.33
Earnings per share	53	-1.29	0.30

Consolidated balance sheet as at December 31, 2007	Notes	Dec. 31, 2007	Dec. 31, 2006
ASSETS		EUR	EUR
Non-current assets			
Property, plant and equipment	3, 30	2,328,060.01	1,614,067.54
Goodwill	5, 31	15,861,876.38	21,304,952.48
Other intangible assets	5, 6, 32	13,065,053.03	10,487,375.37
Investments in associates	7, 33	11,466.25	536,857.43
Financial assets	8, 34	179,780.94	183,283.32
Other receivables and assets	12, 38	750,910.93	825,771.92
Deferred tax assets	20, 35	2,628,433.11	4,768,958.28
		34,825,580.65	**39,721,266.34**
Current assets			
Inventories	10, 36	268,534.46	337,613.25
Trade receivables	11, 12, 37	28,168,703.26	25,851,978.91
Other receivables and assets	12, 38	1,638,648.75	2,134,857.61
Cash and cash equivalents	13, 39	9,440,942.51	13,533,836.72
		39,516,828.98	**41,858,286.49**
		74,342,409.63	**81,579,552.83**
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent company			
Share capital	40	15,386,742.00	15,386,742.00
Reserves	40	15,260,502.92	24,475,469.55
Retained earnings		-4,381,822.90	8,365,027.23
Own shares		0.00	-134,737.40
		26,265,422.02	**48,092,501.38**
Non-current liabilities			
Financial liabilities	14, 42	11,308,021.58	547,814.99
Other liabilities	14, 44	73,605.20	27,449.07
Provisions for post-employment benefits	16, 41	2,559,368.92	3,881,526.73
Other provisions	15, 46	1,603,503.00	3,155,240.00
Deferred tax liabilities	20, 35	2,561,714.48	1,887,976.80
		18,106,213.18	**9,500,007.59**
Current liabilities			
Financial liabilities	14, 42	4,664,466.62	1,999,157.99
Trade payables	14, 43	9,780,847.55	8,520,498.38
Other liabilities	14, 44	12,206,583.07	10,527,741.16
Tax provisions	20, 45	762,239.19	1,698,344.33
Other provisions	15, 46	2,556,638.00	1,241,302.00
		29,970,774.43	**23,987,043.86**
		74,342,409.63	**81,579,552.83**

Consolidated cash flow statement for the year 2007	Notes	2007	2006
		EUR	EUR
Cash flow from operating activities	47		
Result before taxes		-17,909,814.89	3,229,964.29
Adjustments for			
+ Depreciation/amortisation		17,029,091.52	3,595,802.35
+/- Financial result		713,405.91	94,702.06
+/- Result from associates		513,346.40	-406,554.38
+/- Gains/losses from the disposal of property, plant and equipment and intangible assets		1,713.94	-2,154.08
- Other non-cash income		0.00	-475,983.06
+/- Changes in provisions for post-employment benefits and other provisions		-1,204,220.81	13,852.65
+/- Changes in inventories		74,678.79	17,835.41
+/- Changes in receivables		-489,745.65	3,552,554.05
+/- Changes in payables		2,208,381.08	-475,134.79
+/- Currency translation differences		-6,683.80	-39,126.55
		930,152.49	**9,105,757.95**
- Interest paid		-543,072.63	-207,391.90
+ Dividends received		0.00	137,840.58
- Taxes on income paid		-2,404,279.05	-1,815,961.16
Net cash flow from operating activities		**-2,017,199.19**	**7,220,245.47**
Cash flow from investing activities	48		
- Acquisition of subsidiaries		-6,929,733.79	-11,164,502.84
- Investments in property, plant and equipment and other intangible assets		-2,820,623.02	-2,808,587.46
- Investments in financial assets		-9,803,484.79	-9,967,702.35
+ Sale of property, plant and equipment and other intangible assets		53,764.91	38,643.71
+ Sale of financial assets		9,947,332.45	10,034,190.53
Net cash flow from investing activities		**-9,552,744.24**	**-13,867,958.41**
Cash flow from financing activities	49		
+ Proceeds from issue of shares		0.00	14,092,860.83
- Purchase of own shares		-3,032,962.24	-104,812.78
- Dividends paid		-1,505,545.81	-820,053.52
+ Proceeds from borrowing		12,577,314.50	29,370.89
- Repayments of financial liabilities		-231,844.61	-4,451,826.85
Net cash flow from financing activities		**7,806,961.84**	**8,745,538.57**
Change in cash and cash equivalents	50	**-3,762,981.59**	**2,097,825.63**
Cash and cash equivalents at beginning of year		13,203,924.10	11,106,098.47
+/- Change in cash and cash equivalents		-3,762,981.59	2,097,825.63
Cash and cash equivalents at end of year	50	**9,440,942.51**	**13,203,924.10**

Consolidated statement of changes in equity	Notes	Share capital	Share premium
		EUR	EUR
Balance January 1, 2006		10,257,828,00	15,791,657.20
Fair value adjustments of securities		0.00	0.00
Currency translation differences		0.00	0.00
Transfer of reserves		0.00	0.00
Net income recognised directly in equity		0.00	0.00
Result for the period		0.00	0.00
Total result for the period		0.00	0.00
Dividend		0.00	0.00
Capital increase by cash contribution		5,128,914.00	10,770,719.40
Transaction costs related to issue of share capital		0.00	-1,811,772.57
Change of own shares		0.00	0.00
Other movements within minority interest		0.00	0.00
Balance December 31, 2006	40	**15,386,742.00**	**24,750,604.03**
Fair value adjustments of securities		0.00	0.00
Currency translation differences		0.00	0.00
Transfer of reserves		0.00	-9,162,972.80
Net income recognised directly in equity		0.00	-9,162,972.80
Result for the period		0.00	0.00
Total result for the period		0.00	-9,162,972.80
Dividend		0.00	0.00
Change of own shares		0.00	-51,610.83
Other movements within minority interest		0.00	0.00
Balance December 31, 2007	40	**15,386,742.00**	**15,536,020.40**

Attributable to equity holders of the parent company				Minority interest	Total equity
Other reserves	Retained earnings	Own shares	Total		Total
EUR	EUR	EUR	EUR	EUR	EUR
-149,821.08	5,812,121.08	-29,924.62	31,681,860.58	425,830.27	32,107,690.85
-7,618.92	0.00	0.00	-7,618.92	0.00	-7,618.92
-7,432.48	0.00	0.00	-7,432.48	0.00	-7,432.48
-110,262,00	110,262,00	0.00	0.00		0.00
-125,313.40	110,262.00	0.00	-15,051.40	0.00	-15,051.40
0.00	4,172,847.33	0.00	4,172,847.33	0.00	4,172,847.33
-125,313.40	4,283,109.33	0.00	4,157,795.93	0.00	4,157,795.93
0.00	-820,053.52	0.00	-820,053.52	0.00	-820,053.52
0.00	0.00	0.00	15,899,633.40	0.00	15,899,633.40
0.00	0.00	0.00	-1,811,772.57	0.00	-1,811,772.57
0.00	0.00	-104,812.78	-104,812.78	0.00	-104,812.78
0.00	-910,149.66	0.00	-910,149.66	-425,830.27	-1,335,979.93
-275,134.48	**8,365,027.23**	**-134,737.40**	**48,092,501.38**	**0.00**	**48,092,501.38**
-4,505.98	0.00	0.00	-4,505.98	0.00	-4,505.98
4,122.98	0.00	0.00	4,122.98	0.00	4,122.98
0.00	9,162,972.80	0.00	0.00	0.00	0.00
-383.00	9,162,972.80	0.00	-383.00	0.00	-383.00
0.00	-19,914,710.11	0.00	-19,914,710.11	0.00	-19,914,710.11
-383.00	-10,751,737.31	0.00	-19,915,093.11	0.00	-19,915,093.11
0.00	-1,505,545.81	0.00	-1,505,545.81	0.00	-1,505,545.81
0.00	0.00	134,737.40	83,126.57	0.00	83,126.57
0.00	-489,567.01	0.00	-489,567.01	0.00	-489,567.01
-275,517.48	**-4,381,822.90**	**0.00**	**26,265,422.02**	**0.00**	**26,265,422.02**

Consolidated notes for the financial year 2007

The company

Within the past few years BRAIN FORCE HOLDING AG, Vienna, as medium-sized IT company transformed itself from a pure project service provider to an IT solutions provider. The BRAIN FORCE Group offers its products and services on the relevant markets through individual subsidiaries, mainly in the sectors insurance and financial services, telecommunications and industry. The company's head office is located at IZD Tower, Wagramer Straße 19, 1220 Vienna, Austria.

Accounting and measurement principles

(1) Financial reporting principles

The consolidated financial statements at December 31, 2007 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the applicable Austrian regulations pursuant to Section 245a UGB. Presentation currency is the Euro.

The measurement principles applied in the preparation of the consolidated financial statements are based on historical acquisition or production cost, with the exception of derivative financial instruments and available-for-sale securities, which are measured at fair value at the balance sheet date.

The preparation of the consolidated financial statements in accordance with generally accepted accounting and measurement principles pursuant to IFRS as adopted by the EU requires the use of estimates and assumptions which influence the amount and presentation of assets and liabilities in the balance sheet, disclosed contingent assets and liabilities at the balance sheet date, and income and expenses recorded during the reporting period. Although these estimates are made by the Management Board to the best of their knowledge and are based on current transactions, actual values may eventually differ from these estimates.

First-time adoption of new financial reporting standards

The following standards and interpretations were adopted for the first time:

- IFRS 7 Financial Instruments: Disclosures and Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures was adopted for the first time in 2007. This results in additional disclosures on financial instruments and has no effect on the presentation or measurement of the Group's financial instruments or disclosures regarding taxes and trade receivables or other liabilities.
- IFRIC 8 Scope of IFRS 2 (mandatory for accounting periods beginning on or after May 1, 2006). This interpretation does not have an impact on the consolidated financial statements.

- IFRIC 10 Interim Financial Reporting and Impairment. This interpretation does not have an impact on the consolidated financial statements.

New financial reporting regulations which are not yet mandatory

The IASB or IFRIC adopted further standards or amendments to standards and interpretations which are not yet mandatory for the financial year 2007. The following regulations had been adopted by the EU by the time these consolidated financial statements were prepared and published in the official journal.

- IFRS 8 Operating Segments (mandatory for accounting periods beginning on or after January 1, 2009). The effect of this standard cannot yet be estimated reliably.
- IFRIC 11 Group and Treasury Share Transactions pursuant to IFRS 2 (mandatory for accounting periods beginning on or after March 1, 2007). This interpretation does not have an impact on the consolidated financial statements.

The following standards or amendments to standards and interpretations were adopted by the IASB or IFRIC, however, by the time these consolidated financial statements were prepared, they had not yet been adopted by the EU.

- IFRIC 12 Service Concession Arrangements (mandatory for accounting periods beginning on or after January 1, 2008)
- IFRIC 13 Customer Loyalty Programmes (mandatory for accounting periods beginning on or after July 1, 2008)
- IFRIC 14 The Limit on a Defined Benefit Asset: Minimum Funding Requirements and their Interaction (mandatory for accounting periods beginning on or after July 1, 2008)
- IAS 23 Borrowing Costs (revised; mandatory for accounting periods beginning on or after January 1, 2009)
- IAS 1 Presentation of Financial Statements (revised; mandatory for accounting periods beginning on or after January 1, 2009)
- IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (revised; mandatory for accounting periods beginning on or after July 1, 2009)
- IFRS 2 Share-based payment (revised; mandatory for accounting periods beginning on or after January 1, 2009)
- IAS 32 Financial Instruments Disclosures and IAS 1 Presentation of Financial Statements (revised; mandatory for accounting periods beginning on or after January 1, 2009)

The effect of these regulations cannot yet be estimated reliably.

(2) Principles of consolidation

The financial statements included in consolidation were all drawn up with a uniform consolidated balance sheet date at December 31, 2007.

