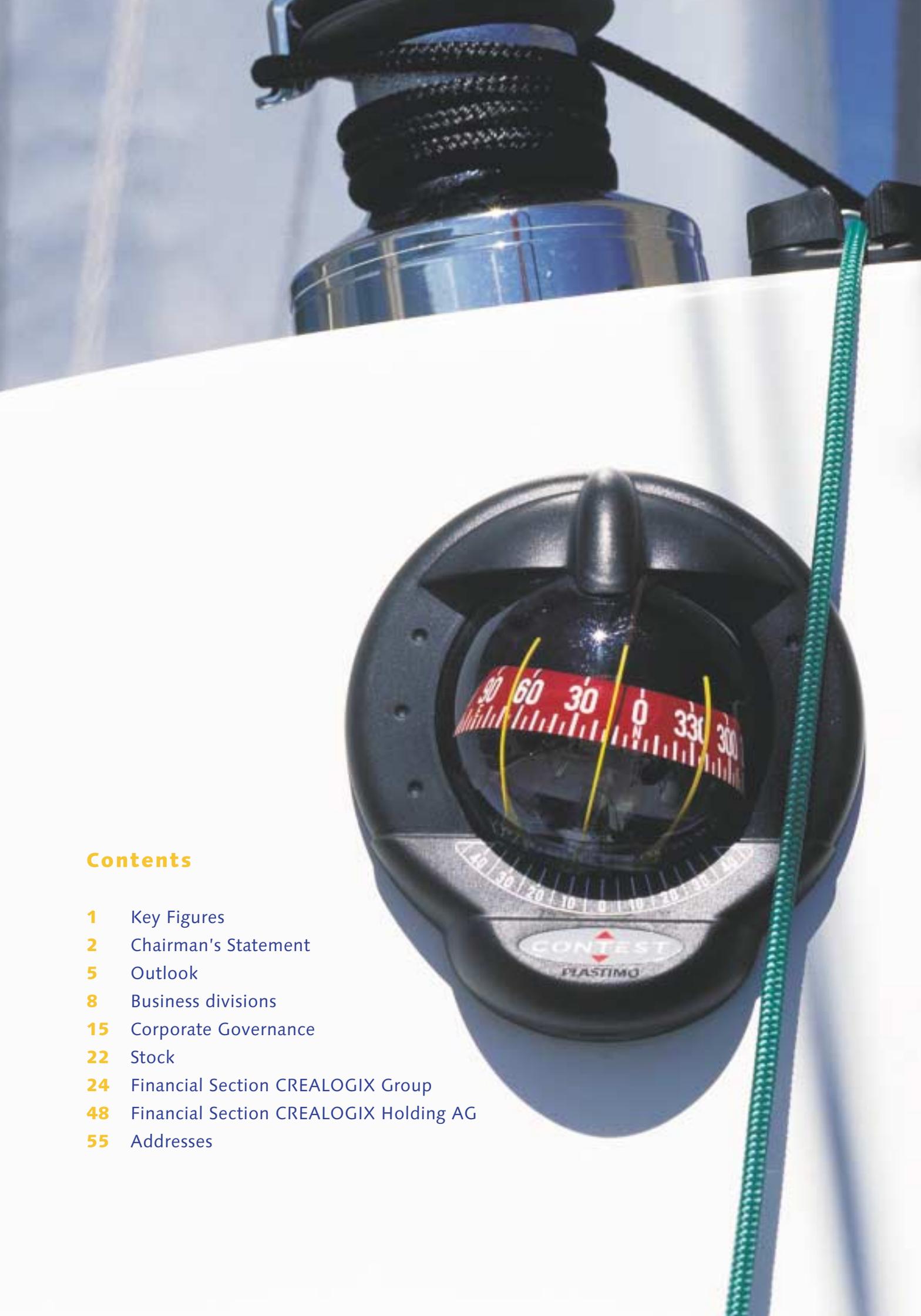


Annual Report

CREALOGIX Holding AG



2003/2004



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1 Key Figures

All amounts in CHF	January–June 2004	January–June 2003	July–June 2003/2004	July–June 2002/2003
Revenue	8,675,213.16	12,338,553.12	18,500,414.30	23,584,679.11
% increase	-29.7	30.0	-21.6	14.3
Operating earnings before interest, taxes, depreciation and amortization (EBITDA)	782,125.84	1,198,539.95	1,645,280.85	2,239,448.64
in % of revenue	9.0	9.7	8.9	9.5
Operating profit (EBIT)	80,448.86	483,034.89	340,369.08	791,381.10
in % of revenue	0.9	3.9	1.8	3.4
Net profit	222,700.10	770,578.51	779,295.25	1,075,788.51
in % of revenue	2.6	6.2	4.2	4.6
in % of shareholders' equity	0.4	1.3	1.3	1.9
Net cash flow from operating activities	-10,010,144	-670,426	-9,247,872	-917,899
in % of revenue	-115.4	-5.4	-50.0	-3.9
Capital expenditures	5,837,030	562,425	6,714,267	2,016,658
Depreciation	701,676.98	715,505.06	1,304,911.77	1,448,067.54
Capacity of persons employed (equivalent to full-time positions)	96.7	114.6	100.0	111.9
Capacity of freelancers	1.9	3.8	2.4	3.6
Capacity, incl. freelancers	98.6	118.4	102.4	115.5
Revenue per person (capacity, incl. freelancers)	87,983.91	104,210.75	180,668.11	204,196.36
Personnel expenses per person	61,885.51	65,832.75	123,285.50	132,368.98
Headcount per 30 June			107	117
Share prices				
High	54.50	47.80	62.90	47.80
Low	47.25	27.35	45.20	24.70
Per 30 June			51.50	46.00
Market capitalization (in m)				
High	58.3	51.1	67.3	51.1
Low	50.6	29.3	48.4	26.4
Market capitalization per 30 June (in m)			55.1	49.2
in % of revenue			297.9	208.7
in % of shareholders' equity			94.8	85.4
Earnings per share – basic	0.217	0.738	0.759	1.028
Price-earnings ratio (P/E)	118.7	31.2	67.8	44.7
Shareholders' equity per share			56.6	55.8
Price-book value			0.9	0.8
All amounts in CHF			30 June 2004	30 June 2003
Total assets			62,263,352.66	63,458,526.19
Total current assets			51,633,436.16	58,083,620.23
Cash and cash equivalents and marketable securities of above			44,978,373.82	48,764,475.67
Total current and non-current liabilities			4,107,861.40	5,792,514.38
Shareholders' equity			58,155,491.26	57,666,011.81
Equity ratio (in %)			93.4	90.9



Bruno Richle

Chairman of the Board of Directors and CEO

Dear Shareholders

Dear Colleagues

Dear Business Partners

In a difficult market, we have once again been able to report a positive result for the year. For the financial year just ended, we can report EBIT of CHF 340,000 and net profit of CHF 779,000 on consolidated sales of CHF 18.5 million.

Our focus over the last twelve months has been on the rigorous implementation of our growth strategy by means of company acquisitions. Our task was to position our company as well as possible for the future. In addition to boosting growth, our acquisitions have also given us access to a new area of business. In all that has happened over the past year, we have never lost sight of our goal of becoming the Swiss market leader in our selected segments of the market.

We succeeded in doing just that by entering the ERP (Enterprise Resource Planning) market with a majority 70 percent holding in CIRCON Circle Consulting AG and our strategic purchase of 40 percent of Balzano Informatik AG. The ultimate aim is to take a controlling stake in the company. At the same time, we have strengthened our e-banking portfolio and our market position in e-finance with the takeover of hmi informatik AG.

Steps towards the future have also been taken in our established e-business operations. CREALOGIX AG has been reorganised according to four areas of strategic focus: Business Solutions, Technology Solutions, E-Learning Solutions and Mobile Solutions. Selected divisions have also been co-located at our Bubikon site.

Sales and earnings performance

The past 2003/2004 financial year was probably the most challenging in Crealogix' company history. It reflected a general reluctance to invest in our business. Low demand and persistent overcapacities in the market put margins under pressure once again. Yet even in this difficult phase we were careful to accept only orders that could be fulfilled at a profit.

Back in the autumn of 2003 we communicated our modest sales forecasts, which have since – unfortunately – proven correct. Despite a fall in sales of 21.6 percent, our rigorous cost management and project controlling meant that we were still able to achieve a net profit of CHF 779,000.

Consolidated sales were CHF 18.5 million, while EBITDA amounted to CHF 1.6 million (previous year 2.2 million) and EBIT to CHF 340,000 (previous year 791,000).

3 Chairman's Statement

This result was achieved despite our considerable expenditure on company acquisitions and reorganisations.

Personnel and operating costs

The fall in sales also resulted in an adjustment to staff numbers. As of 30 June 2004, the CREALOGIX Group had a workforce of 107 (previous year 117). Meanwhile, personnel costs per staff member were reduced by 6.9 percent. Other operating expenses could be cut by a further 20.4 percent year-on-year thanks to strict cost management.

Market development and positioning

In line with our expectations, the market for e-business solutions did not recover significantly during the 2003/2004 financial year. Most obvious was the renewed heavy pressure on hourly rates owing to persistent overcapacities. A further reason behind the decline in demand is the "offshoring" of major projects to lowest-wage countries such as India. The outsourcing of such projects will tend to impact negatively on the market going forward. We have defined and implemented a number of important measures to ensure that we are less affected by these developments in the future.

For CREALOGIX AG, this has meant a new structure with four areas of strategic focus: Business Solutions, Technology Solutions, E-Learning Solutions and Mobile Solutions. The reorganisation will allow us to focus more closely on our clients' needs and to present our range of products and services more transparently. At the same time, concentrating forces in this way will enable us to continue building on our strengths in the development of integrated applications. This has also led to the co-location of Business Solutions, Technology Solutions and Mobile Solutions together in Bubiikon. Expertise that has been scattered in the past can thus be bundled and our service provision can be structured even more efficiently.

The company acquisitions that we have made have brought sustainable expansion, differentiation and diversification to our business – in the ERP market with Circon and Balzano, and in the e-business sphere with hmi as a specialist in e-banking.

CIRCON Circle Consulting AG is already the largest Swiss provider of Microsoft Axapta business solutions for German-speaking Europe. It also has a production site in the Czech Republic. With Balzano Informatik AG, we will be able to address a market segment that is made up of universities of applied science, technical colleges and private schools. Balzano's "Evento" product is the leading ERP system in Switzerland for school and course administration, as well as for event and resource planning.

In the e-business sector, the CREALOGIX Group has further strengthened its position with the acquisition of hmi Informatik AG. hmi offers proven online banking products, including the now well-established and standardised e-banking module for Avaloq and other major banking systems. Together with hmi, Crealogix is the Swiss market leader in e-banking components.

These transactions are a further step in the Crealogix strategy of achieving a sustainable position along the length of the process chain.

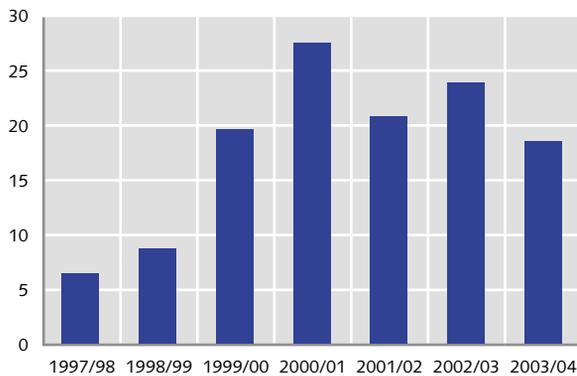
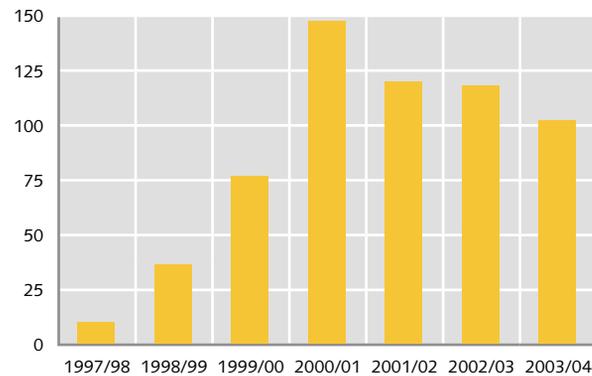
Share price stock

The Crealogix share advanced by 12 percent over the period under review, with the price standing at CHF 51.50 as at the balance sheet date on 30 June 2004.



