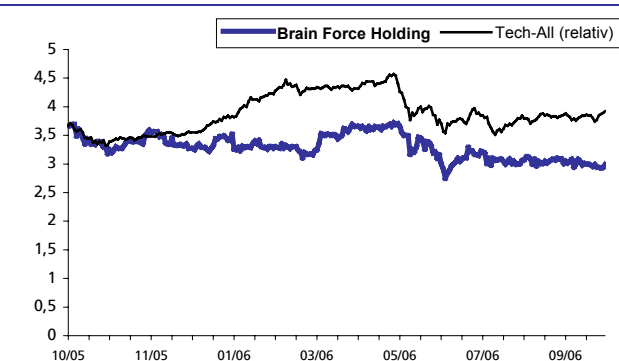


Buy Risk: **Target: 4,80 €**
(old: buy) high

BenQ also concerns Brain Force

Bloomberg: BFC GY Price: 2,99 €
Reuters: BFCG.DE Tech-AS: 839,98
ISIN: AT0000820659
Internet: www.Brainforce.com
Segment: Prime Standard
Sector: IT-Services



Price data: Bloomberg 29.09.2006 / closing price

High / Low 52 W: 3,74 € / 2,64 €
Market capitalisation: 46,01 €m
No. of shares (fully diluted): 15,39 mln.

Shareholders: Free float 71,59%
H. Fleischmann Privatstiftung 23,4%
BEKO Holding AG 5,01 %

Calendar: Figures Q3/06 27.11.2006
Analysts conference 29.11.2006

Analysis: SES Research

Published: 02.10.2006
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The Brain Force Holding AG announced on 29.09.06 that it does expect to adjust its accounts receivables by up to 1,4 €m due to the insolvency of BenQ Mobile GmbH & Co. OHG. This will affect the earnings in Q3 2006 and will also mean that we will have to reduce our prognoses for the fiscal year 2006. The earnings in Q4 will hardly be influenced by this and currently it is not clear whether the entire amount of 1,4 €m will actually occur.

For the next years we had not expected any further orders to come from BenQ as the company had been belt-tightening for longer and had also reduced the staff strongly in July. Brain Force had developed and tested software for mobile phones for BenQ (3G/UMTS). In context with the insolvency this project could be ended earlier than originally scheduled. As yet only good 20 of the overall 900 employees in the Brain Force group are working on BenQ, the effects should again be only minor.

We expect the company to report the sales- and earnings expectations for FY 2007 soon and Brain Force had announced to do this in early October. In this context we will reduce our prognoses for 2006. At present we do yet not see any reason to largely adjust our prognoses for 2007. We assume that the price target will only come down slightly on grounds of the adjusted bills outstanding.

We reiterate our Buy rating and continue to recommend the stock.

| End fiscal year | 12/05 | 12/06e | 12/07e | 12/08e | CAGR |
|--|-------|--------|--------|--------|-------|
| Sales | 76,6 | 92,2 | 109,4 | 117,0 | 15,2% |
| EBITDA | 6,5 | 9,1 | 11,8 | 13,5 | 27,9% |
| <i>Margin</i> | 8,44% | 9,86% | 10,80% | 11,55% | |
| EBIT | 3,6 | 4,6 | 6,2 | 7,6 | 28,4% |
| <i>Margin</i> | 4,67% | 5,03% | 5,65% | 6,47% | |
| Net income | 3,0 | 4,0 | 4,5 | 5,4 | 21,4% |
| <i>Margin</i> | 3,95% | 4,38% | 4,09% | 4,63% | |
| EpS | 0,30 | 0,26 | 0,29 | 0,35 | 6,1% |
| Dividend | 0,08 | 0,08 | 0,10 | 0,11 | 11,2% |
| <i>Yield</i> | 2,68% | 2,88% | 3,34% | 3,68% | |
| EpS in €, all other in €m, price: 2,99 € | | | | | |
| Price/SALES | 0,60 | 0,50 | 0,42 | 0,39 | |
| PER | 10,13 | 11,40 | 10,27 | 8,49 | |
| EV/Sales | 0,44 | 0,37 | 0,31 | 0,29 | |
| EV/EBITDA | 5,26 | 3,74 | 2,88 | 2,52 | |

Key figures Brain Force Holding

| P&L (€m) | 2005 | 2006e | 2007e | 2008e |
|---------------------------------|------|-------|-------|-------|
| Sales | 76,6 | 92,2 | 109,4 | 117,0 |
| Total Sales | 78,9 | 95,4 | 112,7 | 120,6 |
| COGS | 53,4 | 64,4 | 75,7 | 80,6 |
| Gross Profit | 25,5 | 30,9 | 37,1 | 40,0 |
| Personnel Expenses | 12,8 | 15,6 | 17,5 | 18,1 |
| Other Operating Expenses | 21,9 | 26,3 | 30,9 | 32,4 |
| EBITDA | 6,5 | 9,1 | 11,8 | 13,5 |
| Depreciation and Amortisation | 2,9 | 4,5 | 5,6 | 5,9 |
| - thereof Goodwill Amortisation | 0,4 | 0,6 | 0,7 | 0,7 |
| EBIT | 3,6 | 4,6 | 6,2 | 7,6 |
| Financial Result | 0,1 | 0,5 | 0,4 | 0,4 |
| Extraordinary Result | 0,0 | 0,0 | 0,0 | 0,0 |
| EBT | 3,7 | 5,1 | 6,6 | 8,0 |
| Taxes | 0,5 | 1,0 | 2,1 | 2,6 |
| Net Profit before Minorities | 3,1 | 4,1 | 4,5 | 5,4 |
| Net Profit | 3,0 | 4,0 | 4,5 | 5,4 |
| Dividend Payout | 0,8 | 1,2 | 1,5 | 1,7 |