In addition to BRAIN FORCE HOLDING AG, domestic and foreign subsidiaries are included in the consolidated financial statements over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Consolidated group

On July 6, 2007 a purchase and transfer agreement was concluded on the acquisition of all shares in SolveDirect.com Internet-Service GmbH, Vienna. After June 30, 2007 the risk and chance regarding the company shares were transferred. Subsequently, by merger agreement dated August 22, 2007 SolveDirect.com Internet-Service GmbH was merged into BRAIN FORCE SOFTWARE GmbH with retroactive effect as of January 1, 2007.

BRAIN FORCE SOFTWARE Ltd., Cambridge, United Kingdom, is liquidated and was deconsolidated at the end of the financial year.

Furthermore, BRAIN FORCE Inc., New York, USA, was incorporated and liquidated again.

Thus, the consolidated financial statements include BRAIN FORCE HOLDING AG, Vienna, and the listed subsidiaries and associates:

Company	Method of consolidation	Share
		%
BRAIN FORCE SOFTWARE GmbH, Vienna	F	100
BRAIN FORCE Software GmbH, Munich, Germany	F	100
BRAIN FORCE Hamburg GmbH, Munich, Germany [1)]	F	100
BRAIN FORCE S.p.A., Milan, Italy	F	100
BRAIN FORCE Network Solutions B.V., Veenendaal, Netherlands	F	100
BRAIN FORCE B.V., Veenendaal, Netherlands	F	100
BFS Brain Force Software AG, Kloten, Switzerland	F	100
BRAIN FORCE SOFTWARE s.r.o, Prague, Czech Republic	F	100
Brain Force Software s.r.o., Bratislava, Slovakia [2)]	F	100
NSE Capital Venture GmbH, Munich, Germany [1)]	F	100
BRAIN FORCE Frankfurt GmbH (formerly SYSTEAM Ingenieurbüro für Datenkommunikation und Informatik GmbH), Langen, Germany	F	100
CONSULTING CUBE s.r.l., Bologna, Italy [3)]	E	25
KEMP Technologies Inc., New York, USA	E	30

F Full consolidation
E Equity method of consolidation
1) The share is held by BRAIN FORCE Software GmbH, Munich, Germany.
2) 85 percent of the shares are held by BRAIN FORCE SOFTWARE s.r.o, Prague, Czech Republic, 15 percent by BRAIN FORCE SOFTWARE GmbH, Vienna.
3) The share is held by BRAIN FORCE S.p.A., Milan, Italy.

SFP Software für FinanzPartner GmbH, Munich, Germany, was merged into BRAIN FORCE Software GmbH, Munich, Germany, in 2007.

Methods of consolidation

Consolidation is carried out in accordance with the regulations of IFRS 3. All business combinations are accounted for using the purchase method. The acquisition costs of the shares in the subsidiaries included in consolidation plus costs directly attributable to the acquisition are offset against the proportionate net assets based on the fair values of the assets and liabilities assumed at the time of acquisition or transfer of control.

Identifiable intangible assets are recognised separately and amortised systematically. The remaining goodwill is allocated to the cash-generating unit(s) and is tested for impairment at least annually at this level.

If the fair value of the net assets of the subsidiary acquired exceeds the cost of acquisition, the assets acquired and liabilities and contingent liabilities assumed as well as acquisition costs have to be remeasured and any remaining excess has to be recognised directly in the income statement.

Intragroup receivables and liabilities, income, expenses and any interim results are eliminated.

Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). All financial statements are presented in the respective local currencies.

The consolidated financial statements are presented in euros, which is the functional currency of the parent company and the presentation currency of the Group.

The differences resulting from the translation of financial statements of consolidated entities are recognised in equity, not affecting net income.

In the individual financial statements of group companies foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the evaluation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The financial statements of foreign subsidiaries that have a functional currency different from the presentation currency of the Group are translated into the presentation currency at the respective year-end exchange rates.

The euro exchange rates for the major currencies are presented in the following table:

Currency	Rate at the balance sheet date 2007	Rate at the balance sheet date 2006
	1 EUR	1 EUR
CHF Swiss franc	1.6560	1.6085
GBP British pound	0.7355	0.6710
CZK Czech crowns	26.600	27.4800
SKK Slovak crowns	33.620	34.5700
USD US dollar	1.4725	1.3185

(3) Property, plant and equipment

Property, plant and equipment is stated at historical cost less systematic depreciation. PP&E is depreciated on a straight-line basis over the expected useful lives of the assets. The assets are depreciated on a pro rata temporis basis from the month in which the asset is available for use.

Systematic depreciation is based on the following useful lives which are uniform within the Group:

Building investments in non-owned facilities	10 years
IT equipment	3 to 5 years
Office machines	4 to 5 years
Office equipment	5 to 10 years

If an asset is impaired, the carrying amount is reduced to its recoverable amount (see note 9).

Maintenance expenses

Maintenance expenses are recognised in the income statement in the period in which they are incurred.

(4) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(5) Intangible assets

In accordance with IFRS 3, goodwill arising from a business combination shall not be amortised systematically.

Assets accounted for in connection with the allocation of the purchase price are amortised as follows: trademark rights on a straight-line basis over 10 years, product developments on a straight-line basis over 5 years, customer relations on a straight-line basis over 5 to 7 years, and orders on hand over the corresponding time required for their processing.

Other purchased intangible assets are recognised at cost less amortisation calculated according to the straight-line method and based on the estimated useful lives of the assets. As a rule, estimated useful lives of assets are between 3 and 5 years for software, 3 years for licenses and distribution rights, and 10 years for registered trademarks.

If an asset is impaired, the carrying amount is reduced to its recoverable amount (see note 9). In addition, goodwill shall be tested annually for impairment.

(6) Research and development
Expenditure on research is recognised as an expense. Development costs, both for bought-in goods and services and also for internal development costs arising from development projects, if they meet the required criteria, are recognised as assets arising from development (other intangible assets) in accordance with IAS 38 to the extent that such expenditure is expected to generate future economic benefits. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are amortised on a straight-line basis over the expected useful life of the respective product, currently 3 to 5 years.

(7) Associates
Investments in associates, i.e. companies in which the Group, directly or indirectly, holds more than 20 percent of the voting rights or in another way can exercise a significant influence on the operating policies of the associated company, are accounted for using the equity method. Under this method, investments are initially recorded at cost and subsequently adjusted according to the investor’s share in the net assets of the associated company. The income statement reflects the investor’s share in the results of the associated company.

(8) Financial assets
In addition to investments, financial assets include securities held for an indefinite period that may be sold for liquidity requirements or due to changes in interest rates. They are classified as “available-for-sale“.

Available-for-sales securities are subsequently measured at fair value (based on stock prices), with unrealised changes in value being recognised in equity under other reserves.

Investments are also classified as available-for-sale financial assets, they are, however, normally measured at cost, as an active market value does not exist for these companies and the respective fair values cannot be determined reliably at reasonable expense. If there are any indications to a lower fair value, this value will be recognised.

If any indications exist, assets will be tested for impairment. If assets are impaired, the corresponding impairment loss is recognised in profit or loss.

All purchases and sales are recognised at the date of settlement; acquisition costs include transaction costs.

(9) Impairment of certain non-current assets

Property, plant and equipment, goodwill and other intangible assets are examined to assess whether altered circumstances or events indicate that the carrying amount is no longer recoverable. If an asset is impaired, the carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. In order to assess impairment, assets are grouped into cash-generating units, i.e. the smallest identifiable group of assets that generates separate cash inflows. If the reason for the impairment no longer exists, a corresponding write-up is made, except for goodwill.

(10) Inventories

Inventories are recognised at the lower of cost or net realisable value in accordance with IAS 2. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(11) Construction contracts

The profit from a construction contract is recognised as soon as it can be estimated reliably. The Group uses the percentage-of-completion method to determine the appropriate amount in a period. The stage of completion is shown as the number of hours worked up to the balance sheet date in proportion to all the hours allocated to the project. Losses are recognised at the earliest possible date. Advance payments received are deducted from the receivables from construction contracts. Any negative balance for a construction contract resulting from this will be recognised as a liability from construction contracts.

(12) Receivables and other assets

Receivables and other assets are recognised at cost less any necessary provision for impairment. Receivables in foreign currencies are measured at the exchange rate prevailing at the balance sheet date.

Long-term receivables falling due within twelve months after the balance sheet date are recognised under current assets.

(13) Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits. Deposits held in foreign currencies are measured at the exchange rate prevailing at the balance sheet date December 31, 2007.

(14) Liabilities

Liabilities are recognised at cost or at the amount repayable, if different. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Liabilities in foreign currencies are measured at the exchange rate prevailing at the balance sheet date.

(15) Provisions

Provisions are recognised, if the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle this obligation, and that the amount can be estimated reliably.

Long-term provisions are recognised at the amount repayable discounted to the balance sheet date, if the interest effect resulting from discounting is material.

(16) Provisions for post-employment benefits

Provisions for post-employment benefits include long-term obligations for pensions and termination benefits (severance payments) calculated in accordance with actuarial methods pursuant to IAS 19. The present value of the defined benefit obligation = DBO is calculated on the basis of the length of service, the expected development of salary and (in the case of pensions) the pension adjustment. The obligation resulting according to the projected unit credit method is reduced for pensions payable by a multi-employer pension fund by the plan assets of the fund. To the extent that the plan assets do not cover the obligation, the net obligation is recognised as a liability under provisions for pensions.

The expense for the period to be recognised includes service cost, interest cost, and expense or income from the amortisation of past service costs and actuarial gains and losses.

The calculation of the obligations is based on actuarial assumptions, particularly with regard to the interest rate applicable for discounting, the rate of increase for salaries and pensions, the pensionable age and probabilities concerning labour turnover and the probability of occurrence.

The calculation is based on local biometrical data.

The interest rate applied in calculating the present value of defined benefit obligations is based on the average market yield on corporate bonds with the same term to maturity.

Estimated future salary increases are derived from the average salary development of the past years, which is considered realistic for the future.

The deductions for labour turnover and for the probability of occurrence are based on figures for comparable prior periods.

The pensionable age used in the calculation of post-employment benefit obligations is derived from the actual commitments made; severance payments are calculated on the basis of estimated pensionable age.

Actuarial gains and losses are not taken into account unless they exceed the higher of 10 percent of total obligations or any plan assets (corridor). The amount exceeding the corridor will be taken through profit or loss over the average remaining service period of the active staff and recognised in the balance sheet.

Severance payments relate to obligations under Austrian or Italian law.

Severance payments under Austrian labour law are one-off employee benefits, which have to be paid on an enterprise’s decision to terminate an employee’s employment and when the employee goes into regular retirement. Their amount is based on the years of service and the amount of remuneration.

Years of service	3	5	10	15	20	25
No. of months remuneration	2	3	4	6	9	12

Since the beginning of 2003, defined contribution plans have been applicable to employees who join an Austrian company. Starting from the second month of the employment relationship, the employer pays a regular contribution of 1.53 percent of monthly remuneration and any additional payments to a Mitarbeitervorsorgekasse or MVK (statutory scheme for severance payments). No additional obligation exists on the part of the company. The employees’ entitlements exist vis-à-vis the respective MVK, and the current contributions paid by the company are recognised under personnel expenses.

Severance payments under Italian law (TFR) are one-off employee benefits which have to be paid as soon as an employee leaves an enterprise. The amount of the compensation is based on the number of monthly salaries (indexed), whereby a monthly salary (annual salary divided by 13.5) is earned per service year. The employee can receive an advance of up to 70 percent of the entitlement under certain conditions, e.g. to purchase a home or medical care. As of the financial year 2007 the amounts earned have to be paid to the statutory social security or a provision fund designated by the employee.

(17) Presentation of the income statement

Up to the financial year 2006 the income statement was presented using the nature of expense method. As of the financial year 2007, the presentation was changed to the function of expense method.