Revenue

in CHF million

**Capacity of persons employed**

The suspension of trading on the SWX New Market on 1 April 2004 resulted in CREALOGIX Holding AG being accepted into the main segment of the SWX Swiss Exchange. At index level, the company is featured in the SPI Extra, as well as in the Technology/Software sector. CREALOGIX Holding AG has adopted the general financial reporting practices of the main segment by producing semi-annual and annual results.

Acknowledgements

Once again, our staff worked with great motivation for our company during the financial year just ended. On behalf of the Board of Directors and Group Management I would like to thank you all for your enormous effort.

I would like to express my gratitude to our clients for displaying the cooperation and confidence that forms the basis of successful projects. And not least, a big thank-you to our shareholders, who put their faith in us with their financial commitment to Crealogix.

Outlook

We have taken a significant step forward in the implementation of our growth strategy and we believe that the market will slowly recover. This gives us confidence about the year to come and should also permit a return to organic growth. We believe that the CREALOGIX Group's new focus and structure give it an even stronger market position.

1 July 2004 saw the launch of the CREALOGIX Group, with a staff of over 200. With the affiliated company Balzano and the Circon and hmi subsidiaries, the Group occupies a leading position in selected market segments. The CREALOGIX Group has also restarted operations in Germany, moved into Austria for the first time and acquired a production site in the Czech Republic.

Despite our latest corporate acquisitions we have an excellent cash position of around CHF 45 million. We are thus in a position actively and independently to continue pursuing our vision of becoming the Swiss software powerhouse.

We anticipate that our acquisitions over the past twelve months will lead to a doubling of sales and an improved EBIT margin during the current financial year.

Bruno Richte

Chairman of the Board of Directors and CEO

5 ERP plus e-business – a successful formula

Companies today face a dual challenge. Market success demands not only the continuous refinement of IT solutions for internal needs, but also vital electronic networks encompassing partners, customers and suppliers. The seamless combination of ERP (Enterprise Resource Planning) solutions and e-business applications is becoming more and more important.

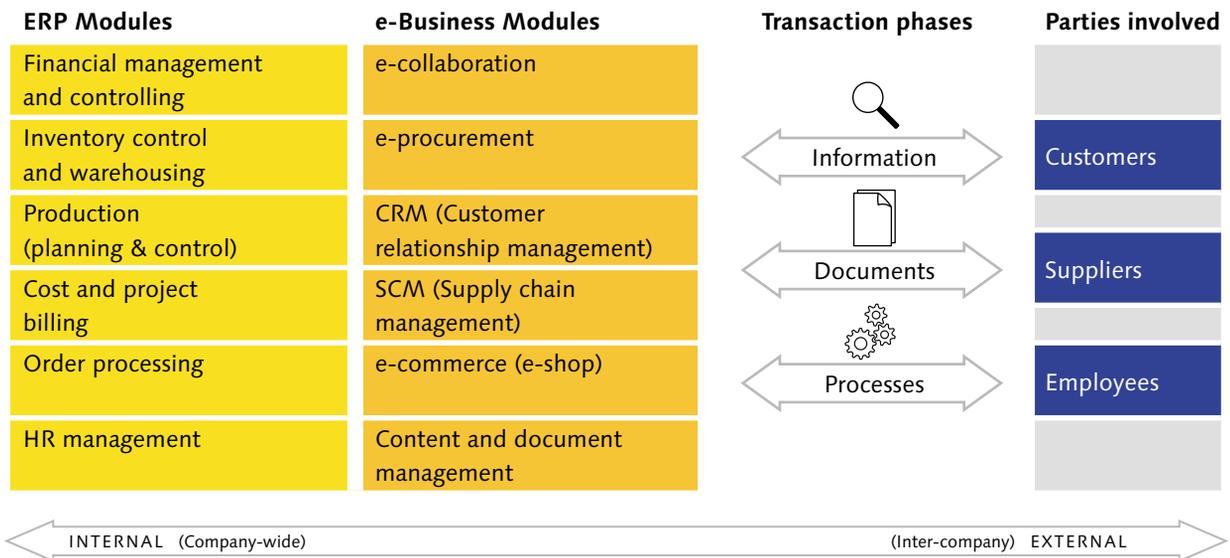
Integrated ERP solutions as a foundation for efficient business processes

The ability to incorporate business partners quickly and cost – effectively into a company's own systems is a central competitiveness factor. In today's dynamic environment, firms offering heterogeneous individual solutions encounter boundaries everywhere that can be broken only by committing enormous financial and

human resources – and in a rapidly changing market, that hits competitiveness hard. External networking is impossible without internal networking. Modern ERP systems offer all that you need.

E-business applications are the springboard to business expansion

Nowadays, merging core processes with company-wide e-business solutions is much simpler and more pragmatic than was ever possible in the past. Rapid progress on the standardisation of modern information technologies (web services, XML, SOAP, etc.) is the key.



The intensive interplay between core processes and e-business processes requires services and their related procedures to be orchestrated throughout. Only in this way can today's leading companies lift their efficiency and performance potential to the next level. In doing so, meanwhile, they are strengthening ties with their partners, suppliers and customers.

A suitable e-business module can make particular internal business logic functions available to selected business partners at relatively low cost. The company can thus release exactly as much of its processes and information into the business network as is required in each case. Thanks to the Internet and to company-specific e-business components, ERP is increasingly becoming an open system.

Merging ERP and e-business

As modern ERP solutions become more and more widespread, successfully designed e-business modules surrounding the core system play a key role. Such e-business modules can be used wherever a company and its processes are dependent on the procedures and decisions of external parties.

E-business modules for ERP can be found, for example, in the fields of commerce and logistics, where existing business logistics can be enhanced using e-procurement (electronically controlled central purchasing).

A modern ERP system and the latest web-based technologies can – if combined well – boost every business process and reduce the attendant costs. This gives companies the chance to build up a position of success for the future by relatively simple means.

Well-positioned in both the ERP and e-business segments, the CREALOGIX Group is already able to fulfil these new business requirements to the full, which makes it an attractive partner for its clients.



7 ERP plus e-business – a successful formula

E-business and ERP, the two segments in which the CREALOGIX Group operates

	E-BUSINESS				ERP	
	Business Solutions	Technology Solutions	E-Learning Solutions	Mobile Solutions	E-Banking Solutions	ERP Solutions
CORE BUSINESS	<p>Consulting & realisation of business-critical e-business solutions for:</p> <ul style="list-style-type: none"> Inter-company business processes Online communications 	<p>Development & integration of client-specific software solutions</p> <p>Adaptation & implementation of standard products</p> <p>IT consulting</p>	<p>Realisation of interactive learning modules</p> <p>Implementation of company-wide learning platforms</p> <p>Advice on the use of e-learning</p>	<p>Comprehensive own platform for mobile added value services</p> <p>Realisation of complex mobile software solutions</p>	<p>Software development for the financial sector</p> <p>Own suite of e-banking products</p> <p>Distributor of leading third-party products</p>	<p>Circon: ERP solutions with Axapta standard product from Microsoft Business Solutions</p> <p>Evento: Integrated standard software for schools</p>
	COMPETITIVE ADVANTAGES	<p>Largest web service provider in Switzerland</p> <p>Long-standing clients</p> <p>Specialised solutions</p>	<p>High-end expertise</p> <p>Reputation for secure, reliable systems</p> <p>"Swissness"</p>	<p>Market leader in Switzerland</p> <p>Long-standing clients</p> <p>Broad installed base of own products</p>	<p>MBSP (Mobile Business Service Platform)</p> <p>Sunrise partnership</p> <p>Technological leadership</p>	<p>Swiss leader in e-banking segment</p> <p>Comprehensive range of e-banking products</p>
	CREALOGIX AG				CREALOGIX E-Banking Solutions AG*	CIRCON Circle Consulting AG Balzano Informatik AG

The CREALOGIX Group is one of the leading software service providers and software product manufacturers in Switzerland.

* Currently still hmi informatik AG.

Consulting and execution for business-critical e-business solutions

Business Solutions supports companies with the design and implementation of e-business solutions for central business processes such as purchasing, planning and sales, as well as customer loyalty and communications.

Efficiency, user-friendliness and interaction are playing an increasingly important role in a company's central business processes. Attractive, integrated web and e-business solutions support these processes from beginning to end and tap into new potential for the company. As a result, key areas such as corporate communications, marketing, sales, planning, human resources, procurement and production are able to achieve their objectives in a much better and more effective way.

The services offered by Crealogix Business Solutions help companies to integrate and optimise web-based solutions in key areas of their business. This might mean, for example, that managers in the corporate or marketing communications departments areas are able to communicate with all of their target groups in the best possible way online as well as by more conventional means, or that sales are raised and routine tasks taken care of automatically, or that staff are kept up to date on the latest developments and that the work of the purchasing and planning departments is supported by the ideal resources.

As a pioneer in its field, Crealogix Business Solutions has many years of experience in consulting, specifying and implementing complex web and client-specific e-business solutions. Crealogix can draw upon broad cross-sector expertise and, as an independent company, is also able to deploy standard products developed both in-house and by third parties. Our clients also benefit from the close working relationship between Business Solutions and every other company and division of the CREALOGIX Group. Furthermore, Crealogix Business Solutions offers customised and

standard applications under licence and as an application service provider.

Business Solutions services and products

- Consulting on the integration and optimisation of business processes and applications
- Development of strategies for optimum communication with clients, partners and suppliers; business requirements engineering
- Project management and coaching from analysis through to launch and operation
- Development, integration and execution of corporate and business websites, as well as e-business solutions for purchasing, planning and distribution

HIGHLIGHTS

The PostFinance portal

The PostFinance Internet portal has been transformed from an information platform into an interactive service platform. Customer processes, for example, were optimised in an exemplary manner and implemented within the portal. The solution's customer-focused design guarantees that services are tailored rigorously to the needs of the user. The portal is the central, business-critical interface between the offering and services of PostFinance and its customers.

Internet and intranet applications for the Credit Suisse Group Corporate Center

For several years now, Crealogix has been helping the Credit Suisse Group Corporate Center to implement a great number of web-based applications.

The greatest priority is attached to usability and a consistent design. An equally important task is to prepare information which arrives internally from a wide variety of sources in a standard, easy-to-read format. Only the use of modern technologies and interfaces (web services, XML, etc.) can perform such tasks at an acceptable cost.

Flexible production base for all divisions

Technology Solutions develops and implements client-specific software solutions that are characterised by innovation, reliability and their ease of integration.

Crealogix Technology Solutions combines high-end software engineering expertise with a particular depth of understanding of the needs of Swiss clients. Both are important elements in the development of individual software, in the integration of third-party products into an existing IT environment and in project management and consulting.

The applications offered by Crealogix Technology Solutions focus on large and medium-sized companies in Switzerland. Its software developments are used in areas such as financial services, industry, defence and government. However, as a contact for technology issues, Technology Solutions also provides a flexible production base for the other Crealogix divisions. For example, it also develops Crealogix standard products and provides ASP services. As a centre of excellence, Technology Solutions works closely with leading technology institutions and universities on research and development.

Technology Solutions services

The Technology Solutions market offering has three areas of focus:

Individual software development

- Project-oriented, client-specific application development based on Java and .Net, to international quality standards
- Maintenance and support for operational system use

Implementation and system integration

- Planning, development, sale of and support for Crealogix products and semi-finished goods

- Integration of selected third-party products from established market leaders (for BEA, Verity and Microsoft in particular)
- System integration (e.g. incorporation of third-party systems, EAI, CMS on application servers, LMS)
- Implementation and operation of ASP platforms

Consulting and project management

- Requirements engineering: specifications and modifications to Swiss needs, local expertise for near-shore or offshore implementation
- Formulation of technical concepts (architectures, evaluations, profitability calculations)

HIGHLIGHTS

Management information system for the Swiss Air Force

The development of software in the defence/aerospace sector poses particular challenges with regard to quality assurance and reliability. The fact that we were chosen to produce applications as part of the Swiss Air Force's management information systems underscores the expertise of Crealogix in realising software at the very highest levels of quality. The applications in this case are based on Java technology. The applications have already proven themselves in countless air force sorties.