| Cash-Flow | 2005 | 2006e | 2007e | 2008e |
|---------------------------|------|-------|-------|-------|
| Cash Flow from Operations | 5,9 | 8,5 | 10,1 | 11,4 |
| Free Cash Flow | -2,6 | -26,1 | -28,6 | -26,8 |
| Capex | 9,9 | 2,7 | 4,4 | 4,7 |

| Balance sheet (€m) | 2005 | 2006e | 2007e | 2008e |
|---------------------------|------|-------|-------|-------|
| Fixed Assets | 1,5 | 2,3 | 2,0 | 1,7 |
| Intangible Assets | 18,3 | 15,5 | 15,6 | 14,7 |
| Net Working Capital | 17,5 | 21,9 | 25,1 | 27,0 |
| Current Assets | 39,1 | 53,0 | 72,1 | 93,6 |
| Cash and Cash Equivalents | 11,8 | 20,5 | 36,1 | 55,0 |
| Equity | 32,1 | 77,8 | 137,7 | 198,2 |
| Provisions | 6,6 | 6,6 | 6,0 | 5,0 |
| Financial Liabilities | 6,2 | -1,6 | -11,0 | -20,4 |
| Net Cash | 5,6 | 22,1 | 47,1 | 75,4 |
| Total | 63,6 | 66,4 | 76,4 | 86,8 |

| | | | | |
|--------------------|------------|------------|------------|------------|
| Reporting standard | IFRS | IFRS | IFRS | IFRS |
| Fiscal year ending | 31.12.2005 | 31.12.2006 | 31.12.2007 | 31.12.2008 |

| Growth rates | 2005 | 2006e | 2007e | 2008e |
|--------------|-------|-------|-------|-------|
| Sales | 18,9% | 20,3% | 18,7% | 7,0% |
| EBITDA | 45,8% | 40,6% | 30,0% | 14,4% |
| EBIT | 49,8% | 29,4% | 33,5% | 22,4% |
| EBT | 9,4% | 39,3% | 28,6% | 21,0% |
| Net profit | 70,6% | 33,3% | 11,0% | 21,0% |
| Dividend | n.m. | 0,0% | 25,0% | 10,0% |

| Cost intensities | 2005 | 2006e | 2007e | 2008e |
|----------------------------|-------|-------|-------|-------|
| COGS / Sales | 69,7% | 69,9% | 69,2% | 68,9% |
| Personnel Expenses / Sales | 16,7% | 17,0% | 16,0% | 15,5% |

| Price Data | 2005 | 2006e | 2007e | 2008e |
|-----------------------|------|-------|-------|-------|
| Share Price (€) | | | | 2,99 |
| Market Cap. (€m) | | | | 46,0 |
| Enterprise Value (€m) | | | | 34,0 |

| Share Key Data | 2005 | 2006e | 2007e | 2008e |
|------------------------------|-------|-------|-------|-------|
| Earnings per Share (€) | 0,30 | 0,26 | 0,29 | 0,35 |
| Sales per Share (€) | 7,47 | 5,99 | 7,11 | 7,61 |
| Free Cash Flow per Share (€) | -0,25 | -1,70 | -1,86 | -1,74 |
| Dividend per Share (€) | 0,08 | 0,08 | 0,10 | 0,11 |

| Valuation Key Data | 2005 | 2006e | 2007e | 2008e |
|--------------------|-------|-------|-------|-------|
| P/E | 10,13 | 11,40 | 10,27 | 8,49 |
| P/Sales | 0,40 | 0,50 | 0,42 | 0,39 |
| EV/Sales | 0,44 | 0,37 | 0,31 | 0,29 |
| EV/EBITDA | 5,26 | 3,74 | 2,88 | 2,52 |
| EV/EBIT | 9,50 | 7,34 | 5,50 | 4,49 |
| P/Book | 1,43 | 0,59 | 0,33 | 0,23 |
| Dividend Yield | 2,7% | 2,7% | 3,3% | 3,7% |

| No. of shares (million) | 2005 | 2006e | 2007e | 2008e |
|-------------------------|-------|-------|-------|-------|
| Ordinary shares out | 10,26 | 15,39 | 15,39 | 15,39 |

| Profitability | 2005 | 2006e | 2007e | 2008e |
|-------------------|------|-------|-------|-------|
| EBITDA-margin | 8,4% | 9,9% | 10,8% | 11,6% |
| EBIT-margin | 4,7% | 5,0% | 5,7% | 6,5% |
| EBT-margin | 4,8% | 5,6% | 6,0% | 6,8% |
| Net Profit-margin | 4,0% | 4,4% | 4,1% | 4,6% |
| ROE | 9,4% | 5,2% | 3,3% | 2,7% |
| ROA | 5,2% | 6,0% | 5,1% | 5,1% |
| ROCE | 9,2% | 11,4% | 13,9% | 16,8% |

Company profile

Brain Force Holding AG is a holding for investments in the field of Software. Brain Force primarily has shareholdings which are software product companies on the one hand and companies which possess implementation expertise on the other. Brain Force Holding AG is headquartered in Vienna. Most of the company's sales are earned in Germany, Italy and Austria. Brain Force was founded in 1983 and converted into an AG in 1998. This was also the year of the company's IPO.

Management

Helmut Fleischmann (CEO), Wolfgang Lippert (CFO)

Shareholders

| | |
|-----------------------------------|--------|
| Free float | 77,98% |
| Helmut Fleischmann | 2,15% |
| Helmut Fleischmann Privatstiftung | 14,82% |
| Beko Holding | 5,00% |
| Own shares | 0,05% |

Sources: companies (reported data), SES Research (prognoses and key figures), Bloomberg (price data)

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