(18) Net sales

Revenue is recognised upon delivery or transfer of risk to the customer, rebates and other discounts are deducted. Sales relating to the rendering of services in accordance with IAS 18 are measured using the percentage-of-completion method.

(19) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(20) Income taxes

Income taxes are recognised according to the source of tax and are based on the corresponding profit of the financial year.

Deferred taxes are determined on the basis of all temporary differences arising from tax values and IFRS values of all assets and liabilities using the liability method and the relevant national tax rates prevailing on the balance sheet date or which have been substantially enacted and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised under long-term liabilities, deferred tax assets under long-term assets.

The most important temporary differences result from the capitalisation of development costs and other assets and liabilities identifiable in the allocation of the purchase price under IFRS 3, the depreciation of property, plant and equipment, receivables, provisions for tax purposes, construction contracts and the provisions for post-employment benefit obligations. Deferred taxes relating to tax loss carryforwards and deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

(21) Financial risk management

The BRAIN FORCE Group is exposed to a variety of financial risks (liquidity risk, credit risk, foreign exchange risk, interest rate risk). The financial risk management is carried out centrally under policies approved by the Executive Board and is designed to minimize the potential negative effects on the financial situation of the Group.

Liquidity risk

Liquidity risk refers to the risk that an entity will not have sufficient funds available at any given time to meet its obligations on time. As part of established management mechanisms, monthly rolling financial planning is monitored at management level. Statistical assessments of funds available at varying points in time are used on which to base funding decisions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. In the past financial year the Group has taken out a long-term bullet loan in the amount of EUR 10 million. The interest on the loan is fixed. On the part of the financing bank a measurement was made using an international measurement system at the time the loan was granted based on the 2005 consolidated financial statements. The measurement is renewed annually. In case the measurement deteriorates more than three notches within one year or falls below a determined notch, the creditors are entitled to terminate the loan agreement. This, however, may only be done on the condition that the termination on the whole is appropriate considering the economic circumstances.

Credit risk

It covers the risk of default in particular, hence the risk that one party fails to meet its obligations and that a default occurs. Despite a widely dispersed customer base in the Group, the operating companies of the BRAIN FORCE Group depend heavily on individual major customers. In order to be able to minimise the adverse effect on the result in case of defaults by customers, the focus is on expanding the customer base further to reduce these dependencies. Risk management accounts for a significant deterioration of customers' creditworthiness.

Foreign exchange risk

The risk resulting from fluctuations in fair values of financial instruments or other balance sheet items and/or cash flows due to foreign currency fluctuations is referred to as currency risk. In particular, the risk exists where business transactions in currencies other than the local currency of the Group exist or can arise in the course of regular business operations.

The BRAIN FORCE Group is not exposed to significant foreign exchange risks as part of its operating activities. About 98 percent of its sales are generated within the euro zone, the rest in Switzerland, the Czech Republic and Slovakia.

1 percent of the foreign exchange exposure results from trade receivables not denominated in euros, and 1 percent from trade payables not denominated in euros.

The Group invested approx. EUR 0.69 million in USD by acquiring a convertible bond.

Foreign currency positions are not hedged by derivative financial instruments, because the risk was considered insignificant at the balance sheet date.

Any further sensitivity analysis is therefore considered unnecessary.

Interest rate risk

The interest rate risk refers to the risk resulting from the change of fluctuations in fair values of financial instruments, other balance sheet items and/or interest-related cash flows due to fluctuations of market interest rates. The interest rate risk comprises the fair value risk for balance sheet items bearing fixed interest rates and the cash flow risk for balance sheet items bearing variable interest rates.

For financial instruments carrying fixed interest rates a market interest rate is stipulated for the entire period. The risk exists that the market value (present value of future payments, i.e. interest and repayable amount, discounted with the market interest rate for the remaining term prevailing at the balance sheet date) of the financial instrument changes when the interest rate changes. The price risk caused by changes in interest rate results in a loss or gain, if the fixed-interest bearing financial instrument is sold before maturity. The interest rate for variable interest bearing financial instruments is adjusted immediately and normally follows the respective market interest rate. The risk involved here is that the market interest rate fluctuates and, as a result, changed interest payments will fall due.

By the end of the financial year 2006 the BRAIN FORCE Group was predominantly self-financed. Financial liabilities were mainly short-term and carried variable interest rates. By taking out a long-term bullet loan in the amount of EUR 10 million the Group aims at a balanced relation between equity and debt financing. The interest rate is basically fixed and can only be adjusted in case of a significant change in credit standing (see below liquidity risk).

The income and operating cash flows of the BRAIN FORCE Group are largely unaffected by changes in market interest rates. Cash and cash equivalents are invested on a short-term basis.

Capital risk management

The Group’s objectives regarding the capital risk management include securing its going concern to continue to provide the shareholders with income and the other stakeholders with adequate services, and maintaining an optimal capital structure, in order to reduce capital costs. BRAIN FORCE is not subject to statutory capital requirements. The equity ratio amounts to 35 percent at the balance sheet date (prior year: 59 percent).

Derivative financial instruments

Except for one interest rate swap expired in the financial year, the Group does not use any derivative financial instruments.

Embedded derivative financial instruments exist, if the economic characteristics and risks of the derivative are not closely related to those of the underlying transaction, a derivative financial instrument concluded on the same terms had to be recognised separately and the hybrid financial instrument is not measured at fair value through profit or loss.

The present case of an embedded derivative financial instrument with the BRAIN FORCE Group is a call option for BRAIN FORCE which is related to a convertible bond. The underlying transaction is an original financial instrument which is available for sale, however, as it is not listed on the stock exchange and as an active market does not exist, it is measured at amortised cost.

If they can be determined reliably, derivative financial instruments are segregated from the respective underlying transaction, measured separately at fair values and recognised in profit or loss.

Fair values

Due to their short-term nature, trade receivables, other receivables and payables and cash and cash equivalents recognised in the balance sheet basically correspond to their fair values. The fair values stated for financial liabilities are determined as the present value of discounted future cash flows using the market interest rates applicable for financial debt of corresponding maturity and risk structure.

(22) Accounting estimates and assumptions

In applying the accounting and measurement principles BRAIN FORCE Group to a certain extent made assumptions about future developments and used estimates with regard to non-current assets, allowances for receivables, provisions and deferred taxes. Actual values may eventually differ from these assumptions and estimates.

Impairment of goodwill

The effects of adverse changes of estimates made in the annual impairment test of the interest rate by plus 10 percent or of the cash flow by minus 10 percent would result in an additional impairment of the recognised goodwill in the amount of EUR 710 thousand or EUR 199 thousand, respectively.

Deferred taxes

If future taxable income within the plan period defined for the recognition and measurement of deferred taxes fell 10 percent short of the value assumed at the balance sheet date, the recognised net position of deferred tax assets would probably have to be reduced by EUR 347 thousand (prior year: EUR 598 thousand).

With the Corporate Tax Reform Act (“Unternehmensteuerreformgesetz”) 2008 passed by the upper house of the German parliament (“Bundesrat”) the limitation of loss deduction was significantly tightened. The provision applicable for German corporations provides for a pro rata lapse of loss deduction as of January 1, 2008 in case shares or voting rights of more than 25 percent up to 50 percent are transferred within 5 years. Irrespective of that, in case shares or voting rights of more than 50 percent are transferred, the right to loss deduction lapses in full. The direct change in shareholders is detrimental, even if it does not indirectly result in any change in the interest held.

A change in shareholders of up to 50 percent would not have any impact on the deferred taxes recognized on the tax loss carryforwards. A change in shareholders of more than 50 percent would result in a reduction of deferred tax assets in the amount of EUR 2.90 million.

Provisions for post-employment benefits

In the BRAIN FORCE Group actuarial gains and losses for pensions and severance payments under Austrian law are recognised in the income statement over the average remaining service period considering the corridor rule, in case of severance payments under Italian law immediately at the full amount.

The present value of the obligation depends on a number of factors which are based on actuarial assumptions. The assumptions used in calculating the expenses include the increase in salaries and the interest rate. Any change in these assumptions has effects on the present value of the obligation and on actuarial gains and losses not yet recognised. Applying the corridor method, the amount of actuarial gains and losses outside the corridor has to be allocated in profit or loss over the average remaining service period of the beneficiary.

Future salary increases are derived from the average salary development of the past years, which is considered realistic for the future.

The Group calculates the relevant interest rate at the end of each year. This is the interest rate which is used in the calculation of the present value of expected future cash outflows for the payment of the obligation. The calculation of the interest rate is based on the interest rate for corporate bonds of the highest credit standing denominated in the currency in which the services are paid and whose maturities equal those of the pension and severance payment obligations.

Further material assumptions are in part based on market conditions.

If the assumptions were based on a discount rate which fell 10 percent short of the estimates made by management, the present value of the obligation for pensions and severance payments would have to be raised by EUR 105 thousand (prior year: EUR 178 thousand).

Other balance sheet items

With regard to the other balance sheet items, changes in estimates and assumptions do not result in significant effects on the assets, the financial and earnings situation for the following financial year.

Notes on individual items of the consolidated income statement

(23) Net sales

Net sales are broken down into the following items:

	2007	2006
	EUR	EUR
Current services	70,940,431.58	67,588,732.73
Construction/service contracts	8,392,665.52	5,579,331.86
Products	19,000,159.46	15,363,112.23
	98,333,256.56	**88,531,176.82**

(24) Types of expenditure

For the financial year 2007 the income statement was prepared for the first time using the function of expense method. The following presentation shows a breakdown by type of expenditure. The prior-year figures were adjusted accordingly.

	2007	2006
	EUR	EUR
Increase or decrease in services not yet invoiced	91,645.10	69,058.07
Cost of materials and purchased services	33,222,591.45	26,730,411.87
Own work capitalised	-1,317,257.36	-1,952,745.70
Personnel expenses	49,944,772.08	45,478,610.06
Depreciation and amortisation	8,383,281.77	3,595,802.35
Amortisation of goodwill	8,645,809.75	0.00
Rents and energy costs	3,446,686.97	2,580,676.95
Automobile expenses	2,612,994.92	2,082,530.74
Travel expenses	1,780,047.02	1,430,431.24
Advertising and marketing expenses	1,502,488.58	872,821.87
Legal, audit and consulting fees	2,839,396.18	1,638,809.27
Postage and communication charges	720,312.69	720,936.00
Bad debts and allowances for receivables	531,153.38	1,256,770.63
Other expenses	3,143,530.70	3,016,614.75
Total manufacturing, selling and administrative expenses and other costs	**115,547,453.23**	**87,520,728.10**

Depreciation and amortisation in the amount of EUR 8,383,281.77 includes EUR 3,091,475.38 (prior year: EUR 0) of impairment.

(25) Other operating income

Other operating income includes:

	2007	2006
	EUR	EUR
Agency income	0.00	196,680.46
Rental income	26,039.38	53,101.61
Income from successive business combination	0.00	475,983.06
Cancellation fees and compensations	0.00	767,164.48
Other	505,094.71	414,733.64
	531,134.09	**1,907,663.25**

Income from successive business combination reported in 2006 relates to the surplus of net assets acquired over acquisition costs in connection with the acquisition of the remaining 51 percent of the shares in SFP Software für FinanzPartner GmbH, Munich, Germany.

(26) Cost of materials and purchased services
These expenses are allocated to production costs and broken down as follows:

	2007	2006
	EUR	EUR
Cost of materials		
Cost of goods sold	4,511,116.25	1,417,577.52
Maintenance	750,630.00	689,678.95
Licenses	1,796,063.40	2,050,451.50
	7,057,809.65	**4,157,707.97**
Cost of purchased services		
Subcontractors	26,164,781.80	22,572,703.90
	33,222,591.45	**26,730,411.87**

(27) Staff costs
Manufacturing, selling and administrative expenses include the following staff costs:

	2007	2006
	EUR	EUR
Salaries	40,623,175.35	36,867,353.15
Expenses for severance payments	387,584.93	627,971.28
Expenses for pensions	36,336.64	25,703.52
Expenses for statutory social security, payroll-related taxes and mandatory contributions	8,897,675.16	7,957,582.11
	49,944,772.08	**45,478,610.06**

Expenses for severance payments in addition to statutory entitlements (see note 41) also include contributions payable to a staff provision fund ("Mitarbeitervorsorgekasse") in the amount of EUR 62,690.04 (prior year: EUR 45,711.24). As of the financial year 2007, other fringe benefits are reported under other expenses of the individual areas. The prior-year amount of other fringe benefits in the amount of EUR 197,255.43 was reclassified accordingly.