Innovative technology platform for GLOBE

Swiss Post International (SPI), one of the business units of Swiss Post, flies the flag of quality in the international letter and parcel carriage business. As part of the development of GLOBE, all branches and business units are to networked at the application level. The application is operated within the ASP model and will be revised and improved continually in line with the requirements of SPI branches. GLOBE will allow all branches to be served quickly, flexibly and reliably with a high-quality enterprise resource planning (ERP) solution. The applications in this case are based on BEA application server, Java, Oracle and Struts.

One-stop training applications

From the initial consultation through the execution of learning programs and e-testing solutions to company-wide learning platforms: as the market leader in e-learning, Crealogix also offers a comprehensive range of products and services in this fast-growing segment.

Consulting

Crealogix E-Learning Solutions advises companies and other organisations on the analysis, planning, implementation and running of e-learning applications. We cover everything, from strategic issues to the design of the learning and knowledge architecture and support with the introduction of learning programs and platforms.

Learning media

Starting from its clients' training objectives, Crealogix will plan and create customised learning media. These might be learning programs (CBT and WBT), printed study and course materials or a combination of electronic and printed media. At the heart of the preparation of these building blocks of knowledge lies an in-depth analysis of target groups and learning objectives. Once this foundation has been laid, the next step is to select and prepare the content in a learner-friendly manner and to structure it appropriately in line with the medium that is to be used. The final product is executed using the very latest Internet technologies on the basis of frameworks that we have developed ourselves.

Learning platforms and systems

The technological basis for a company-wide e-learning strategy is provided by an e-learning platform. In this area, Crealogix has alliances with leading LMS manufacturers, and also develops proprietary software that it offers as ASP solutions.

E-testing

E-testing solutions can be deployed at various points of the training process. They might be used, for example, as tests at the beginning or end of a learning sequence, or as part of a course of study that leads to a

particular certificate. In this segment, too, Crealogix is able to offer not only its proprietary solutions but also the integration of third-party products.

Complementary services, ASP solutions

An e-learning project doesn't end with the application's installation on a server or its distribution on a CD-ROM. Crealogix therefore also provides support and maintenance services. Should a client wish to outsource their e-learning solutions entirely, Crealogix will step in as application service provider (ASP). Examples here include the training planners "time2learn" and "CYPnet" that were developed by Crealogix and are now available to more than 10,000 business studies students and their tutors via the Internet. Created by Crealogix two years ago for Nestlé, the learning content management system "Aspen LCMS" is another example of Crealogix expertise.

HIGHLIGHTS

"CYPnet"

The Center for Young Professionals in Banking (CYP) is a centre of excellence set up by Swiss banks to support off-the-job training for the next generation of top-flight banking executives (foundation and off-the-job courses in banking). Crealogix was commissioned by the CYP to create the "CYPnet" course and learning management system as an ASP solution.

CYPnet enables training managers and the trainers themselves to structure course administration from beginning to end. Students benefit from a comprehensive blended learning offering, signing up for on-site CYP courses depending on the time they are able to devote to their studies, and using CYPnet to access all of the software, tests and documentation they need to prepare for their course effectively.

Thanks to the efficient combination of the "Evento" course management system and the "time2learn" training planner, CYPnet was able to go live in just three months.

11 E-Business divisions: Mobile Solutions

Mobile services are becoming increasingly popular in the professional context

The Mobile Solutions division develops and implements complex Java (MIDlet) and WAP-based mobile applications. With its own SMS and MMS messaging platform with direct connections to all mobile telephony networks in Switzerland, Crealogix offers a real value-added service.

Mobile services have the unique facility to complement existing IT and e-business solutions with mobile channels. Although text messaging is currently used primarily by private individuals, there is a palpable growth in demand from the corporate sector to integrate mobile services into their business processes.

Crealogix Mobile Solutions targets both the B2B and B2C markets. Whether you want to enable your target groups to take part in a competition via their mobile phones or you want to offer premium applications such as ordering and payment via mobile, the range of services that can be realised via the ever-expanding modules of the MBSP platform is extensive.

MBSP has a mature development environment which allows it to produce new applications quickly and cost-effectively or to integrate existing applications using standardised interfaces. Furthermore, its modular structure permits the client to use only those platform services that they require.

Crealogix Mobile has agreements with all of the relevant telecommunications providers in Europe so that it can handle data transmissions for SMS, MMS and other mobile services between different carriers.

MBSP has already been implemented successfully by more than a dozen customers, including sunrise, which uses it for both its free and chargeable SMS, MMS and WAP services.

Mobile Solutions services

- Analysis and identification of mobile business potential
- Specification, design and implementation of complex mobile solutions
- Technical consulting
- Development of marketing and communications strategies
- Contract management with telecommunications companies
- Operation and service

HIGHLIGHTS

Feasibility study – m-services for UBS

The study showed UBS how a new potential mobile e-banking solution might be implemented, as well as the limitations that would have to be taken into account. It also revealed whether or not the range of services under consideration would represent real added value for the customer.

The study also looked at end user scenarios in three specific areas: EBPP (electronic billing presentation and payment), m-banking, m-credit cards.

citydisc musicfinder

The citydisc musicfinder service recognises song titles and their performers and sends this information to the user's mobile phone in the form of a text message.

Crealogix was commissioned by sunrise to expand and implement the musicfinder service on the Swiss market. In addition to its basic functions, citydisc musicfinder – as it has been launched in Switzerland – now offers four further modules: A) billing service, B/C) WAP and web to call up titles that have already been recognised and D) statistics on the titles that have been queried.

The service works with all types of mobile phone and is thus available to the mobile customers of all national networks in Switzerland. This is made possible by an interface between citydisc musicfinder and the Crealogix MBSP mobile platform.

CREALOGIX E-Banking Solutions AG*

Comprehensive e-banking solutions

Crealogix E-Banking Solutions concentrates on complete e-banking solutions for retail and private banking.

Crealogix E-Banking Solutions AG came into being with the takeover of hmi informatik AG and its established e-banking products and solutions. To reap the full benefit of synergies with the entire CREALOGIX Group, the existing e-banking products offered by Crealogix and hmi have been merged to form a new company called "Crealogix E-Banking Solutions AG".

The individually configurable systems include account and custody account information, domestic and international payment transactions and online stock exchange trading. Solutions for private banking and external asset managers are also available. These applications feature specialist functions and graphical analyses of assets and risk.

With its own range of products – "hmi.e.banking", "Investment Reporter" and "e-client Risk Reporter" – as well as a successful alliance with HP to resell "Nimius", Crealogix E-Banking Solutions AG has the largest e-banking platform in Switzerland. It also offers stable, tried-and-tested interfaces with leading core banking and settlement platforms (Avaloq, Apsys, BOSS, OTMS, SAP).

The following clients already rely on e-banking solutions from Crealogix E-Banking Solutions AG: Bank Vontobel, Baloise Bank SoBa, Bank Linth, Swissfirst and Hypo Investment Bank.

The potential in the e-banking sector lies in the need to replace first-generation proprietary e-banking solutions with modern standard products, as well as the growing demand for e-banking among the clients of private banks.

Services

- Consultancy and development of e-banking solutions
- Integration of existing online applications into complex IT environments
- Project management and coaching from analysis through to launch and operation

HIGHLIGHTS

Bank Linth

When it left the RBA group of banks, Bank Linth introduced the Avaloq core banking system and implemented hmi.e.banking as Avaloq's e-banking module.

Baloise Bank SoBa

After a broad-based evaluation process and a successful project, Baloise Bank SoBa successfully replaced its first-generation e-banking solution with our new system.

The systems encompass:

- account statement
- portfolio statement
- drill-down function to individual position level
- financial information
- stock exchange trading
- payment transactions for bank customers
- contract management
- administration functions for internal system operation by banks

*Currently still hmi informatik AG.

13 ERP Business divisions: ERP Solutions Microsoft Axapta

CIRCON Circle Consulting AG

Individual ERP and e-commerce solutions using Microsoft Axapta

Circon is the market leader in Switzerland and Austria in ERP solutions based on the standard Axapta product from Microsoft Business Solutions. Circon designs and implements sector-specific solutions for large and medium-sized businesses.

No standard software is able to meet all individual requirements in full. Circon designs the desired and necessary solutions and executes them using its team of specialists.

Sector-specific solutions

One of Circon's speciality products is AXAPTA Fashion. This Axapta-based sector-specific solution was precisely tailored by Circon to the present market needs of the clothing industry. It is now marketed around the world.

Another example is AXAPTA Food and Beverage. It was developed for companies operating in the corresponding industries and offers all the special features and functions that this particular sector demands.

Solutions and services

Our client projects show that, nowadays, high-performance technologies can be used to manage all types of business processes in a single, custom-designed software package. Circon's highly qualified experts guarantee well-thought-out and stable integrated solutions using selected products.

- Professional support in the deployment of new technologies
- Optimisation of existing installations in both technical and operational respects
- Design, redesign and migration of IT infrastructure
- Procurement service support helps to optimise costs and benefits
- Installation process with quality service
- Support and operation

HIGHLIGHTS

Apotheke zur Rose

The Apotheke zur Rose's original business idea of supplying medication to 21 doctors in its home region has expanded to make it Switzerland's leading medical wholesaler, with a workforce of over 150 and sales now reaching CHF 282 million.

Circon used Axapta to replace a whole range of complex individual solutions. A particular challenge here was to coordinate time-critical logistics processes. The key factors were:

- *Processing of over 30,000 order items per day*
- *Rapid order entry for efficient, ergonomic business processes*
- *Interfaces with other systems for order intake, logistics and robots*
- *Observance of good distribution practice in accordance with Swiss medicines legislation, as well as the automatic ordering of items not held in stock (VSSG pharmaceutical industry)*

COMET

Listed on the Swiss stock exchange, COMET is a leading global manufacturer of high-end components and systems that are based on X-ray and high-frequency technology.

Working to widely varying specifications from the different areas of the company, Circon used Axapta to create a standard, integrated platform for all business processes. These encompass complex multi-stage production, purchasing, accounting, HR administration and test and quality management.

Balzano Informatik AG

Evento – the specialist ERP system for the education sector

Evento is the leading school and course administration, event and resource management system in Switzerland. Total flexibility, high investment security and extremely low purchasing and running costs make Evento a profitability factor in every type of event.

An integrated software package, Evento supports the planning and running of events of all types and sizes – whether complex long-term educational courses or one-offs such as conferences, concerts or sporting events. Meanwhile, Evento ensures that all the resources you need are managed smoothly, from teaching staff and speakers to venues, equipment and catering.

Evento integrates all associated areas such as accounting, bookkeeping, preparing printed matter, online Internet access, workflow management, a marketing database, timesheets and much more. Without specific individual programming, all conceivable applications are supported by a single standard product and can also be run via intranet and Internet. Its extremely user-friendly concept means that Evento can offer unsurpassed efficiency and cost-effectiveness. This not only benefits conventional school and course administration, but is also a profitable tool for hotel reservation systems, Internet ticketing centres and open-air event organisers.

Evento is already being used or introduced at 15 universities of applied sciences and teacher-training colleges in Switzerland, making it the national leader in this sector.

In Switzerland, Evento is incorporated into client projects by Balzano Informatik AG itself, as well as by a number of sales partners, including CREALOGIX AG and PricewaterhouseCoopers. Working in conjunction with PricewaterhouseCoopers, Balzano Informatik AG was recently awarded the contract to develop a

standard school administration solution for the 44 high schools and technical colleges in Canton Bern.