(28) Financial result

The financial result is calculated as follows:

	2007	2006
	EUR	EUR
Income from the disposal of securities	71,923.83	125,918.63
Interest and similar expenses	-705,044.29	-133,056.49
Net losses from foreign currency translation	-80,285.45	-87,564.20
	-713,405.91	**-94,702.06**

(29) Income taxes

	2007	2006
	EUR	EUR
Current tax expense	1,351,005.24	2,081,272.97
Deferred tax income/expense	653,889.98	-3,024,156.01
	2,004,895.22	**-942,883.04**

The income tax expense for the year is EUR 6,482,348.94 lower (prior year: EUR 1,750,374.10 lower) than the calculated income tax expense of EUR -4,477,453.72 (prior year: EUR 807,491.06), which would result from applying a tax rate of 25 percent (prior year: 25 percent) on the result before taxes, with the tax rate equalling the income tax rate applicable to the parent company. The reasons for the difference between calculated and recognised income tax expenses are as follows:

	2007	2006
	EUR	EUR
Result before income taxes	-17,909,814.89	3,229,964.29
thereof 25 percent = calculated income tax expense	-4,477,453.72	807,491.06
Effects of different tax rates in other countries	273,111.72	1,266,563.97
Effects of changes in tax rates	794,179.52	-21,547.12
Income not subject to tax	-341,813.00	-385,307.30
Expenses not deductible for tax purposes	804,968.04	156,771.03
Other permanent differences	-2,606.81	5,257.24
Write-down of deferred tax assets	1,663,913.78	84,006.88
Utilisation and subsequent capitalisation of temporary differences and tax losses not recognised in the year in which they arose	-217,064.95	-4,006,947.67
Tax losses for which no deferred tax assets have been recognised	3,175,206.61	1,111,752.30
Income tax expense – current period	1,672,441.19	-981,959.61
Non-periodic income tax expense/income	332,454.03	39,076.57
Recognised income tax expense/income	**2,004,895.22**	**-942,883.04**

Notes on individual items of the consolidated balance sheet

(30) Property, plant and equipment

Property, plant and equipment have changed as follows:

	Building investments in non-owned facilities	Office machines, IT equipment, other office equipment	Total
	EUR	EUR	EUR
Acquisition or production costs Jan. 1, 2007	877,567.62	4,486,242.70	5,363,810.32
Currency translation differences	386.35	366.49	752.84
Additions	505,911.69	825,272.59	1,331,184.28
Additions from change in consolidated group	8,323.33	247,741.36	256,064.69
Disposals	-12,064.54	-470,585.98	-482,650.52
Acquisition or production costs Dec. 31, 2007	**1,380,124.45**	**5,089,037.16**	**6,469,161.61**
Accumulated depreciation Jan. 1, 2007	558,969.17	3,190,773.61	3,749,742.78
Currency translation differences	77.01	348.12	425.13
Depreciation charge 2007	132,467.70	689,071.55	821,539.25
Disposals	-2,791.05	-427,814.51	-430,605.56
Accumulated depreciation Dec. 31, 2007	688,722.83	3,452,378.77	4,141,101.60
Carrying amounts Dec. 31, 2007	**691,401.62**	**1,636,658.39**	**2,328,060.01**

	Building investments in non-owned facilities	Office machines, IT equipment, other office equipment	Total
	EUR	EUR	EUR
Acquisition or production costs Jan. 1, 2006	979,027.33	3,975,200.53	4,954,227.86
Currency translation differences	631.14	913.43	1,544.57
Additions	63,078.65	664,251.78	727,330.43
Additions from change in consolidated group	10,974.99	116,123.58	127,098.57
Disposals	0.00	-430,403.47	-430,403.47
Transfers	-176,144.49	160,156.85	-15,987.64
Acquisition or production costs Dec. 31, 2006	**877,567.62**	**4,486,242.70**	**5,363,810.32**
Accumulated depreciation Jan. 1, 2006	582,896.05	2,834,004.92	3,416,900.97
Currency translation differences	83.69	781.38	865.07
Depreciation charge 2006	109,116.11	628,246.64	737,362.75
Disposals	0.00	-393,940.84	-393,940.84
Transfers	-133,126.68	121,681.51	-11,445.17
Accumulated depreciation Dec. 31, 2006	558,969.17	3,190,773.61	3,749,742.78
Carrying amounts Dec. 31, 2006	**318,598.45**	**1,295,469.09**	**1,614,067.54**

(31) Goodwill

Goodwill has changed as follows:

	2007	2006
	EUR	EUR
Carrying amount Jan. 1	21,304,952.48	10,066,500.26
Addition	5,576,569.26	11,238,452.22
Disposal due to purchase price adjustment	-2,373,835.61	0.00
Impairment charge	-8,645,809.75	0.00
Carrying amount Dec. 31	**15,861,876.38**	**21,304,952.48**

The goodwill at January 1 of the financial year results from past acquisitions of corresponding shares for BRAIN FORCE S.p.A., Milan, Italy (formerly: TEMA Studio di Informatica S.p.A.), beusen Solutions GmbH, Berlin, Germany (meanwhile merged with BRAIN FORCE Software GmbH, Munich, Germany), Brain Force Financial Solutions AG, Munich, Germany (formerly: NSE Software AG, merged with BRAIN FORCE Software GmbH, Munich, Germany, in the financial year 2006), INDIS S.p.A., Milan, Italy (merged with BRAIN FORCE S.p.A., Milan, Italy, in the financial year 2006), BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.), and BRAIN FORCE Frankfurt GmbH, Langen, Germany (formerly SYSTEAM Ingenieurbüro für Datenkommunikation und Informatik GmbH).

The addition results from the acquisition of SolveDirect.com Internet-Service GmbH (see note 52).

The disposal results from the adjustment of the obligation to pay a variable purchase price component regarding BRAIN FORCE B.V. due to changes in estimates.

The impairment charge is the result of impairment tests carried out for some cash generating units, since there were indications that the goodwill might be impaired, and is composed as follows:

	EUR
BRAIN FORCE Software GmbH, Munich, Germany – Segment DE, CGU Network, Communication and Security Solutions	1,504,242.00
BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.) – Segment DE	1,254,000.00
BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.) – Segment CEE	83,000.00
BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.) – Segment SWE	245,000.00
BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.) – Segment NE	2,067,000.00
BRAIN FORCE Frankfurt GmbH (formerly SYSTEAM) – Segment DE TI division	1,806,567.75
BRAIN FORCE Frankfurt GmbH (formerly SYSTEAM) – Segment DE ES division	1,686,000.00
	8,645,809.75

The recoverable amount of the cash-generating units was determined based on value-in-use calculations. These value-in-use calculations are based on the cash flows expected for the following three financial years according to the management's best estimate at the time of the calculation. The calculation was made for the goodwill listed, with the exception of BRAIN FORCE Frankfurt GmbH - Segment DE, ES division as of June 30, 2007. For the goodwill of BRAIN FORCE Frankfurt GmbH - Segment DE, ES division the calculation was made when there were indications for impairment in September 2007 as of September 30, 2007.

Key assumptions used for value-in-use calculations that resulted in the amortisation charge:

	Gross margin	Growth rate	Discount rate before tax	Discount rate after tax
	%	%	%	%
BRAIN FORCE Software GmbH, Munich, Germany – Segment DE, CGU Network, Communication and Security Solutions	47.0	0.0	19.9	13.4
BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.) – Segment NE	48.0	0.0	20.3	13.6
BRAIN FORCE Frankfurt GmbH (formerly SYSTEAM) – Segment DE ES division	13.9	0.0	20.1	13.4
BRAIN FORCE Frankfurt GmbH (formerly SYSTEAM) – Segment DE TI division	13.3	0.0	20.2	13.4

After impairment charge, goodwill is as follows:

	Allocated goodwill
	EUR
BRAIN FORCE S.p.A. – Segment SWE, BS division	1,783,670.06
BRAIN FORCE S.p.A. – Segment SWE, TI division	1,014,886.50
BRAIN FORCE Software GmbH – Segment DE, BS, Financial Solutions division	1,172,811.78
BRAIN FORCE B.V. – Segment NE	4,160,982.31
SolveDirect.com Internet–Service GmbH – Segment CEE, TI division	5,576,569.26
BRAIN FORCE Frankfurt GmbH (formerly SYSTEAM) – Segment DE, ES division	2,152,956.47
Carrying amount Dec. 31, 2007	**15,861,876.38**

The company SolveDirect, which was acquired in the financial year 2007, operates in the Segment CEE.

For the performance of the annual impairment test of goodwill the value-in-use calculation is based on cash flow projections derived from the 2008 financial budget approved by management and the resulting medium-term planning for the following two years. Cash flows beyond this three-year period are extrapolated using the estimated growth rates stated below, which do not exceed the long-term average growth rate for the respective business segments. The calculations did not establish any further need for impairment.

Key assumptions used for value-in-use calculations:

	Gross margin	Growth rate	Discount rate before tax	Discount rate after tax
	%	%	%	%
BRAIN FORCE S.p.A. – Segment SWE, BS division	36.0	0.0	35.0	13.0
BRAIN FORCE S.p.A. – Segment SWE, TI division	28.6	0.0	39.5	13.0
BRAIN FORCE Software GmbH – Segment DE, BS, Financial Solutions division	42.6	0.0	14.6	13.4
SolveDirect.com Internet Services GmbH – Segment CEE, TI division	54.4	0.7	19.6	14.3
BRAIN FORCE B.V. – Segment NE	39.2	0.0	18.8	13.6
BRAIN FORCE Frankfurt GmbH (formerly SYSTEAM) – Segment DE, ES division	13.9	0.0	20.2	13.4

The gross margins listed are average values for the planning period of the business plan, based on values from previous years and on estimates regarding market developments and market position, taking into account cost structures.

The respective discount rates before tax were determined iteratively on the basis of cash flows before taxes, using the value in use that is calculated by applying discount rates after taxes to cash flows after taxes, which account for the realisable tax loss carryforwards. The deviations from the discount rates after taxes are due to the effective tax burden of the respective unit.

The discount rate used was derived from the weighted average cost of capital (WACC), computed according to the capital asset pricing model (CAPM), reflecting the financial structure and market risks associated with the business segments.

(32) Other intangible assets

Other intangible assets have changed as follows:

	Development costs	Other	Total
	EUR	EUR	EUR
Acquisition or production costs Jan. 1, 2007	10,851,711.56	6,113,250.94	16,964,962.50
Currency translation differences	5,094.53	4,781.41	9,875.94
Additions	1,317,257.36	172,181.38	1,489,438.74
Additions from change in consolidated group	0.00	8,647,275.12	8,647,275.12
Disposals	-613,037.37	0.00	-613,037.37
Acquisition or production costs Dec. 31, 2007	**11,561,026.08**	**14,937,488.85**	**26,498,514.93**
Accumulated amortisation Jan. 1, 2007	4,450,784.70	2,026,802.43	6,477,587.13
Currency translation differences	2,498.11	4,665.50	7,163.61
Amortisation charge 2007	2,555,131.87	1,915,135.27	4,470,267.14
Impairment charge	1,855,000.00	1,236,475.38	3,091,475.38
Disposals	-613,031.36	0.00	-613,031.36
Accumulated amortisation Dec. 31, 2007	8,250,383.32	5,183,078.58	13,433,461.90
Carrying amounts Dec. 31, 2007	**3,310,642.76**	**9,754,410.27**	**13,065,053.03**

	Development costs	Other	Total
	EUR	EUR	EUR
Acquisition or production costs Jan. 1, 2006	8,929,583.31	2,912,320.49	11,841,903.80
Currency translation differences	8,322.55	10,388.66	18,711.21
Additions	1,952,745.70	128,511.33	2,081,257.03
Additions from change in consolidated group	0.00	3,047,159.91	3,047,159.91
Disposals	-38,940.00	-1,117.09	-40,057.09
Transfers	0.00	15,987.64	15,987.64
Acquisition or production costs Dec. 31, 2006	**10,851,711.56**	**6,113,250.94**	**16,964,962.50**
Accumulated amortisation Jan. 1, 2006	2,241,063.08	1,394,721.75	3,635,784.83
Currency translation differences	1,985.09	9,962.53	11,947.62
Amortisation charge 2006	2,246,676.53	611,763.07	2,858,439.60
Disposals	-38,940.00	-1,090.09	-40,030.09
Transfers	0.00	11,445.17	11,445.17
Accumulated amortisation Dec. 31, 2006	4,450,784.70	2,026,802.43	6,477,587.13
Carrying amounts Dec. 31, 2006	**6,400,926.86**	**4,086,448.51**	**10,487,375.37**

In addition to acquired software and rights, the item “other intangible assets” includes other intangible assets, such as trademark rights, distribution rights, orders on hand and customer relations, identified in the allocation of the purchase price in connection with acquisitions under IFRS 3 with a carrying amount of EUR 9,479,884.03 (prior year: EUR 3,649,697.66).

Impairment resulted due to the reasons outlined under goodwill and is broken down as follows:

	EUR
BRAIN FORCE Software GmbH, Munich, Germany – Segment DE, CGU Network, Communication and Security Solutions	985,000.00
BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.) – Segment DE	689,000.00
BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.) – Segment CEE	45,650.00
BRAIN FORCE B.V., Veenendaal, Netherlands (formerly VAI B.V.) – Segment SWE	134,850.00
BRAIN FORCE Frankfurt GmbH, (formerly SYSTEAM) – Segment DE, TI division	475,475.00
BRAIN FORCE Frankfurt GmbH, (formerly SYSTEAM) – Segment DE, ES division	761,500.38
	3,091,475.38

With regard to the underlying assumptions, we refer to the presentation of the goodwill (note 31).

(33) Investments in associates

The investments in associates, which are recognised according to the equity method changed as follows:

	2007	2006
	EUR	EUR
Carrying amount Jan. 1	536,857.43	403,880.80
Addition due to acquisition	0.00	583,278.65
Distribution	0.00	-137,840.58
Profit share after taxes	-13,063.34	406,554.38
Elimination of intragroup transactions	-12,044.78	-12,286.69
Impairment charge	-500,283.06	0.00
Disposal	0.00	-706,729.13
Carrying amount Dec. 31	**11,466.25**	**536,857.43**

The carrying amount at the beginning of the financial year relates to the 30 percent share in KEMP Technologies Inc., New York, USA, held by BRAIN FORCE HOLDING AG, as well as the 25 percent share in CONSULTING CUBE s.r.l., Bologna, Italy, held by BRAIN FORCE S.p.A., Milan, Italy.

Based on the available information and assessment of the future development, a need for impairment was established and recognised in the result in the financial year 2007 regarding the share in KEMP Technologies Inc. Thus, the carrying amount of the share in KEMP is EUR 0 as of December 31, 2007. The carrying amount of investments in associates reported in these consolidated financial statements relates exclusively to the 25 percent share in CONSULTING CUBE s.r.l., Italy.

The financial data of the company reported as associate at the balance sheet date are as follows:

	EUR
Assets	203,704.00
Liabilities	157,839.00
Net sales	407,308.00
Result for the period	12,359.00

(34) Financial assets

Financial assets changed as follows:

	Securities
	EUR
Carrying amount Jan. 1, 2007	183,283.32
Addition	1,003.60
Adjustment to fair value	-4,505.98
Carrying amount Dec. 31, 2007	**179,780.94**

The securities are shares in investment funds, which are classified as available for sale and carried at fair value (stock market price at the balance sheet date).

(35) Deferred taxes

Deferred tax assets are recognised under other non-current assets, deferred tax liabilities are included in non-current liabilities.

Deferred taxes are calculated as follows:

	Jan. 1, 2007	Currency translation	Addition due to acquisition	Change in income statement	Dec. 31, 2007
	EUR	EUR	EUR	EUR	EUR
Deferred tax assets					
Provisions for post-employment benefits	150,784.64	0.00	0.00	-16,138.88	134,645.76
Tax loss carryforwards	5,974,564.49	-2,373.87	0.00	-2,500,880.21	3,471,310.41
Other	377,364.32	0.00	0.00	-116,399.16	260,965.16
	6,502,713.45	**-2,373.87**	**0.00**	**-2,633,418.25**	**3,866,921.33**
Deferred tax liabilities					
Development costs and other intangible assets	2,021,732.87	0.00	0.00	-1,248,237.61	773,495.26
Other non-current assets	1,397,708.82	0.00	2,157,999.00	-960,849.74	2,594,858.08
Receivables	147,885.79	0.00	0.00	184,237.81	332,123.60
Other	54,404.49	0.00	0.00	45,321.27	99,725.76
	3,621,731.97	**0.00**	**2,157,999.00**	**-1,979,528.27**	**3,800,202.70**

	Jan. 1, 2006	Currency translation	Addition due to acquisition	Change in income statement	Dec. 31, 2006
	EUR	EUR	EUR	EUR	EUR
Deferred tax assets					
Provisions for post-employment benefits	137,573.54	0.00	0.00	13,211.10	150,784.64
Tax loss carryforwards	3,882,445.40	-3,469.63	50,590.00	2,044,998.72	5,974,564.49
Other	242,795.72	0.00	0.00	134,568.60	377,364.32
	4,262,814.66	**-3,469.63**	**50,590.00**	**2,192,778.42**	**6,502,713.45**
Deferred tax liabilities					
Development costs and other intangible assets	2,596,730.55	0.00	0.00	-574,997.68	2,021,732.87
Other non-current assets	84,180.90	0.00	1,125,957.00	187,570.92	1,397,708.82
Receivables	390,407.85	0.00	0.00	-242,522.06	147,885.79
Other	254,474.26	0.00	1,359.00	-201,428.77	54,404.49
	3,325,793.56	**0.00**	**1,127,316.00**	**-831,377.59**	**3,621,731.97**

Deferred tax assets and deferred tax liabilities are netted and shown in the balance sheet as assets or liabilities provided that the company has an enforceable right to offset actual tax refund claims against actual tax liabilities and that the deferred tax assets and tax liabilities relate to income taxes levied by the same financial authority.

The following amounts were shown in the consolidated balance sheet after netting:

	2007	2006
	EUR	EUR
Deferred tax assets	2,628,433.11	4,768,958.28
Deferred tax liabilities	-2,561,714.48	-1,887,976.80
Carrying amount Dec. 31	**66,718.63**	**2,880,981.48**

Within the next 12 months a realisation of deferred tax assets is expected in the amount of EUR 759,582.90 and a settlement of deferred tax liabilities in the amount of EUR 1,025,439.56.

Deferred tax assets are recognised for loss carryforwards to the extent that it is probable that future taxable profit will be available against which they can be utilised. In assessing the probability, estimates are based on the available budgeted figures.

Thus, no deferred tax assets have been recognised in the Group for unused tax losses that can be carried forward for an unlimited period of time, nor for deductible differences:

Dec. 31, 2007	Basis	Deferred tax claim
	EUR	EUR
Tax loss carryforwards	76,063,991.89	22,641,839.93
Deductible temporary differences	5,938,020.36	1,484,505.09
	82,002,012.25	**24,126,345.02**

Dec. 31, 2006	Basis	Deferred tax claim
	EUR	EUR
Tax loss carryforwards	61,346,305.13	21,757,466.88
Deductible temporary differences	2,056,809.24	514,202.31
	63,403,114.37	**22,271,669.19**

The amount of deductible differences mainly relates to write-downs made in previous years, which have to be allocated for tax purposes on a systematic basis over 7 years.

(36) Inventories

Inventories are measured at acquisition or production cost. A write-down to the net realisable value was not necessary in the financial years.

Inventories comprise the following items:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Work in progress	12,743.50	229,800.17
Goods for resale	255,790.96	107,813.08
	268,534.46	**337,613.25**

(37) Trade receivables

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Trade receivables already invoiced	27,184,992.32	24,341,282.91
Less allowance for doubtful accounts	-2,217,338.54	-1,843,404.53
Trade receivables not yet invoiced	2,673,303.38	3,080,263.19
Receivables from construction/service contracts	527,746.10	273,837.34
	28,168,703.26	**25,851,978.91**

Adequate allowances were made to account for the estimated risk of default on receivables, which developed as follows:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Balance Jan. 1	1,843,404.53	150,639.05
Addition due to acquisition	7,230.00	30,676.95
Utilisation	-29,569.91	-103,815.82
Reversal	-56,945.77	-405.00
Allocation	453,219.69	1,766,309.35
Balance Dec. 31	**2,217,338.54**	**1,843,404.53**

The following trade receivables that were not written down are overdue at the balance sheet date:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Up to 30 days	3,838,656.86	3,440,775.33
More than 30 days	3,183,479.52	3,703,295.16
	7,022,136.38	**7,144,070.49**

The total of costs incurred and revenues recognised for projects underway at the balance sheet date amounts to EUR 1,287,454.78 (prior year: EUR 324,189.06). Prepayments received amount to EUR 62,336.00 (prior year: EUR 50,351.72).

(38) Other receivables and assets

Other receivables and assets comprise the following items:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Non-current:		
Deposits	84,741.81	116,046.47
Convertible bond	611,208.00	682,596.00
Other	54,961.12	27,129.45
	750,910.93	**825,771.92**
Current:		
Prepayments	51,056.80	157,139.30
Revenue authorities	266,650.13	156,059.86
Maintenance contracts and other prepaid expenses	892,353.76	774,862.65
Receivable BHW Lebensversicherung AG	0.00	583,318.99
Other	428,588.06	463,476.81
	1,638,648.75	**2,134,857.61**

Simultaneously with the conclusion of the purchase agreement on the acquisition of shares in KEMP Technologies Inc, New York, USA, a convertible bond issued by KEMP in 2005 in the amount of USD 900,000 was underwritten. The bond matures at June 30, 2009, carries 12 percent interest and is securitised.

With regard to interest compensation, the BRAIN FORCE Group is entitled to cash payments or increases in the amount of the bond held. As long as the other shareholders of KEMP agree, BRAIN FORCE can also opt to be compensated by a corresponding issue of additional shares.

The partial, also complete conversion right into “preferred shares series A” in the amount of the outstanding nominal capital of the bond including accumulated interest not paid out in cash or in shares, according to contract existed for the first time at December 31, 2006 under the condition that KEMP after December 31, 2005 reaches a positive EBIT for the entire financial year. The issue of new shares is not possible, if the shares to be issued under the convertible senior security note exceeded 25 percent of the outstanding capital of KEMP Technologies Inc. at September 30, 2005. If BRAIN FORCE HOLDING AG decides to convert its shares, KEMP Technologies Inc. will be entitled to pay in cash up to 50 percent of the shares to be issued to BRAIN FORCE HOLDING AG and 100 percent of the outstanding interest.

As the options of BRAIN FORCE stipulated in the agreement and the probability of avoiding the occurrence of the state to be created as a result of the execution of the option cannot be measured reliably by KEMP, the option was not recognised in the balance sheet.

The convertible bond is recognised at cost at the balance sheet date and is measured at the exchange rate prevailing at the balance sheet date.

(39) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Cash in hand	12,991.24	11,679.39
Cash at bank	9,427,951.27	13,522,157.33
	9,440,942.51	**13,533,836.72**

Cash and cash equivalents recognised at December 31, 2007 are unrestricted (prior year: EUR 329,912.62 restricted).