HIGHLIGHTS

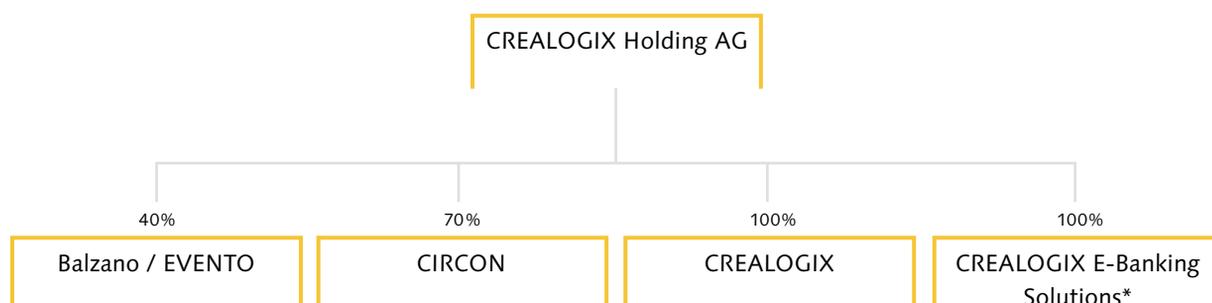
Zurich University of Applied Sciences

The Zurich University of Applied Sciences, whose 7,400 students make it the largest of Switzerland's seven universities of applied sciences, is just one of the institutions to have acquired a general Evento licence. It began to introduce the software into its eight schools in 2002. For this project, the add-on timetable solution "Evento Planner" was one of the extras in an extended Evento package. The Evento Planner makes it possible to produce personalised timetables for each individual student, as is now required under the Bologna reforms. This process – which is no longer feasible using traditional, manually driven tools – is performed by Evento Planner using evolutionary genetic algorithms drawn from research into artificial intelligence.

Kerenzerberg sports centre

Operating in the private event management segment, the Kerenzerberg sports centre is one organiser which uses Evento to track its business processes and those of its affiliated hotel. These include seat-specific bookings, cost budgeting, settlement and billing, general CRM tasks, web content management and many other areas.

Summary of Group structure as of 1 July 2004



* Currently still hmi.

CREALOGIX Holding AG is a joint stock company headquartered in Zurich, Switzerland. The company's registered shares are traded on the SWX Swiss Exchange under Swiss security number 1111570 and its market capitalisation as at 30 June 2004 stood at CHF 55.1 million.

A detailed list of CREALOGIX Holding AG's shareholdings in its various subsidiaries is given on page 29 (scope of consolidation as at 30 June 2004).

Significant shareholders

As at 30 June 2004, the following shareholders each held more than 5% of voting rights:

Shareholder	Share of votes	No. of shares
Bruno Richle	22.69%	242,733
Dr. Richard Dratva	22.30%	238,567
Daniel Hildebrand	15.56%	166,477
Peter Süsstrunk	7.37%	78,808
Chase Nominees Ltd.	5.21%	55,764

The first four of the shareholders mentioned have concluded a shareholder pooling agreement. One of the aspects that this agreement affects is the exercise of voting rights at the Annual General Meeting.

Capital structure

As of 30 June 2004, the equity capital of CREALOGIX Holding AG was as follows:

Ordinary capital	CHF 10,700,000 divided into 1,070,000 registered shares with a nominal value of CHF 10 each
Authorised capital	CHF 3,000,000, divided into 300,000 registered shares with a nominal value of CHF 10 each; may be issued up to 30 September 2005
Contingent capital	CHF 2,500,000 (for employee stock option plans*) divided into 250,000 registered shares with a nominal value of CHF 10 each

* Detailed information about the employee stock option plans can be found on page 34 and 41.

Capital changes

The capital changes of the past three years are listed on page 27.

Equity capital

As at 30 June 2004, CREALOGIX Holding AG had issued 1,070,000 fully paid-up registered shares with a nominal value of CHF 10 each.

As at 30 June 2004, CREALOGIX Holding AG held 42,173 shares, or 3.9%, as treasury stock. One registered share entitles the holder to one vote at the Annual General Meeting (the one share, one vote principle).

Transferability and entries in the name of nominees

There is no restriction on the transfer of the registered shares of CREALOGIX Holding AG. There are no conditions attached to the entry of purchasers in the share register of CREALOGIX Holding AG.

Dividend entitlement

All shares carry a dividend entitlement. The dividend policy is described on page 22.

Stock options

The CREALOGIX Group has three stock option plans for the employees and the directors of the CREALOGIX Group, details of which can be found on page 34 and 41.

Board of Directors	Member since	Elected until
Bruno Richle , Chairman (1957), dipl. El. Ing. HTL, Swiss citizen Chief Executive Officer of CREALOGIX Holding AG 1985–1989 head of the department of Electronic Engineering at Oerlikon Aerospace in Montreal, Canada. 1990–1996 member of the Executive Board and Technical Director at Teleinform AG. 1996 co-founder of CREALOGIX AG.	1996	AGM/FY 2005/06
Richard Dratva , Vice Chairman (1964), Dr. oec. HSG, Swiss citizen Chief Strategy Officer of CREALOGIX Holding AG Several positions at UBS, consultant for a telematics firm; 1996 co-founder of CREALOGIX AG. Other directorships: X8X Process Solutions AG, Zurich.	1996	AGM/FY 2005/06
Beat Schmid , member (1943), Prof. Dr., Swiss citizen Since 1987 Beat Schmid has been Professor of Information Management at the University of St.Gallen. He was Director of the Institute of Information Management between 1989 and 1997, and has been Managing Director of the Institute for Media and Communications Management since its foundation in 1998. He is also the publisher of two international scientific journals, and he sits on the editorial boards of other, similar publications. His other directorships are: Informationobjects AG as Chairman of the Board of Directors, Abraxas Informatik AG, St. Gallen, Zurich, and Business Communications Consulting AG as a Director.	2001	AGM/FY 2003/04*
Christoph Schmid , member (1954), Dr. iur., lawyer, Swiss citizen Previous activities: court appointments, legal department of a media company, firm of lawyers in the USA. Other directorships: Robert Bosch Internationale Beteiligungen AG, KWC AG, Kessler & Co AG and EBS Service Company Ltd., among others.	2000	AGM/FY 2005/06

* Proposed for reelection at the Annual General Meeting for the 2003/2004 financial year.

Election and composition

The members of the Board of Directors are elected by the Annual General Meeting for a term in office of three financial years. The Board of Directors constitutes itself and elects the Chairman and Vice Chairman from among its members. At present, the Board of Directors consists of two executive members (who are simultaneously the Chairman and CEO and the Vice Chairman and Chief Strategy Officer [CSO]) and two non-executive members.

Executive members

For a company of the size of the CREALOGIX Group it is normal for one person to fulfil the functions of Chairman and CEO. Similarly, it is an advantage for the company to have the CSO as Vice Chairman of the Board of Directors. This gives the Board of Directors unlimited access to the technical and market knowledge of the Chairman/CEO and the Vice Chairman/CSO. In addition, it ensures efficient preparation of laborious documentation for decision-making and facilitates flexibility and speed in the most important decision-making processes.

Non-executive members

Neither of the non-executive directors have ever held an executive function within, or had a material business relationship with, the CREALOGIX Group.

Duties and responsibilities

The Board of Directors meets as often as business requires, but at least four times a year. In the 2003/04 financial year the Board met four times. It constitutes a quorum when a majority of its members are present. The Board takes decisions by a majority of the votes cast. In the event of an equal division of votes, the Chairman has a casting vote.

The Board of Directors is responsible for defining corporate strategy, for the overall supervision of the company, and for determining the organisational structure, for appointing and dismissing members of Group Management and for structuring the company's

accounting, financial planning and financial control. It takes decisions about acquisitions and determines the Group's annual targets, overall budget and investment budget.

The Annual Report was adopted at the meeting of the Board of Directors on 23 August 2004.

Committees

The Board of Directors has set up an Audit Committee and Compensation Committee.

The **Audit Committee** supports and advises the Board of Directors on matters of financial reporting, internal controlling and the structure of the quarterly and annual financial statements, as well as collaborating with and assessing the performance of the statutory and Group auditors. The Audit Committee is composed of a majority of non-executive members of the Board of Directors. At present, it is composed of Dr. Christoph Schmid and Prof. Dr. Beat Schmid. They are supported by the advising member Jean-Claude Philipona, CEO/CFO advaltech Holding AG.

The **Compensation Committee** is responsible for establishing the compensation of the members of the Board of Directors and Management and for the allotment of stock options under the employee stock option plan. Its members are as follows: Prof. Dr. Beat Schmid, Dr. Christoph Schmid and Dr. Richard Dratva.

Definition of responsibilities and vehicles of information

The Board of Directors is responsible for defining strategy and Management for implementing it. The division of responsibilities between the Board of Directors and Management is laid down in the organisational regulations of the company. Management reports to the Board of Directors every month on the current business situation on the basis of the monthly accounts.

The monthly reports are based on controlling tools that are used to monitor project statuses and finances. They give a comprehensive overview of business activity and enable the future workload to be forecast.

Management

Management discharges the operational responsibilities and acts on behalf of the CREALOGIX Group in its external dealings.

Bruno Richle (1957), dipl. El. Ing. HTL, Swiss citizen
Chief Executive Officer of the CREALOGIX Holding AG

Richard Dratva (1964), Dr. oec. HSG, Swiss citizen
Chief Strategy Officer of the CREALOGIX Group

Jürg Neck (1953), Dr. oec. publ., Swiss citizen
Chief Financial Officer of the CREALOGIX Group
He has many years of experience in the financial sector (Citibank, Credit Suisse) and subsequently worked as a corporate consultant specialising in strategy and BPR projects. As partner in a trust company, he was responsible for strategic accountancy and audit mandates. He is Chairman of the Board of Directors of CTC Codex Treuhand und Consulting AG, Zurich.

Louis-Paul Wicki (1963), Dr. oec. HSG, Swiss citizen
Chief Executive Officer of the CREALOGIX AG
He has many years of IT experience and was previously associate partner and member of the Executive Board of the St. Gallen Consulting Group.

For further information on the members of Management, please visit www.crealogix.com.



Bruno Richle

Dr. Christoph Schmid

Prof. Dr. Beat Schmid

Dr. Richard Dratva

Dr. Jürg Neck

Dr. Louis-Paul Wicki

Management agreements

No management agreements have been entered into.

Compensation, shareholdings and loans to members of the Board of Directors and Management

The Board of Directors decides on compensation, shareholdings and loans to members of the Board of Directors and Management. Decisions are taken on the basis of applications submitted by Management to the Compensation Committee and the Committee's proposals to the Board of Directors.

Compensation paid to members of the company's governing bodies

Details of compensation paid to the executive members of the Board of Directors and members of Management can be found on page 43. The non-executive members of the Board of Directors received compensation totalling CHF 50,000.

Allotment of shares in the year under review

In the 2003/04 financial year neither the members of the Board of Directors nor the members of Management were allotted any shares.

Share ownership

As of 30 June 2004, the executive members of the Board of Directors and the members of Management together held a total of 481,300 shares in CREALOGIX Holding AG.

The non-executive members of the Board of Directors together held a total of 1,000 shares in the company.

Stock options

As of 30 June 2004, the executive members of the Board of Directors and the members of Management together held a total of 23,644 stock options.

The non-executive members of the Board of Directors together held a total of 2,160 stock options.

Options awarded to executive BoD members and management

Date	No. Plan I	No. Plan Ia	No. Plan II	Exercise price
7.9.2000			2,600	240.00
2.7.2001	2,240			64.00
1.7.2002	8,589			32.80
1.7.2002			4,511	39.35
3.7.2003		3,356		46.00
Total	11,029	3,356	9,259	

Options awarded to non-executive BoD members

Date	No. Plan I	No. Plan Ia	No. Plan II	Exercise price
7.9.2000			160	240.00
1.7.2002	1,000			32.80
3.7.2003		1,000		46.00
Total	1,000	1,000	160	

Detailed information about the option plans can be found on page 34 and 41.

Other fees and remuneration

In the 2003/2004 financial year, the fees paid for legal advice from Wenger Vieli Belser (Board member Dr. Christoph Schmid) amounted to CHF 144,765.50.

Loans to members of the company's governing bodies

No loans were granted.

Highest total reward package

The highest total reward package paid to a member of the Board of Directors is stated on page 43.

Shareholders' participation rights**Agenda**

The convening notice must mention the items of business and the motions of the Board of Directors and of the shareholders who requested a General Meeting. Furthermore, items of business and motions that shareholders representing shares with a nominal value of at least one million Swiss francs submitted to the Board of Directors in writing before the General Meeting was convened must also be placed on the agenda.

Entries in the share register

The share register will be closed ten days before the date of the General Meeting.

Shareholders who have not been entered in the share register up to this date are not entitled to vote at the Annual General Meeting.

Shareholders' participation and protective rights

Shareholders' rights to consultation and protection are governed by the provisions of the Swiss companies act.

There are no restrictions on voting rights. Every shareholder can have their shares represented at the Annual General Meeting by another shareholder in possession of a written power of attorney, by CREALOGIX Holding AG as the representative of the company's governing bodies or by an independent proxy appointed by the company.

The memorandum and articles of association of CREALOGIX Holding AG do not provide for any special quora which go beyond the provisions of Swiss company law.

Offer obligation

The memorandum and articles of association of CREALOGIX Holding AG contain neither an opting out nor an opting up clause. Under the terms of the Swiss Stock Exchange and Securities Trading Act (SESTA Art. 32), any person acquiring one third (33 ⅓ percent) of the share capital of the company is obliged to make a public purchase offer for the remainder of the shares.

Change of control clauses

There are no provisions in agreements with members of the Board of Directors, the Executive Board and/or senior management regarding arrangements in the event of a change of control over the company (no "golden parachutes").

Auditors

Since 1996, PricewaterhouseCoopers AG, Zurich, has acted as Group auditors and as statutory auditors of CREALOGIX Holding AG. Since the 2000/01 financial year, Mr. Robert Willborn has been in charge of the audit. The Annual General Meeting elects the auditors for a period of one year. They perform their duties in line with the legal requirements and the standards promulgated by the profession. The auditors regularly inform Group Management and the Board of Directors about their findings and about their proposals for improvement.

In the 2003/2004 financial year PricewaterhouseCoopers received fees of CHF 60,000 for auditing and CHF 40,200 for consultancy services.

Investor relations

CREALOGIX Holding AG provides its shareholders and the capital markets with open, up-to-date information that is as transparent as possible. The most important vehicles of information are the annual and H1 reporting, the website (www.crealogix.com), media releases, the conference calls to present the results to media and analysts, and the General Meeting. As a listed company, CREALOGIX Holding AG is obliged to publish information relevant to its share price (ad hoc publicity, Art. 72 of the Listing Rules). The Listing Rules of SWX Swiss Exchange can be found at www.swx.com.

If you have any questions about Crealogix, please contact the officers responsible for investor relations:

Bruno Richle

Chairman of the Board of Directors and CEO

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Dr. Jürg Neck

CFO

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juerg.neck@crealogix.com

Dates for your diary

30 September 2004

Annual General Meeting
at the Lake Side Casino Zürichhorn, Zurich

March 2005

H1 reporting 2004/2005

September 2005

Reporting on the 2004/2005 financial year

October 2005

Annual General Meeting



Key figures – shares

Share capital in CHF	10,070,000
Total number of shares in circulation	1,070,000
of which publicly held	343.415
in %	32.99
Net assets per share in CHF	56.60
Earnings per share in CHF – undiluted	0.759
Share price in CHF	
30.6.2004	51.50
High (28.8.2003)	62.90
Low (4.7.2003)	45.20
Issue price (7.9.2000)	200.00
Market capitalisation in CHF m	
30.6.2004	55.10
High (28.8.2003)	67.30
Low (4.7.2003)	48.40
Issue price (7.9.2000)	214.00
Market capitalisation (30.6.2004)	
in % of revenue	297.90
in % of shareholders' equity	94.80
Price-earnings ratio (P/E)	67.80
Trading volume in CHF m	
1.7.2003 to 30.6.2004	9.60

Trading platform and ticker symbols

Since 7 September 2000, registered shares (par value CHF 10) in CREALOGIX Holding AG have been listed on the SWX Swiss Exchange under security ID number 1111570.

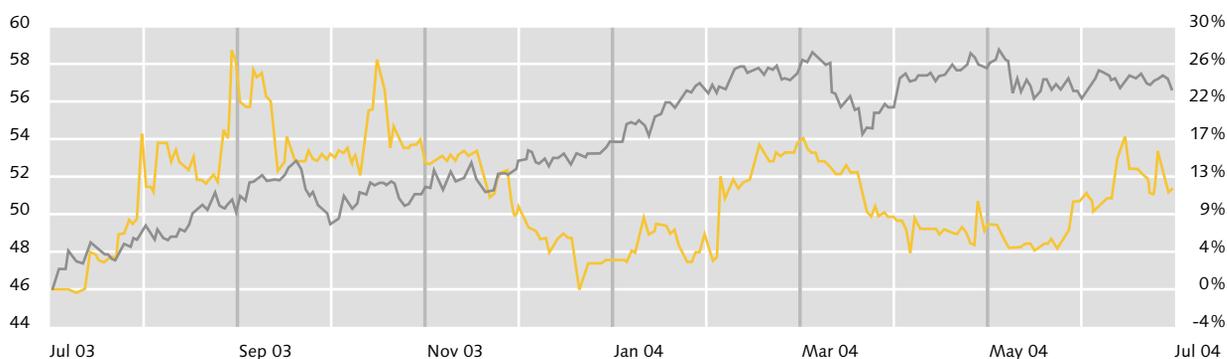
Ticker symbols	
Telekurs	CLXN
Reuters	CLXZn. S
Bloomberg	CLXN SW

Dividend policy

The Board of Directors will propose to the Annual General Meeting that no dividends be paid for the annual year 2003/2004. The general strategy is for profits to be reinvested in the company's expansion plans.

Price movements, 1 July 2003 to 1 July 2004

All amounts in CHF



Symbol	Period High	Period Low	Period Change (%)
CREALOGIX N	62.90	45.20	5.5 (12%)
SPI	4,338.40	3,351.20	804.6 (24%)

23 Chairmen of the Board and CEOs of the Group companies

CREALOGIX AG



Bruno Richle
Chairman of the
Board of Directors



Dr. Louis-Paul Wicki
CEO

hmi informatik AG*



Roland Holliger
Chairman of the
Board of Directors
and Co-CEO



Walter Meister
Co-CEO

CIRCON Circle Consulting AG



Robert Cseri
Chairman of the
Board of Directors



Franz Coester
CEO

Balzano Informatik AG



René Balzano
Chairman of the
Board of Directors
and CEO

*To be known in future as CREALOGIX E-Banking Solutions AG.

Financial section CREALOGIX Group

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25 Consolidated Income Statement

CREALOGIX Group

All amounts in CHF	Notes	July–June 2003/2004	in %	July–June 2002/2003	in %
Revenue	3	18,500,414.30	100.0	23,584,679.11	100.0
Goods and services purchased	4	-1,895,881.45	-10.2	-3,229,676.03	-13.7
Personnel expenses	5	-12,328,549.96	-66.7	-14,812,089.40	-62.8
Depreciation and amortization expense	10/11	-1,304,911.77	-7.1	-1,448,067.54	-6.1
Other operating expenses	6	-2,630,702.04	-14.2	-3,303,465.04	-14.0
Total operating expenses		-18,160,045.22	-98.2	-22,793,298.01	-96.6
Operating profit before interest and tax (EBIT)		340,369.08	1.8	791,381.10	3.4
Financial income	7	668,744.72	3.6	1,448,213.88	6.1
Financial expense	7	-174,599.41	-0.9	-858,133.67	-3.6
Share of result in associated undertakings	22	-154,345.00	-0.8	0.00	0.0
Profit before tax		680,169.39	3.7	1,381,461.31	5.9
Income tax expense	16	99,125.86	0.5	-305,672.80	-1.3
Net profit		779,295.25	4.2	1,075,788.51	4.6
Earnings per share - basic	18	0.759		1.028	
Earnings per share - diluted	18	0.758		1.028	

The accompanying notes form an integral part of these consolidated financial statements.

All amounts in CHF	Notes	30 June 2004	in %	30 June 2003	in %
A S S E T S					
Current assets					
Cash and cash equivalents		29,031,355.54		45,457,245.67	
Marketable securities		15,947,018.28		3,307,230.00	
Trade accounts receivable		3,251,566.85		6,833,533.01	
Other current receivables	8	1,112,290.24		1,110,568.55	
Work in progress / inventories	9	2,291,205.25		1,375,043.00	
Total current assets		51,633,436.16	82.9	58,083,620.23	91.5
Non-current assets					
Property and equipment	10	1,926,617.46		1,732,140.43	
Intangible assets	11	1,452,344.04		2,167,265.53	
Financial assets	12	2,163,000.00		420,500.00	
Investments in associated undertakings	22	3,345,955.00		0.00	
Prepaid pension assets	19	1,742,000.00		1,055,000.00	
Total non-current assets		10,629,916.50	17.1	5,374,905.96	8.5
Total A S S E T S		62,263,352.66	100.0	63,458,526.19	100.0

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade accounts payable		724,399.35		1,204,317.62	
Current tax liabilities		2,000.00		0.00	
Other current liabilities and accruals	13	2,696,462.05		3,678,696.76	
Current provisions	14	0.00		77'000.00	
Total current liabilities		3,422,861.40	5.5	4,960,014.38	7.8
Non-current liabilities					
Long-term loans third	15	0.00		220,500.00	
Deferred tax liabilities	16	685,000.00		612,000.00	
Total non-current liabilities		685,000.00	1.1	832,500.00	1.3
Shareholders' equity					
Share capital	17	10,700,000.00		10,700,000.00	
Share premium		39,694,424.68		39,694,424.68	
Treasury shares		-2,315,219.95		-2,027,443.45	
Translation differences		-130,969.83		-128,930.53	
Retained earnings		10,207,256.36		9,427,961.11	
Total shareholders' equity		58,155,491.26	93.4	57,666,011.81	90.9
Total LIABILITIES AND SHAREHOLDERS' EQUITY		62,263,352.66	100.0	63,458,526.19	100.0

The accompanying notes form an integral part of these consolidated financial statements.

27 Consolidated Statement of Changes in Shareholders' Equity CREALOGIX Group

All amounts in CHF except number of shares	Number of Shares	Share capital	Share premium	Treasury shares	Translation differences	Retained earnings	Total
Balance at 1 July 2001	1,070,000	10,700,000.00	39,692,924.68	-870,672.65	-14,005.64	7,224,319.08	56,732,565.47
Translation differences					-102,386.85	56,998.12	-45,388.73
Net profit						1,070,855.40	1,070,855.40
Purchase net	(-7,335)			-238,814.70			-238,814.70
Balance at 1 July 2002	1,070,000	10,700,000.00	39,692,924.68	-1,109,487.35	-116,392.49	8,352,172.60	57,519,217.44
Translation differences					-12,538.04		-12,538.04
Capital increase costs (adjustment)			1,500.00				1,500.00
Net profit						1,075,788.51	1,075,788.51
Purchase net	(-22,733)			-917,956.10			-917,956.10
Balance at 30 June 2003	1,070,000	10,700,000.00	39,694,424.68	-2,027,443.45	-128,930.53	9,427,961.11	57,666,011.81
Translation differences					-2,039.30		-2,039.30
Net profit						779,295.25	779,295.25
Purchase net	(-4,845)			-287,776.50			-287,776.50
Balance at 30 June 2004	1,070,000	10,700,000.00	39,694,424.68	-2,315,219.95	-130,969.83	10,207,256.36	58,155,491.26
<i>Treasury shares</i>	42,173 = 3.941%						

All amounts in CHF	Notes	July–June 2003/2004	July–June 2002/2003
Operating activities			
Cash generated from operations	20	-9,813,182	-735,546
Interest received	7	504,830	979,884
Interest paid	7	-85,481	-316,692
Tax received		146,184	60,899
Tax paid		-223	-906,445
Net cash flow from operating activities		-9,247,872	-917,899
Investing activities			
Purchase of property and equipment	10	-769,329	-406,798
Disposals of property and equipment	10	34,500	47,634
Purchase of intangible assets	11	-49,638	-956,994
Loans made to related parties	12	-1,742,500	-220,500
Purchase of investments in associated undertakings	22	-3,500,300	0
Prepayment of pension assets	19	-687,000	-480,000
Net cash used in investing activities		-6,714,267	-2,016,657
Financing activities			
Repayment of long-term loans third	15	-220,500	0
Emission payment (adjustment)		0	1,500
Purchase/sale of treasury shares – net		-287,777	-917,956
Financing of subsidiary acquisition		0	270,500
Translation difference		-2,039	0
Net cash used in financing activities		-510,316	-645,956
Net decrease in cash and cash equivalents		-16,472,455	-3,580,513
Cash and cash equivalents at beginning of period		45,457,247	49,037,759
Decrease in cash and cash equivalents		-16,472,455	-3,580,513
Effects of exchange rate changes		46,564	0
Cash and cash equivalents at end of period		29,031,356	45,457,247

The accompanying notes form an integral part of these consolidated financial statements.