(40) Equity

The share capital amounts to EUR 15,386,742 (EUR 15,386,742) and is divided into 15,386,742 individual no-par value bearer shares.

The shares of the Company are listed in the Prime Market segment of the Vienna Stock Exchange and in the Prime Standard segment of the Regulated Market in Frankfurt am Main, Germany.

On January 29, 2008 the Company filed an application for the revocation of the listing of the shares of BRAIN FORCE HOLDING AG on the Regulated Market at the Frankfurt Stock Exchange. By resolution dated February 13, 2008 the application of the Company was approved. The revocation of the listing of the shares on the Regulated Market at the Frankfurt Stock Exchange will enter into effect after May 13, 2008.

At the balance sheet date the authorised capital amounts to EUR 7,693,371 (prior year: EUR 7,693,371).

The development of share capital and reserves is shown in the table below:

	Share capital	Reserves
	EUR	EUR
Balance Jan. 1, 2007	15,386,742.00	24,475,469.55
Used to cover losses	0.00	-9,162,972.80
Other changes	0.00	-51,993.83
Balance Dec. 31, 2007	**15,386,742.00**	**15,260,502.92**

	Share capital	Reserves
	EUR	EUR
Balance Jan. 1, 2006	10,257,828.00	15,641,836.12
Capital increase by cash contribution in accordance with a resolution by the Management Board dated March 16, 2006, authorised on June 18, 2004 at the general meeting and approved by the Supervisory Board on March 16, 2006, registration in the commercial register on April 6, 2006	5,128,914.00	10,770,719.40
Transaction costs related to the increase in share capital	0.00	-1,811,772.57
Net income recognised directly in equity	0.00	-125,313.40
Balance Dec. 31, 2006	**15,386,742.00**	**24,475,469.55**

Other reserves comprise the following items at the respective balance sheet date:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Fair value reserve for securities	-6,508.22	-2,002.24
Reserve for currency translation differences	-269,009.26	-273,132.24
	-275,517.48	**-275,134.48**

In the financial year 2007 968,625 own shares with a nominal value of EUR 3,032,962.24 were purchased at a price of between EUR 2.82 and EUR 3.93 per share. Subsequently, the total portfolio of own shares, i.e. 1,009,384 shares, measured at acquisition cost of EUR 3,167,699.64 were transferred. Since the fair value of the own shares was EUR 3,116,088.81 at the time of the transaction, the negative difference in the amount of EUR 51,610.83 was offset against the capital reserve.

The 1,009,384 own shares transferred were used to pay part of the purchase price in connection with the acquisition of SolveDirect.com Internet-Service GmbH, Vienna.

(41) Provisions for post-employment benefits

Provisions for post-employment benefits are broken down as follows:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Provisions for pensions	77,590.00	148,827.00
Provisions for severance payments	383,780.00	410,030.00
Provisions for severance payments (TFR)	2,097,998.92	3,322,669.73
	2,559,368.92	**3,881,526.73**

Provisions for pensions

Due to individual arrangements, some employees were promised an additional pension after their retirement. The amount of this pension basically depends on the defined benefit plan.

The values recognised for provisions for pensions at the balance sheet dates are computed by actuaries based on the projected unit credit method and are broken down as follows:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Actuarial present value of defined benefit obligation	199,245.00	479,615.00
Fair value of plan assets	-137,786.00	-294,969.00
	61,459.00	**184,646.00**
Unrecognised actuarial gains/losses	16,131.00	-35,819.00
Liability in the balance sheet	**77,590.00**	**148,827.00**

The plan assets pursuant to IAS 19 consist of the insurance cover for the pension commitments pledged in favour of employees. No expected incomes from the plan assets are shown.

The development of the actuarial present value of the defined benefit obligations is as follows:

	2007	2006
	EUR	EUR
Balance Jan. 1	479,615.00	575,315.00
Current service cost	14,967.12	47,840.00
Interest expense	15,885.88	21,352.00
Actuarial (gains)/losses	-36,030.00	-49,377.00
Plan curtailments/settlements	-275,193.00	-115,515.00
Balance Dec. 31	**199,245.00**	**479,615.00**

The development of the fair value of plan assets is as follows:

	2007	2006
	EUR	EUR
Balance Jan. 1	294,969.00	233,101.00
Actuarial gains/(losses)	-1,361.00	350.00
Effects of plan curtailments/settlements	-214,604.92	0.00
Paid contributions	58,782.92	61,518.00
Balance Dec. 31	**137,786.00**	**294,969.00**

The expense recognised in the income statement concerning defined benefit obligations comprises the following:

	2007	2006
	EUR	EUR
Current service cost	14,967.12	47,840.00
Interest expense	15,885.88	21,352.00
Amortisation of actuarial gains	0.00	6,810.52
Effects of plan curtailments/settlements	-43,307.08	-57,898.00
	-12,454.08	**18,104.52**

The interest expense is recognised in the financial result. Thus the expenses for defined benefit obligations recognised in personnel expenses amount to EUR -28,339.96 (prior year: TEUR -3).

The basic actuarial assumptions are as follows:

		2007	2006
Interest rate		5.25%	4.75%
Future salary increases		3%	3%
Future pension increases		2%	2%
Pensionable age		60, 62 years	60-62, 65 years
Mortality tables	- Austria	-	AVÖ 1999-P, employees
	- Germany	Heubeck 2005	Heubeck 2005

In addition to defined benefit obligations, fixed contributions are paid to a pension fund for some employees in Austria due to pension commitments; the payments made by the company are recognised in accordance with IAS 19 as contributions to defined contribution plans.

Total pension costs comprise the following:

	2007	2006
	EUR	EUR
Pension costs – defined benefit plan	-28,339.96	-3,247.48
Pension costs – defined contribution plan	64,676.60	28,951.00
	36,336.64	**25,703.52**

Provisions for severance payments (Austria)

The values of the provisions for severance payments were computed in the same way as the provisions for pensions:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Actuarial present value of defined benefit obligation	308,750.00	460,641.00
Unrecognised actuarial gains/losses	75,030.00	-50,611.00
Liability in the balance sheet	**383,780.00**	**410,030.00**

The development of the provision recognised in the balance sheet is as follows:

	2007	2006
	EUR	EUR
Balance Jan. 1	410,030.00	384,729.00
Addition due to change in consolidated group	69,274.00	0.00
Expenses for severance payments	75,460.25	70,264.57
Payments of severance payments	-170,984.25	-44,963.57
Balance Dec. 31	**383,780.00**	**410,030.00**

The expense recognised in the income statement includes the following:

	2007	2006
	EUR	EUR
Current service cost	51,769.00	48,942.00
Interest expense	21,787.00	19,731.00
Amortisation of actuarial losses	1,904.25	1,591.57
	75,460.25	**70,264.57**

The interest expense is recognised in the financial result. Thus the expenses for defined benefit obligations recognised in personnel expenses amount to EUR 53,673.25 (prior year: TEUR 51).

The basic actuarial assumptions are as follows:

	2007	2006
Interest rate	5.25%	4.75%
Future salary increases	3%	3%
Average labour turnover	Age-related	Age-related
Pensionable age	According to pension reform 2004	According to pension reform 2004
Mortality tables	AVÖ 1999-P, employees	AVÖ 1999-P, employees

Provisions for severance payments (TFR)

In the financial year 2007, the values of provisions for severance payments (TFR) were computed in the same way as the provisions for pensions. The balance recognised at December 31, 2007 amounting to EUR 2,097,998.92 corresponds to the actuarial net present value of the obligation for severance payments (defined benefit obligation).

The development of the provision recognised in the balance sheet is as follows:

	2007	2006
	EUR	EUR
Balance Jan. 1	3,322,669.73	3,204,705.08
Expenses for severance payments	-211,957.08	649,816.47
Payments of severance payments	-1,012,713.73	-531,851.82
Balance Dec. 31	**2,097,998.92**	**3,322,669.73**

The expense recognised in the income statement includes the following:

	2007	2006
	EUR	EUR
Current service cost	18,892.00	503,874.00
Interest expense	115,932.00	118,090.00
Income due to plan change	-319,707.00	0.00
Recognition of actuarial gains/losses	-27,074.08	27,852.47
	-211,957.08	**649,816.47**

The interest expense is recognised in the financial result. Thus the expenses for defined benefit obligations recognised in personnel expenses amount to EUR -8,182.08 (prior year: EUR 531,726.47).

The basic actuarial assumptions are as follows:

	2007	2006
Interest rate	5.0%	4.5%
Future salary increases	3.0%	3.0%
Inflation	2%	2%
Labour turnover	12.5%	12.5%
Pensionable age	65 years	65 years
Mortality tables	ISTAT 2002	ISTAT 2002

(42) Financial liabilities

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Non-current:		
Loan	**11,308,021.58**	**547,814.99**
Current:		
Loan	425,499.74	156,519.74
Bank overdrafts	4,238,966.88	1,842,638.25
	4,664,466.62	**1,999,157.99**

Non-current financial liabilities include a bonded loan in the amount of EUR 10 million taken out in the financial year 2007. The bullet loan carries an interest rate of 5.17 percent and matures in March 2014.

Interest on other loans is currently charged at 4.85 percent and on overdrafts at 5 to 9.5 percent (2006: 4.75 to 8.75 percent).

At the balance sheet date, the Group had committed credit lines amounting to a total of EUR 7.485 million.

The fair value of the loan amounts to EUR 11,505,165.57 at the balance sheet date (prior year: EUR 689,852).

(43) Trade payables

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Trade payables already invoiced	6,412,185.37	6,585,788.71
Advance payments from customers	1,391,133.47	771,742.19
Trade payables not yet invoiced	1,977,528.71	1,162,967.48
	9,780,847.55	**8,520,498.38**

(44) Other liabilities

Other liabilities include the following:

	Dec. 31, 2007	Dec. 31, 2006
	EUR	EUR
Non-current:		
Other	**73,605.20**	**27,449.07**
Current:		
Taxes	2,859,286.08	2,480,015.00
Social security contributions	1,451,811.99	1,405,045.21
Holiday entitlements and overtime payables	1,763,086.30	1,770,199.52
Bonuses	933,445.23	789,608.14
Payroll-accounting	2,021,472.01	1,437,072.13
Deferred income from maintenance contracts	2,082,443.29	1,487,156.74
Other	1,095,038.17	1,158,644.42
	12,206,583.07	**10,527,741.16**

(45) Tax provisions

Balance Jan. 1, 2007	Utilisation	Addition due to acquisition	Allocation/ Reversal	Balance Dec. 31, 2007
EUR	EUR	EUR	EUR	EUR
1,698,344.33	-1,441,233.10	14,000.00	491,127.96	762,239.19

(46) Other provisions

	Balance Jan. 31, 2007	Utilisation	Reclassification	Reversal	Addition due to acquisition	Allocation	Balance Dec. 31, 2007
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Non-current							
Outstanding purchase price obligations from the acquisition of shares	3,155,240.00	0.00	-1,666,042.20	-975,163.05	0.00	955,004.25	1,469,039.00
Contingent losses	0.00	0.00	0.00	0.00	0.00	74,854.00	74,854.00
Other	0.00	0.00	0.00	0.00	0.00	59,610.00	59,610.00
	3,155,240.00	**0.00**	**-1,666,042.20**	**-975,163.05**	**0.00**	**1,089,468.25**	**1,603,503.00**
Current							
Outstanding purchase price obligations from the acquisition of shares	1,225,302.00	-1,211,347.20	1,666,042.20	-1,398,672.56	0.00	2,052,962.56	2,334,287.00
Guarantee	16,000.00	-45,689.59	0.00	0.00	29,689.59	0.00	0.00
Contingent losses	0.00	0.00	0.00	0.00	0.00	135,351.00	135,351.00
Other	0.00	0.00	0.00	0.00	0.00	87,000.00	87,000.00
	1,241,302.00	**-1,257,036.79**	**1,666,042.20**	**-1,398,672.56**	**29,689.59**	**2,275,313.56**	**2,556,638.00**

The outstanding purchase price obligations from the acquisition of shares at January 1, 2007 relate to BRAIN FORCE B.V., Veenendaal, Netherlands, EUR 1,211,347.20 of which was used and EUR 2,373,835.61 was reversed against goodwill due to changes in plan assumptions. The allocation primarily relates to the acquisition of SolveDirect.com Internet-Service GmbH, Vienna.