1. General information

Crealogix is one of the leading IT service companies in Switzerland. Working primarily in the fields of e-finance, e-learning and mobile business, Crealogix designs and realizes integrated internet and intranet applications. Its core competencies cover consultancy, software development and multimedia/design.

The project teams consist of various specialists such as software engineers, designers and consultants to ensure the most efficient use of sophisticated technology.

The following wholly owned, fully consolidated subsidiaries were founded or acquired respectively:

In December 1998

CREALOGIX AG, Bubikon with a share capital of CHF 100,000

In February 2000

CREALOGIX Corp., Toronto with a share capital of CAD 100,000

In January 2001

CREALOGIX AG, Frankfurt with a share capital of EUR 100,000

CREALOGIX Corp. Toronto discontinued its activities as at 30 June 2001. The company will be reactivated as soon as conditions are more favourable.

CIRCON Circle Consulting AG and CSB Holding AG, which were acquired on 15 March 2004, both associated companies, which are included at equity method.

Crealogix employs 107 persons as at 30 June 2004 and 117 persons as at 30 June 2003.

2. Summary of significant accounting policies

2.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), using the historical cost concept except for marketable securities and forward foreign exchange transactions for which the fair value is applicable.

The preparation of financial statements in accordance with the IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions Crealogix may undertake in the future, the actual results may ultimately differ from those estimates.

2.2 Principles and scope of consolidation

The consolidated financial statements of CREALOGIX Group include CREALOGIX Holding AG and all its subsidiaries. A subsidiary is a company in which CREALOGIX Holding AG, Zurich, directly or indirectly has more than 50% of the votes, or for other reasons exercises control.

Capital is consolidated using the purchase method. All assets and liabilities that subsidiaries have acquired or established during the financial year are carried in the consolidated financial statements at their fair value as of the date of their acquisition or initial establishment. Participating interests of between 20% and 50% are accounted for by the equity method of accounting.

The term **associated companies** refers to companies in which CREALOGIX Holding AG holds between 20% and 50% or more of the voting rights either directly or indirectly via Group companies, and within which it can exercise a significant influence over decision-making processes with regard to financial and business policy. Applying the equity valuation method, shareholdings in companies are initially recorded at their acquisition cost and subsequently adjusted to reflect the proportion of the associated company's changing level of net assets that is held by CREALOGIX Holding AG. The income statement shows the CREALOGIX Holding AG share of the associated company's earnings. The proportional equity value of the associate also includes goodwill on the acquisition less accumulated amortisation.

2.3 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities are converted at exchange rates as at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Income statements of foreign entities are translated into Crealogix's reporting currency at average exchange rates for the year and the balance sheets are translated at year-end exchange rates as at 30 June. Translation differences arising from the retranslation of the net investment in foreign subsidiaries and of borrowings which hedge such investments are taken to "Translation differences" in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on sale.

2.4 Financial risk management

The business operations of the CREALOGIX Group are subject to a variety of risks.

Risk policy

The financial positions of the Group are exposed to market risks such as changes in interest rates, price shifts on fixed-term deposits and financial investments and fluctuations in exchange rates. Management monitors risks continuously. Where it appears appropriate, the Group may use derivative financial instruments in order to manage the risks associated with the aforementioned volatilities. Contracts are concluded with top-rated financial institutions only. The Group does not enter into any financial transactions which represent an incalculable risk at the time of conclusion, i.e. it does not conduct any speculative transactions.

Interest rate risk

The Group's revenues are dependent to some extent on changes in interest rates, as it holds substantial volumes of cash and cash equivalents, securities and financial investments which are interest-bearing. Operating cash flow, on the other hand, is not materially affected by changes in interest rates.

Price risk

The Group invests, in accordance with the Group investment guidelines, in the money market, bonds and equities. The price risk attached to these positions can be reduced using the appropriate financial instruments, however.

Credit risk

Liquidity is managed centrally and invested only with respected, first-class financial institutions. The Group restricts its credit risk by entering into contracts only with top-rated partners. The credit risk attached to trade accounts receivable is limited because the Group has a broad client base that is diversified across diffe-

rent regions and economic sectors. The Company does not display any significant concentration of credit risks.

2.5 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, marketable securities, investments, receivables, financial assets, trade payables, leases and borrowings. The book value of these items approximate their fair value. The methods adopted to measure and account for such assets are disclosed in the individual policy statements associated with each item.

2.6 Impairment of assets

The recoverable amount of an asset is estimated whenever there is an indication that the asset may be impaired.

A value impairment is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of the net selling price and value in use, determined by discounting the future expected cash flows generated by the related asset.

2.7 Revenue recognition

Crealogix generates income from services and from licences. The company focuses on the design and production of highly sophisticated applications in the e-finance, e-learning and mobile business. These applications are developed and supported according to the "plan, build and run" principle.

Revenue is recognised upon delivery of products and customer acceptance, if any, or on the performance of services. Revenue is generally recognised in the income statement upon delivery with the exception of revenue of large projects whose completion and delivery are extended over more than one accounting or reporting period. Such large project revenues are recognised using the percentage of completion method.

Every single project is accounted for by its own. Crealogix differentiates between two types of contracts:

- a) fixed revenue contracts
- b) contracts on a fixed hourly rate

a) Revenue recognition for fixed revenue contracts

When the outcome of a contract can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction as at the balance sheet date. The stage of completion is measured by reference labour hours incurred to date as a proportion of the estimated total labour hours for each contract. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the enterprise
- the stage of completion of the transaction at the balance sheet date can be measured reliably
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of a contract cannot be estimated reliably:

- revenue is recognised only to the extent of contract costs incurred and if it is probable that such will be recoverable and
- contract costs are recognised as an expense in the period in which they are incurred.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings as at year-end. Where the sum of the costs incurred and recognised profit or loss exceeds the progress billings, the balance is disclosed under "Other short-term receivables" as due from customers on contracts.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised as an expense.

b) Revenue recognition for contracts on a fixed hourly rate

With this type of contract, Crealogix receives an agreed fixed fee per hour of work. This should, ideally, cover aggregate costs.

Revenue associated with such transactions is recognised on the performance of services and when collection of the revenue is considered probable. The total of incurred hours is invoiced periodically on a contractual basis.

2.8 Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash in hand, deposits held at call with banks and investments in money market instruments with an original maturity of 3 months or less.

2.9 Securities

Securities held for trading purposes are booked at market value. The market value is calculated with reference to Stock Exchange quoted selling prices at the close of business as at the balance sheet date. Increases/decreases in the carrying amount of marketable securities classified as current assets are credited/charged to the income statement.

2.10 Trade accounts receivable

Trade receivables are carried at face value less a specific provision for doubtful accounts. The provision is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

2.11 Work in progress / Inventories

Work in progress (projects) is accounted for according to one of the valuation methods described in note 2.7. Inventory (training materials) is valued at the lower of cost and net realizable value. Cost of inventories comprise all costs of purchase costs of conversion and other costs incurred in bringing the inventories to their present condition.

2.12 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated value impairment. Property and equipment are depreciated over their expected useful lives on a straight-line basis, as follows:

	Years
Furniture	10
Fixtures	10
Office equipment	2
Computer equipment	2
Communication equipment	2
Other office equipment	5
Motor vehicles	5

An item of property and equipment is eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected if it is sold.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement.

Property and equipment which are retired from active use and held for disposal are stated at their carrying amount as at the date when the asset is retired from active use.

2.13 Intangible assets

Expenditure on acquired software licences is capitalised and amortised using the straight-line method over 4 years. The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

Goodwill represents the amount by which the price paid to acquire a company exceeds the fair value of the identifiable assets and liabilities that have been acquired. Goodwill is amortised on a straight-line basis over an estimated useful life of five years. Amortisation charges are part of the "Depreciation and amortisation" as per income statement.

2.14 Leasing

The leasing of assets for which all of the ownership-related risks and opportunities are borne by the lessor is classified as operating leasing. Payments made in connection with operating leasing are charged to the income statement on a straight-line basis for the full leasing period.

The leasing of property and equipment for which Crealogix essentially assumes all of the ownership-related risks and opportunities is classified as financing leasing.

2.15 Provision

A provision is recognised when Crealogix has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.16 Employee benefit plans

Crealogix operates a number of defined benefit plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

The costs of providing retirement benefits under defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service periods of employees based on an actuarial valuation of the plans performed by qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates applicable to corporate bonds which have terms to maturity approximating the terms of the related liability.

A portion of the actuarial gains and losses is recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

- a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- b) 10% of the fair value of any plan assets at that date.

These limits are calculated and applied separately for each defined benefit plan. The portion of actuarial gains and losses to be recognised for each defined benefit plan is the excess determined as above, divided by the expected average remaining working lives of the employees participating in that plan.

Crealogix has **three employee stock option plans (I, Ia, II)**.

Stock options are granted to employees and to members of the Board of Directors usually once a year.

Granting dates for the options are on the first trading day of the calendar quarter. One option entitles to the right to purchase one share of CREALOGIX Holding AG at the fixed exercise price.

The exercise price for options under option plan I corresponds to the closing price of a registered share traded on SWX Swiss Exchange on the day of issue. For options under option plan II the exercise price is increased by 20% from the exercise price for options under option plan I.

Options under option plan I expire 5 years after the granting date. Options under option plan II expire 10 years and 6 months after the granting date.

All options are subject to a lock-in period of one year, during which they cannot be exercised. Options under Option Plan I are taxable as of their day of issue. Options under Option Plan II are taxable as of their date of exercise.

The taxation arrangements that apply to option plan I change as of 2003 at the instigation of Canton Zurich. Under the new rules, no tax is due on options issued under option plan I until they are exercised. To take account of this change, the old option plan I will now operate as option plan Ia and future allocations will be made under the new scheme only.

No accruals/deferrals were posted to the income statement in connection with the employee stock option plans.

2.17 Deferred income taxes

Deferred income tax is provided on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The currently valid tax rates are used to determine deferred income tax (20.0%).

Provisions for deferred income taxes are also made in the case of an acquisition, on the difference between the fair values of the net assets acquired and their tax base. Provision for taxes, mainly withholding taxes arising from the remittance of retained earnings by subsidiaries, is only made if there is a current intention to remit such earnings.

The principal temporary differences arise from depreciation on property, plant and equipment, allowances for bad debts, provisions for pensions and other post retirement benefits. Deferred tax assets relating to unused tax loss carry-forwards are recognised only to the extent that it is probable that future taxable profit will be available to utilise tax loss carry-forwards prior to their expiry.

2.18 Capital increase cost

Costs in connection with capital increases are charged to shareholders' equity.

3. Revenue

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Net sales services	16,162,631.41	19,964,808.05
Other revenue	2,337,782.89	3,619,871.06
Total net revenues	18,500,414.30	23,584,679.11

58% (prev. year: 53%) of other revenue came from licence fees and 42% (prev. year: 47%) from revenues earned in the e-learning and mobile business.