Notes on individual items of the consolidated cash flow statement

The cash flow statement was prepared using the indirect method.

It illustrates the change in cash and cash equivalents in the Group resulting from cash inflows and outflows over the reporting period, divided into cash flow from operating, investing and financing activities.

(47) Cash flow from operating activities
The cash flow from operating activities, based on the result before taxes adjusted for non-cash expenses/income, after changes of funds tied up in working capital and after deduction of paid interest (netted against interest received), dividends received and income taxes, illustrates the inflow/outflow of cash and cash equivalents from operating activities.

(48) Cash flow from investing activities
This section shows all cash inflows and outflows relating to additions to and disposals of property, plant and equipment, intangible assets and financial investments, as well as financial assets.

The cash flow from the acquisition of subsidiaries is broken down as follows:

	EUR
Acquisition SolveDirect.com Internet-Service GmbH, Vienna (note 52)	5,236,349.60
Settlement variable purchase price obligation BRAIN FORCE B.V. (formerly VAI B.V.), Veenendaal, Netherlands	1,212,733.20
Subsequent acquisition costs from the acquisition of minority interests in Brain Force Financial Solutions AG, Munich, Germany	465,586.21
Incorporation BRAIN FORCE Inc., New York, USA	15,064.78
	6,929,733.79

(49) Cash flow from financing activities
This section shows all cash inflows and outflows relating to equity and debt financing.

(50) Fund of cash and cash equivalents
The fund of cash and cash equivalents includes cash in hand and at bank, as long as they are available at short notice and unrestricted.

Thus, the fund of cash and cash equivalents is derived from the amount recognised in the balance sheet as follows:

	2007	2006
	EUR	EUR
Cash and cash equivalents according to balance sheet	9,440,942.51	13,533,836.72
Cash at bank, restricted	0.00	-329,912.62
Fund of cash and cash equivalents	**9,440,942.51**	**13,203,924.10**

Other disclosures

(51) Segment information
Due to the strong international focus of the Group, the management of the BRAIN FORCE Group decided to adjust the primary segments to the regional markets. As of the beginning of the financial year 2007, the following regions and countries were defined, with the location of the assets determining this allocation:

- Germany region
- Central and Eastern Europe region with Austria, Czech Republic, Slovakia and further Eastern European countries
- South West Europe region with Italy, Switzerland
- North Europe region with the Netherlands, Belgium, Luxembourg

For the secondary reporting format the following business segments are defined:

- Enterprise Services
- Business Solutions
- Technology and Infrastructure

The Enterprise Services (ES) segment offers the experience and know-how of its IT and TK specialists in the form of temporary consulting and service assignments. Such assignments cover all project phases from planning over realisation, test and integration to the actual operation. The scope of the services offered includes: consulting, programming, infrastructure, integration, migration, rollout, operation, support und maintenance.

The Business Solutions (BS) segment offers products and project services for the support and optimisation of business processes. The BS segment comprises the following competence centres: outsourcing solutions, financial solutions und enterprise solutions.

The Technology and Infrastructure (TI) segment of the BRAIN FORCE Group offers solutions for an efficient IT management and optimised ITK networks including security. The TI segment comprises the following competence centres: Infrastructure Solutions, Communication Solutions and Security.

a) Geographical segments

The ratios for the financial year 2007 and the prior year are as follows:

Ratios by geographical segment 2007	Region Germany	Region Central and Eastern Europe	Region South West Europe	Region North Europe	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	46,778,152.29	14,780,004.06	27,332,922.16	9,442,178.05	0.00	**98,333,256.56**
Segment operating result before segment depreciation and amortisation (EBITDA)	263,591.33	911,078.30	2,172,682.98	1,052,643.35	-4,053,967.02	**346,028.94**
Segment depreciation and amortisation	-11,771,781.73	-1,089,879.64	-1,308,218.95	-2,789,683.50	-69,527.70	**-17,029,091.52**
Segment operating result	-11,508,190.40	-178,801.34	864,464.03	-1,737,040.15	-4,123,494.72	**-16,683,062.58**
Financial result						**-713,405.91**
Share in profit of associates					-513,346.40	**-513,346.40**
Result before income taxes						**-17,909,814.89**
Income taxes						**-2,004,895.22**
Result for the period						**-19,914,710.11**
Segment assets	20,859,777.35	19,494,599.26	19,278,768.17	9,346,013.02	5,363,251.83	**74,342,409.63**
Segment liabilities	8,258,702.09	4,892,526.14	14,099,245.94	2,270,252.66	18,556,260.78	**48,076,987.61**
Segment capital expenditure	1,432,161.96	14,543,936.14	602,777.74	678,594.07	43,062.18	**17,300,532.09**

Ratios by geographical segment 2006	Germany	Central and Eastern Europe	South West Europe	North Europe	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	42,339,347.83	10,572,111.55	26,782,007.79	8,837,709.65	0.00	**88,531,176.82**
Segment operating result before segment depreciation and amortisation (EBITDA)	4,766,894.84	345,169.63	2,505,636.33	1,454,613.44	-2,558,399.92	**6,513,914.32**
Segment depreciation and amortisation	-1,937,651.21	-135,898.63	-645,108.56	-782,967.02	-94,176.93	**-3,595,802.35**
Segment operating result	2,829,243.63	209,271.00	1,860,527.77	671,646.42	-2,652,576.85	**2,918,111.97**
Financial result						**-94,702.06**
Share in profit of associates	446,590.93			-40,036.55		**406,554.38**
Result before income taxes						**3,229,964.29**
Income taxes						**942,883.04**
Result for the period						**4,172,847.33**
Segment assets	34,762,600.34	3,614,753.28	18,724,638.20	15,212,538.72	9,265,022.29	**81,579,552.83**
Segment liabilities	8,517,337.42	2,172,798.36	12,567,204.63	1,582,894.25	8,646,816.79	**33,487,051.45**
Segment capital expenditure	10,219,711.58	147,664.57	629,259.16	6,157,465.52	67,197.33	**17,221,298.16**

b) Business segments

Ratios by business segment 2007	Enterprise Services	Business Solutions	Technology and Infrastructure	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	36,077,536.74	28,079,002.10	34,176,717.72	0.00	**98,333,256.56**
Segment assets	13,536,814.24	17,258,680.59	38,183,662.97	5,363,251.83	**74,342,409.63**
Segment capital expenditure	348,938.69	1,008,524.92	15,900,007.10	43,061.38	**17,300,532.09**

Ratios by business segment 2006	Enterprise Services	Business Solutions	Technology and Infrastructure	Unallocated	Total
	EUR	EUR	EUR	EUR	EUR
Segment net sales (consolidated)	34,146,917.82	26,701,501.14	27,682,757.86	0.00	**88,531,176.82**
Segment assets	16,499,534.76	25,476,037.51	30,338,958.27	9,265,022.29	**81,579,552.83**
Segment capital expenditure	6,747,392.33	1,597,226.27	8,809,482.23	67,197.33	**17,221,298.16**

(52) Acquisitions

On July 6, 2007 a purchase and transfer agreement was concluded on the acquisition of all shares in SolveDirect.com Internet-Service GmbH, Vienna. After June 30, 2007 the risk and chance regarding the company shares were transferred. The purchase price consists of a fixed purchase price and variable purchase price components. The fixed purchase price is paid partly in cash and partly in shares of the purchaser. SolveDirect.com Internet-Service GmbH was subsequently merged into BRAIN FORCE SOFTWARE GmbH with retroactive effect as of January 1, 2007.

In accordance with the purchase agreement, a fixed purchase price of EUR 9 million was stipulated, EUR 5,981,940 of which is payable in cash and EUR 3,116,088.81 in shares of the purchaser. If 100 percent of the target is achieved, a payment of EUR 2,000,000 (EUR 582,000 of which in shares) falls due for 2007 and EUR 1,000,000 for 2008. In case the targets are not met or exceeded, a correspondingly higher or lower amount falls due.

The purchase price, including incidental acquisition expenses amounting to EUR 71,479, is EUR 12,086,067.81.

The acquired goodwill is determined as follows:

	EUR
Purchase price	12,014,588.81
Incidental expenses	71,479.00
Total price	**12,086,067.81**
Less fair value of acquired net assets	-6,509,498.55
Goodwill (note 31)	**5,576,569.26**

In addition, the following items of assets and liabilities were acquired:

	Fair values	Carrying amounts
	EUR	EUR
Property, plant and equipment	256,064.69	256,064.69
Trademark right	8,295,717.00	0.00
Orders on hand	78,391.00	0.00
Customer relations	257,888.00	0.00
Software	15,279.12	15,279.12
Deferred tax assets	0.00	0.00
Trade receivables	683,060.64	683,060.64
Inventories	5,600.00	5,600.00
Tax receivables	155,494.50	155,494.50
Other receivables	94,811.34	94,811.34
Securities	1,003.60	1,003.60
Cash and cash equivalents	765,458.57	765,458.57
Financial liabilities	-1,080,045.33	-1,080,045.33
Provisions	-177,311.96	-177,311.96
Deferred tax liabilities	-2,157,999.00	0.00
Trade payables	-32,120.48	-32,120.48
Other liabilities	-651,793.14	-651,793.14
Fair value of acquired net assets	**6,509,498.55**	**35,501.55**

The net cash flow from the acquisition of the subsidiary is presented as follows:

	EUR
Total purchase price	12,086,067.81
Less acquired cash and cash equivalents	-765,458.57
Less outstanding purchase price and incidental costs	-2,916,560.00
Payment in own shares	-3,167,699.64
Net cash flow from acquisition	**5,236,349.60**

The acquired company contributed to the result of the reporting period as follows: Between July 1 to December 31, 2007 net sales in the amount of EUR 2,979,145.51 were generated and a result for the period amounting to EUR 401,468.31 was earned. At December 31, 2007 total assets amounted to EUR 11,447,358.82, liabilities to EUR 4,536,475.16. Prior to the acquisition by BRAIN FORCE HOLDING AG, the subsidiary had not prepared accounts pursuant to IFRS. Consequently, consolidated net sales and the consolidated result under the perspective as if the company had already been acquired at the beginning of the year cannot be determined at reasonable expense and are therefore not provided.

(53) Earnings per share

Earnings per share is computed by dividing the result for the period by the weighted average number of ordinary shares, adjusted for own shares held.

	2007	2006
	EUR	EUR
Result for the period attributable to the equity holders of the parent company	-19,914,710.11	4,172,847.33
Weighted average number of ordinary shares (basic and diluted)	15,386,742	14,025,199
Earnings per share (in EUR)	-1.29	0.30

The consolidated financial statements of the Company will be dealt with in the Supervisory Board Meeting on March 26, 2008 (see note 60). The proposal on profit distribution, which has to be submitted together with the report of the Supervisory Board, is subject to approval by the Ordinary General Meeting.

(54) Notes on related party transactions

The major shareholders and the Management and Supervisory Board members of BRAIN FORCE HOLDING AG as well as associates are considered related parties.

Remunerations paid to members of the Management Board in the reporting year amounted to EUR 773,547.09, the variable portion of which was EUR 140,696 (prior year: EUR 760,882.39, variable portion of which EUR 187,302). Remunerations paid to members of the Supervisory Board amounting to EUR 66,600 (prior year: EUR 63,746) were recognised in profit or loss.

In addition, expenses for severance payments and pensions for members of the Management Board in the amount of EUR -443.10 (prior year: EUR 21,486.51) were recognised in profit or loss.

Neither were any loans granted to nor guarantees given for the benefit of members of the Management and Supervisory Board.

On April 10, 2007 BRAIN FORCE HOLDING AG entered into an agreement with Maximilian Werndl and the Priority Racing Team e.u., Vienna, as partners to the contract, which gives the Company the right to act as co-sponsor for Maximilian Werndl in the Mini Challenge season 2007. The fee paid to the Priority Racing Team e.u. is EUR 12,000. The former managing director Helmut Fleischmann is owner of the registered sole proprietorship Priority Racing Team e.u.

In the financial year 2007, the Company concluded a consultancy contract with the Supervisory Board member Christian Wolff on the support, as well as planning and implementation of all investor-relations activities of the Group. A monthly fee of EUR 10,000 was agreed for the consultancy services. The consultancy contract entered into effect as of January 1, 2007 and was terminated by mutual agreement as of August 31, 2007.

By purchase and transfer agreement dated July 6, 2007 BRAIN FORCE HOLDING AG took over all shares in SolveDirect.com Internet-Service GmbH, Vienna. The purchase price was partly paid in BRAIN FORCE shares, which pursuant to the purchase and transfer agreement are subject to a gradual lockup.

In a supplemental agreement dated July 6, 2007, concluded between the sellers and BRAIN FORCE HOLDING AG, BRAIN FORCE HOLDING AG – provided that certain conditions are met – agrees to the transfer of the shares subject to the lockup to march.sixteen Finance Services LLP, London, Great Britain (M16).

In a separate agreement between the sellers and M16 the sellers undertake to assign 7.5 percent of the purchase price that the sellers receive from BRAIN FORCE HOLDING AG for the transfer of the shares in SolveDirect.com Internet-Service GmbH to M16, abandoning existing framework agreements. The 7.5 percent bonus arrangement is paid by the sellers to M16 provided that the purchase price is paid by BRAIN FORCE HOLDING AG to the existing shareholders, thus split into a fixed purchase price, earn-out 2007 and earn-out 2008 (for details see note 52).

The Supervisory Board member Christian Wolff is shareholder and general manager of M16.

In the financial year 2005 BRAIN FORCE HOLDING AG underwrote a convertible bond issued by the associate KEMP Technologies Inc., New York, USA, in the amount of USD 900,000. This convertible bond carries an interest rate of 12 percent. The financial result earned in the financial year 2007 before elimination of intragroup transactions is EUR 73,344.65 (USD 108,000) (prior year: EUR 81,911.06 (USD 108,000)).

(55) Share-based compensation

Currently, a share-based compensation plan for employees of BRAIN FORCE HOLDING AG is not in place. Consequently, neither the members of the Management Board nor of the Supervisory Board hold any option rights.

(56) Financial instruments

The financial instruments listed in the balance sheet are securities, investments, cash and cash equivalents including bank accounts, receivables and supplier credits, as well as financial liabilities. The accounting principles described for each balance sheet item are applicable to original financial instruments.

Information on financial instruments by category:

	2007	2006
	EUR	EUR
Financial assets at fair value through profit or loss		
Other receivables and assets	0.00	4,811.06
Financial assets available for sale		
Financial investments	179,780.94	183,283.32
Loans and receivables		
Trade receivables	28,168,703.26	25,851,978.91
Other receivables and assets	1,193,316.10	1,880,965.85
Cash and cash equivalents	9,440,942.51	13,533,836.72
	38,802,961.87	**41,266,781.48**
Financial liabilities at fair value through profit or loss	0.00	0.00
Liabilities recognised at (amortised) cost		
Financial liabilities	15,972,488.20	2,546,972.98
Trade payables	8,389,559.08	7,748,756.19
Other liabilities	5,886,646.91	5,182,973.28
	30,248,694.19	**15,478,702.45**

The carrying amounts and cash flows of the financial liabilities with a remaining maturity of more than one year are as follows:

Carrying amounts	2007	2006
	EUR	EUR
Non-current financial liabilities	11,308,021.58	547,814.99
Current portion	425,499.74	156,519.74
Carrying amount Dec. 31	**11,733,521.32**	**704,334.73**

Cash flows:		2007			2006
		EUR			EUR
2008	redemption	425,499.74	2007	redemption	156,519.74
2008	interest	596,116.16	2007	interest	32,262.44
2009	redemption	439,562.07	2008	redemption	156,519.74
2009	interest	572,774.31	2008	interest	24,671.23
2010	redemption	482,382.74	2009	redemption	156,519.74
2010	interest	548,053.09	2009	interest	17,080.02
2011	redemption	452,715.77	2010	redemption	156,519.74
2011	interest	525,820.35	2010	interest	9,488.81
2012	redemption	0.00	2011	redemption	78,255.77
2012	interest	517,000.00	2011	interest	1,897.70
after 2012 redemption		9,933,361.00	after 2011 redemption		0.00
after 2012 interest		631,888.89	after 2011 interest		0.00

Financial instruments were recognised in the income statement with the following net results:

	2007	2006
	EUR	EUR
Write-offs of and allowances for trade receivables		
Operating result, net	531,153.38	1,256,770.63
Financial assets available for sale	72,994.31	135,475.62
Loans and receivables	233,757.96	228,090.18
Liabilities recognised at (amortised) cost	-1,020,158.18	-458,267.86
Financial result, net	**-713,405.91**	**-94,702.06**

(57) Commitments from leasing transactions

Operating lease commitments	2007	2006
	EUR	EUR
Not later than one year	3,678,765.76	2,860,104.80
Later than 1 and not later than 5 years	8,163,413.89	6,290,439.31
Later than 5 years	4,790,428.40	5,006,445.00

(58) Notes on employees

	Average		At Dec. 31	
	2007	2006	2007	2006
Number of employees (salaried)	854	802	863	843

(59) Events after the balance sheet date

On January 29, 2008 the Company filed an application for the revocation of the listing of the shares of BRAIN FORCE HOLDING AG on the Regulated Market at the Frankfurt Stock Exchange. By resolution dated February 13, 2008 the application of the Company was approved. The revocation of the listing of the shares on the Regulated Market at the Frankfurt Stock Exchange will enter into effect after May 13, 2008.

On January 31, 2008 Unternehmens Invest Aktiengesellschaft, Vienna, announced its intention to make a takeover bid to the shareholders of BRAIN FORCE HOLDING AG through BF Informationstechnologie-Beteiligungsgesellschaft m.b.H., Wels, in which Unternehmens Invest Aktiengesellschaft and CROSS Industries AG, Wels, together hold the majority of the shares. Subsequently, BF Informationstechnologie-Beteiligungsgesellschaft m.b.H. announced in mid-February 2008 that it had acquired additional shares in BRAIN FORCE HOLDING AG and concluded a voting trust agreement subject to a condition precedent with BEKO HOLDING AG, Vienna, which is why – in case the voting trust agreement is not prohibited by the antitrust authority – it will make a mandatory offer pursuant to the Austrian Takeover Act. The mandatory offer had not been published at the reporting date.

No further material events to be reported occurred after the balance sheet date.

(60) Authorisation for issue

These consolidated financial statements were prepared, signed and authorised for issue by the Management Board at the date indicated below. The separate financial statements of the parent company, which after the adoption of the applicable accounting standards were also included in the consolidated financial statements, will be submitted to the Supervisory Board for review and regarding the separate financial statements also for adoption on March 26, 2008. The Supervisory Board and, in case of submittal to the general meeting, the shareholders can change these separate financial statements in a way which might also affect the presentation of the consolidated financial statements.

Members of the Management and Supervisory Boards

The following persons served on the Management Board in the financial year 2007:

- Günter Pridt, Vienna, Chairman, appointed Interim Chairman on September 4, 2007 pursuant to Section 90 (2) AktG with individual power of representation; since September 27, 2007 Chairman with individual power of representation, entered in the commercial register on December 19, 2007
- Helmut Fleischmann, Kitzbühel, recalled as Chairman on September 4, 2007, deleted from the commercial register on September 26, 2007
- Wolfgang Lippert, Langenzersdorf, Deputy-Chairman until October 31, 2007, deleted from the commercial register on November 14, 2007

The following persons served on the Supervisory Board in the financial year 2007:

- Dr. Christoph Senft, Angerberg, Chairman (since June 12, 2003; term of office until the end of the ordinary general meeting which decides on the financial year 2009)
- Günter Pridt, Vienna, Deputy Chairman (since April 14, 2005; term of office until September 4, 2007)
- Mag. Wolfgang M. Hickel, Vienna (since June 14, 2000; term of office until the end of the ordinary general meeting which decides on the financial year 2007)
- Mag. Christian Schamburek, Brunn am Gebirge (since June 11, 2003; term of office until the end of the ordinary general meeting which decides on the financial year 2011)
- Christian Wolff, Switzerland (since April 14, 2005; term of office until the end of the ordinary general meeting which decides on the financial year 2008)
- Prof. Ing. Peter Kotauczek, Breitenbrunn am Neusiedler See (since December 22, 2006; term of office until the end of the ordinary general meeting which decides on the financial year 2009)

Vienna, March 14, 2008

The Management Board:

signed:

Günter Pridt

Auditor's Report
(Report of the independent auditor)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BRAIN FORCE HOLDING AG, Vienna, for the financial year from January 1 to December 31, 2007. These consolidated financial statements comprise the consolidated balance sheet as at December 31, 2007, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year ended December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of December 31, 2007 and of its financial performance and its cash flows for the financial year from January 1 to December 31, 2007 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Report on the Group Management Report

Laws and regulations applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the group management report is consistent with the consolidated financial statements.

Vienna, March 14, 2008

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Mag. Dr. Aslan Milla
Austrian Certified Public Accountant

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Financial Calendar 2008

Date	Event
March 27, 2008	Annual Report 2007
March 27, 2008	Financial Results Press Conference
May 27, 2008	Q1 Quarterly Report
May 28, 2008	Annual Shareholders' Meeting
August 29, 2008	Q2 Quarterly Report
November 28, 2008	Q3 Quarterly Report

Imprint

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Our warmest thanks go in particular to all our staff involved in the making of this annual report.

Glossary

Ratios	
Cash flow	Earnings ratio for corporate analysis. Describes the increase in cash and cash equivalents in an accounting period
EBIT	Earnings before interest and taxes; result before interest and income taxes = operating result
EBIT margin	Operating result in relation to sales
EBITDA	Earnings before interest, taxes, depreciation and amortization; operating result before depreciation/amortization = gross cash flow
EBITDA margin	Operating result before depreciation/amortization in relation to sales
Equity ratio	Ratio relating equity to total assets
Gearing	Proportion of net debt to equity
ÖCGK	Österreichischer Corporate Governance Kodex (Austrian Corporate Governance Code) – regulation framework for the management of supervision of the Company
Working capital	Available to cover the cash expenses from business activities and serves to compensate for short-term fluctuations

Solutions	
ICT	Information and communication technology
Business Solutions	Application solutions and services to support business processes
Technology and Infrastructure	Application solutions and services to support and manage ICT infrastructures
Professional Services	Services from the areas of Business Solutions and Infrastructure Solutions complemented by IT recruiting
Application Management	Services ranging from business process and architecture consulting over design and development of applications, application maintenance and application servicing, to the operations of applications
Infrastructure Management	Management of servers and clients with all related components
Service Management	Optimised support of business processes through IT services
Managed Services	Adoption of IT processes by customers

Products	
BRAIN FORCE FINAS Suite	Front office solutions for financial service providers
BRAIN FORCE ICT Suite	Comprehensive solution for the documentation and organisation of ICT services and resources
BRAIN FORCE ICT Bill	Billing of ICT services and resources according to origin
BRAIN FORCE Net Organizer	Documentation and organization of ICT infrastructure
BRAIN FORCE Com Organizer	Management and integration of heterogeneous CT equipment
BRAIN FORCE Packaging Robot	Solution from best practice methodologies and software tools for automated software packaging
BRAIN FORCE Desktop Manager	Solution for fully automated administration of configurations, applications and user profiles

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