4. Goods and services purchased

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Goods purchased	-1,181,727.39	-1,225,107.57
Services purchased	-714,154.06	-2,004,568.46
Total goods and services purchased	-1,895,881.45	-3,229,676.03

Goods purchased include costs for training materials needed to generate training revenues.

5. Personnel expenses

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Salaries and wages	-10,404,131.84	-12,780,631.82
Social security costs	-916,664.02	-843,590.82
Pension costs – defined benefit plans	-524,000.00	-460,000.00
Other personnel expenses	-483,754.10	-727,866.76
Total personnel expenses	-12,328,549.96	-14,812,089.40

Other personnel expenses mainly include human resource recruiting costs, expenses for training, meals and other social events.

6. Other operating expenses

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Marketing and advertising	-549,265.46	-706,101.01
Rent, maintenance and replacements	-859,465.52	-1,085,306.88
General and administration expenses	-1,221,971.06	-1,512,057.15
Total other operating expenses	-2,630,702.04	-3,303,465.04

7. Financial income

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Interest income	350,259.98	767,064.90
Income on marketable securities	60,923.55	34,291.60
Realised gains on foreign exchange and marketable securities	104,786.58	178,527.38
Unrealised gains on foreign exchange and marketable securities	152,774.61	468,330.00
Total financial income	668,744.72	1,448,213.88
Interest expenses	-1,086.26	-9,974.31
Other financial expense	-38,348.31	-175,360.11
Realised losses on foreign exchange and marketable securities	-49,546.35	-131,357.20
Unrealised losses on foreign exchange and marketable securities	-85,618.49	-541,442.05
Total financial expense	-174,599.41	-858,133.67

8. Other current receivables

All amounts in CHF	30 June 2004	30 June 2003
Tax assets	250,640.58	213,926.36
Other short-term receivables third parties	821,875.87	870,848.54
Prepaid expenses	39,773.79	25,793.65
Total other receivables	1,112,290.24	1,110,568.55

9. Work in progress/inventories

All amounts in CHF	30 June 2004	30 June 2003
Work in progress (projects)	2,179,345.25	1,105,207.00
Inventory (training materials)	111,860.00	269,836.00
Total work in progress/inventories	2,291,205.25	1,375,043.00

Work in progress (projects) is accounted for according to one of the valuation methods described in note 2.7. Inventory (training materials) is valued at the lower of cost or net realizable value.

The increase in work in progress is due in large part to the fact that major individual-projects or sub-projects were close to final or interim acceptance and thus still had to be reported under work in progress.

10. Property and equipment

July–June 2002/2003					
All amounts in CHF	Furniture	Fixtures	Equipment	Motor vehicles	Total
Opening net book amount	927,482.38	307,845.08	185,273.09	311,539.88	1,732,140.43
Additions	0.00	11,318.03	596,290.82	161,720.24	769,329.09
Disposals	0.00	0.00	0.00	-34,500.00	-34,500.00
Depreciation charge	-130,833.96	-43,963.07	-248,464.76	-117,090.27	-540,352.06
Closing net book amount	796,648.42	275,200.04	533,099.15	321,669.85	1,926,617.46
At 30 June 2004					
Cost	1,308,339.91	450,004.87	995,277.76	539,017.28	3,292,639.82
Accumulated depreciation	-511,691.49	-174,804.83	-462,178.61	-217,347.43	-1,366,022.36
Net book amount	796,648.42	275,200.04	533,099.15	321,669.85	1,926,617.46
Fire insurance value of fixed assets:					
At 30 June 2004	4,800,000				
At 30 June 2003	4,800,000				

July–June 2002/2003					
Opening net book amount	1,048,730.40	388,229.69	293,435.53	365,607.80	2,096,003.42
Additions	55,287.54	3,685.04	293,598.91	54,226.30	406,797.79
Disposals	-43,916.96	-3,717.47	0.00	0.00	-47,634.43
Depreciation charge	-132,618.60	-80,352.18	-401,761.35	-108,294.22	-723,026.35
Closing net book amount	927,482.38	307,845.08	185,273.09	311,539.88	1,732,140.43
At 30 June 2003					
Cost	1,308,339.91	438,686.84	398,986.94	538,099.98	2,684,113.67
Accumulated depreciation	-380,857.53	-130,841.76	-213,713.85	-226,560.10	-951,973.24
Net book amount	927,482.38	307,845.08	185,273.09	311,539.88	1,732,140.43

11. Intangible Assets

July–June 2003/2004 All amounts in CHF	Goodwill	Software licences acquired	Total
Opening net book amount	1,675,088.34	492,177.19	2,167,265.53
Additions	0.00	49,638.22	49,638.22
Disposals	0.00	0.00	0.00
Amortization charge	-475,088.34	-289,471.37	-764,559.71
Closing net book amount	1,200,000.00	252,344.04	1,452,344.04
At 30 June 2004			
Cost	2,275,088.34	1,185,363.11	3,460,451.45
Accumulated amortization	-1,075,088.34	-933,019.07	-2,008,107.41
Net book amount	1,200,000.00	252,344.04	1,452,344.04
July–June 2002/2003			
Opening net book amount	1,287,765.08	647,547.59	1,935,312.67
Additions	843,323.26	113,670.79	956,994.05
Disposals	0.00	0.00	0.00
Amortization charge	-456,000.00	-269,041.19	-725,041.19
Closing net book amount	1,675,088.34	492,177.19	2,167,265.53
At 30 June 2003			
Cost	2,275,088.34	1,135,724.89	3,410,813.23
Accumulated amortization	-600,000.00	-643,547.70	-1,243,547.70
Net book amount	1,675,088.34	492,177.19	2,167,265.53

The net book value of goodwill of CHF 1.2 million as of 30 June 2004 that relating to the acquisition of Acadia Communications & Training AG, Stäfa, and M.I.T. AG, Baar, has been tested and found to be recoverable.

12. Financial assets

All amounts in CHF	Security	Interest rate	Maturity	30 June 2004	30 June 2003
Loan third parties A				0.00	220,500.00
Loan employee	no	2.50%	Right of 30 days notice	200,000.00	200,000.00
Loan related party	yes	4.50%	01.10.07	200,000.00	0.00
Loan associate company A	yes	4.50%	unlimited	200,000.00	0.00
Loan associate company B	yes	4.00%	unlimited	1,400,000.00	0.00
Loan associate company C	no	0.00%	unlimited	163,000.00	0.00
Total financial assets				2,163,000.00	420,500.00

13. Other current liabilities and accruals

All amounts in CHF	30 June 2004	30 June 2003
Other current liabilities due to third parties	25,535.20	31,912.74
Customer advances	0.00	52,645.60
Accrued liabilities	2,670,926.85	3,594,138.42
Total other current liabilities and accruals	2,696,426.05	3,678,696.76

Accrued liabilities contain expenses that have "not yet been paid", as well as "revenues that have been received in advance but not earned" and "accruals for vacation and overtime entitlements that have not yet been taken".

14. Current provisions

All amounts in CHF	30 June 2004	30 June 2003
Provisions for compensation to staff leavers	0.00	77,000.00

	2003/2004	2002/2003
At beginning of period	77,000.00	0.00
+ Additions	0.00	77,000.00
- Utilized	-55,000.00	0.00
- Unused amounts reversed	-22,000.00	0.00
At end of period	0.00	77,000.00

15. Non-current liabilities

All amounts in CHF	Security	Interest rate	Maturity	30 June 2004	30 June 2003
Loan third parties	yes	3.25%	1.7.2004	0.00	220,500.00

16. Income taxes

All amounts in CHF	July-June 2003/2004	July-June 2002/2003
Current tax	172,125.86	-313,672.80
Deferred tax	-73,000.00	8,000.00
Total income tax	99,125.86	-305,672.80

Income tax on the pre-tax profit differs from the theoretical amount that would be incurred if the applicable tax rate were to be used as follows:

All amounts in CHF	July-June 2003/2004	July-June 2002/2003
Profit before tax	680,169.39	1,381,461.31
Tax expense 20.0%	-136,033.88	-276,292.26
Adjustments from previous years	177,688.45	80,619.46
Effect of differing rates	2,378.56	0.00
Set-off of loss carryforwards from previous years	180,979.40	-110,000.00
Non-deductible expenses	-125,886.67	0.00
Tax income/expenses	99,125.86	-305,672.80

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 20.0% (prev. year: 20.0%). The maximum tax rate for cantonal and communal taxes as well as direct federal taxes is 25.1% in the Canton of Zurich.

The movements on the deferred tax account are as follows:

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
At beginning of period	612,000	620,000
Charged to income statement	73,000	-8,000
At end of period	685,000	612,000

Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority. The following amounts are shown in the consolidated balance sheet:

All amounts in CHF	30 June 2004	30 June 2003
Deferred tax assets	0	0
Deferred tax liabilities	685,000	612,000

Deferred tax assets are recognised for tax loss carry-forwards only to the extent that realization of the related tax benefit is probable. Crealogix has tax losses of CHF 988,898 to carry forward against future taxable income which have not been recognised in these financial statements due to uncertainty of their recoverability.

e.g. expiry of tax loss carry-forwards	30 June 2004	30 June 2003
next 3 years	19,658	0
4–7 years	302,603	1,225,720
after 7 years	666,637	673,895
Total	988,898	1,899,615

Deferred tax assets and liabilities, deferred tax charge/credit in the income statement are attributable to the following items:

All amounts in CHF	30 June 2003	Charged/(credited) to income statement	30 June 2004
Deferred tax liabilities			
Receivables	131,016	-66,075	64,941
Work in progress/inventories	17,987	-10,535	7,452
Financial assets	211,000	137,000	348,000
Property and equipment	162,029	55,511	217,540
Intangible assets	89,968	-42,901	47,067
Non-current liabilities	0	0	0
Set-off of assets and liabilities	0	0	0
Net deferred tax liabilities	612,000	73,000	685,000

17. Share capital

Since 5 September 2000 there have been 1,070,000 issue registered shares in the company. Each of these has a par value of CHF 10 and is fully paid in.

Since 5 September 2000 conditional capital of CHF 2.5 million related to the staff share option scheme has been in place.

Authorized capital in an amount of CHF 3.0 million was created effective 30 September 2003.

Ordinary shares

Twelve months ended 30 June 2004	Number of shares	Ordinary shares	Treasury shares	Total
At beginning of period	1,070,000	10,700,000.00	-2,027,443.45	8,672,556.55
Purchase of treasury shares	(-60,045)		-3,442,437.40	-3,442,437.40
Sales of treasury shares	(53,710)		3,074,092.30	3,074,092.30
Treasury shares used for share option plans	(1,490)		80,568.60	80,568.60
At end of period	1,070,000	10,700,000.00	-2,315,219.95	8,384,780.05

Of the free options on new shares that have been allocated to the Board of Directors and staff, the following are outstanding:

Employee Share Options

Option plan I					Option plan II			
Granted per	Expiring per	Out-standing	Exercise price in CHF	Total Fair Value	Expiring per	Out-standing	Exercise price in CHF	Total Fair Value
07.09.00	07.09.05	0	200.00	0	07.03.11	20,056	240.00	15,037
03.01.01	03.01.06	224	86.00	204	04.07.11	516	103.00	2,667
02.04.01	03.04.06	0	62.50	0	03.10.11	1,376	75.00	11,416
02.07.01	03.07.06	2,820	64.00	13,098	03.01.12	26,992	76.80	150,843
01.10.01	02.10.06	0	40.00	0	02.04.12	374	48.00	4,976
02.01.02	02.01.07	84	47.00	926	02.07.12	2,000	56.40	23,036
01.07.02	02.07.07	10,089	32.80	176,524	01.01.13	37,492	39.35	454,950
Total		13,217		190,752		88,806		662,925

Option plan Ia				
Granted per	Expiring per	Out-standing	Exercise price in CHF	Total Fair Value
03.01.03	03.01.08	750	30.00	15,431
01.07.03	01.07.08	28,048	46.00	315,791
Total		28,798		331,221

A maximum total of 250,000 options may be issued in the five-year period beginning on September 7, 2000. If all options were to be exercised, the share capital would increase by a maximum of CHF 2.5 million from conditional capital.

18. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in outstanding during the year.

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Net profit attributable to shareholders	779,295.25	1,075,788.51
Weighted average number of ordinary shares outstanding	1,026,332.00	1,046,532.00
Basic earnings per share	0.759	1.028
Weighted average of the potential diluted ordinary shares	1,028,381.00	1,046,532.00
Diluted earnings per share	0.758	1.028

19. Retirement benefit plans

The amounts recognised in the statement of income are as follows:

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Service cost	1,055,000	818,000
Interest cost	302,000	264,000
Expected return on plan assets	-313,000	-297,000
Net actuarial loss recognised in year	48,000	64,000
Immediate recognition of loss as per Article 58	-87,000	0
Net periodic pension cost	1,005,000	849,000
Employees' contributions	-481,000	-389,000
Net pension expenses for defined benefit plans (note 5)	524,000	460'000

The amounts recognised in the balance sheet are as follows:

All amounts in CHF	30 June 2004	30 June 2003
Defined benefit obligation	-10,654,000	-8,066,000
Fair value of plan assets	11,148,000	7,835,000
Funded status	493,000	-231,000
Unrecognised asset due to recoverability limit	0	0
Unrecognised actuarial gains/losses	1,249,000	1,286,000
Potential for future reductions of contributions and other measures (IAS 19)	1,742,000	1,055,000

The movement in the pension asset recognised in the balance sheet is as follows:

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
At beginning of period	1,055,000	575,000
Net pension expenses	-524,000	-460,000
Employer's contributions	1,211,000	940,000
At end of period	1,742,000	1,055,000

The actuarial assumptions used were as follows:

In percent	July–June 2003/2004	July–June 2002/2003
Discount rate	3.75%	4.00%
Expected net return on plan assets	4.00%	5.00%
Average future salary increases	2.00%	2.50%
Future pension increases	0.25%	1.00%

Actuarial assumptions will be reviewed and redefined as part of the actuarial revaluation of pension fund obligations as at 30 June 2005.

20. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Profit before tax	680,169	1,381,461
Adjustments for:		
- Depreciation (note 10)	540,352	723,026
- Amortization (note 11)	764,560	725,041
- Interest income (note 7)	-668,745	-468,330
- Interest expense (note 7)	174,599	541,442
- Changes in current provisions	-77,000	77,000
Changes in net working capital	-11,381,462	-3,715,186
Earnings from associated companies	154,345	0
Cash generated from operations	-9,813,182	-735,546

21. Related party transactions

Crealogix is controlled by Bruno Richle, Richard Dratva, Daniel Hildebrand and Peter Süsstrunk. The following paragraph shows the members of the Board of Directors and the Management Board.

Board of Directors	Management Board
Bruno Richle	Bruno Richle (CEO)
Dr. Richard Dratva	Dr. Richard Dratva
Prof. Dr. Beat Schmid	Dr. Jürg Neck
Dr. Christoph Schmid	Dr. Louis-Paul Wicki

The following transactions were carried out with related parties:

Personnel expenses All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Salaries and wages Management Board (4 persons) (Highest remuneration)	-983,302.95 (-292,800.00)*	-881,604.95 (-290,000.00)

* Additionally, this person received 1,000 CLXN-options.

Please refer to Note 12 for details of loans to related parties and associated companies.

22. Acquisition of a shareholding

On 15 March 2004, CREALOGIX Holding AG acquired 28.622 percent of the share capital of CIRCON Circle Consulting AG, Glattbrugg, as well as 35 percent of the share capital of CSB Holding AG, Zug – and thus indirectly a further 6.378 percent of CIRCON Circle Consulting AG. A further 35 percent in both companies was acquired directly and indirectly in a second phase as of 1 July 2004. Furthermore, rights to purchase and to sell exist in favour of CREALOGIX Holding AG and the sellers respectively within five years of the purchase of this 35 percent tranche. The purchase price is based on the net revenues and profitability of CIRCON Circle Consulting AG.

Circon Circle Consulting is the market leader in Switzerland and Austria for ERP solutions based on the standard Axapta product from Microsoft Business Solutions. Circon designs and implements sector-specific solutions for large and medium-sized enterprises.

	Circon	CSB to Circon	CSB	Total
Net assets acquired	266,004	59,298	11,678	336,981
Acquired goodwill	2,596,196	-59,298	626,422	3,163,319
Proportion of pre-tax profit/loss	32,097	7,155	-479	38,774
Proportion of taxes	-6,419	-1,431	96	-7,755
Goodwill amortization	-152,132	3,475	-36,707	-185,364
Closing netbook amount	2,735,746	9,199	601,010	3,345,955

Total assets amounted to CHF 8,689,822 as of the balance sheet date of 30 June 2004. The company posted sales of CHF 18,616,957 and a net profit of CHF 306,870 during the 2003/2004 financial year.

23. Financial instruments

Financial instruments have been marked to market in accordance with the rules laid down in IAS 39. The market values of financial assets were valued as follows on the balance sheet date:

Sale, value date 31.12.2004	USD 400,000 at an exchange rate of 1.2360 = CHF 494,000
Forward rate on 30.06.2004 for 31.12.2004	USD 400,000 at an exchange rate of 1.2430 = CHF 497,000
Non-realized currency loss	CHF 3,200

The contract value shows the volume of open foreign exchange contracts as of the balance sheet date. A negative market value represents the potential that further costs will be incurred in order to close the open contracts on the balance sheet date. A positive market value represents unrealised gains from hedging transactions on the balance sheet date, and thus the maximum risk in the event of non-performance by the counterparty. On 30 June 2004, the negative market value of open foreign contracts, compared with the relevant market prices, was CHF 3,200, which is reported in the Income Statement.

24. Future payments under non-cancellable agreements

Future minimum payments under non-cancellable tenancy agreements:

All amounts in CHF	30 June 2004	30 June 2003
Not later than 1 year	714,456.00	766,776.00
Later than 1 year and not later than 5 years	365,511.00	1,102,224.00
Total future payments	1,079,967.00	1,869,000.00

Other lease commitments are not existing.

Rental agreements may be extended upon expiry. An adjustment in line with the cost of living index is possible.

25. Segment information

Primary reporting format – business segments

Crealogix is one of Switzerland's leading IT and software service company. The Group operates solely in the e-business field and therefore knows only one segment. The primary reporting format is thus identical with the consolidated financial statements.

E-Business (Electronic Business):

Company-wide and, in particular, cross-company IT solutions for handling communication, cooperation, service or trading processes and information with the aid of web technologies on distributed systems and sites. Crealogix has developed special expertise in the fields of e-finance, e-learning and mobile business.

Secondary reporting format – geographic segments

Since commencing (Toronto February 2000, Frankfurt January 2001) and, in some cases, ceasing activities outside Switzerland (Toronto June 2001), no significant transactions have taken place which would have to be disclosed.

26. Events after the balance sheet date

See Note 22 for details of the acquisition of CIRCON Circle Consulting AG, Glattbrugg.

CREALOGIX Holding AG acquired a 100% stake in Zurich-based hmi Informatik AG (hmi) on 1 July 2004. hmi will continue to operate as an independent joint-stock company. Its management will retain responsibility for operational business. In the course of the next few months hmi is to be renamed "CREALOGIX E-Banking Solutions AG".

CREALOGIX Holding AG acquired a 40% stake in Zurich-based Balzano Informatik AG on 1 July 2004 and plans to take over a majority shareholding in a second stage. Balzano Informatik AG will continue to operate as an independent joint-stock company. Its management will retain responsibility for operational business.

As auditors of the group, we have audited the consolidated financial statements (consolidated income statement, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and notes to the consolidated financial statements) of CREALOGIX Holding AG, presented on pages 25 to 45 of the annual report, for the year ended 30 June 2004.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined, on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS), and comply with the Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

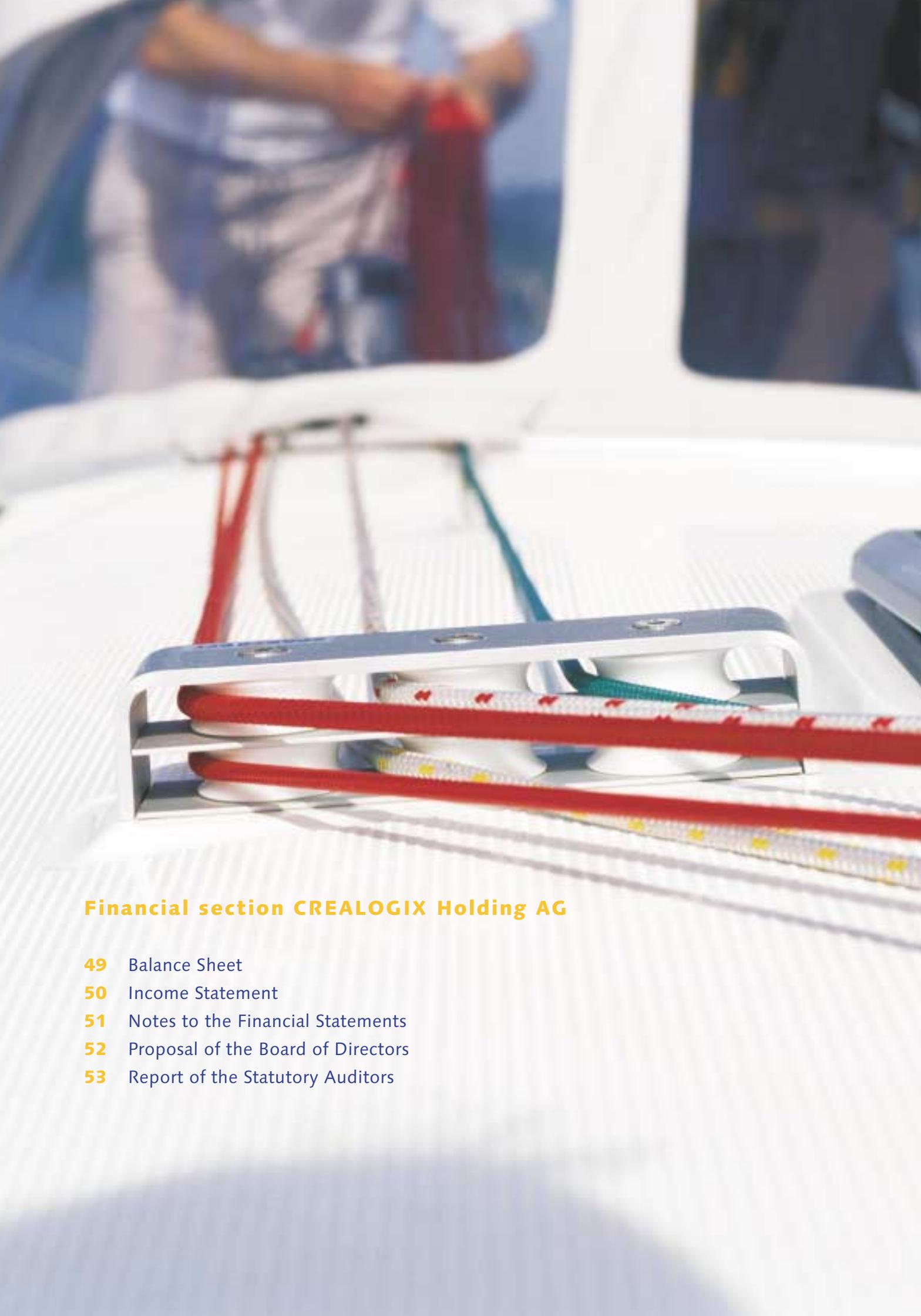


R. Willborn



C. Benz





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49 Balance Sheet

CREALOGIX Holding AG

All amounts in CHF	30 June 2004	in %	30 June 2003	in %
ASSETS				
Cash and marketable securities	39,375,784.12		45,918,623.64	
Other receivables	16,540.75		53,015.80	
Accounts receivables CREALOGIX AG	1,471,339.98		833,818.14	
Accounts receivables CREALOGIX Corp., CA	1.00		1.00	
Accounts receivables CREALOGIX AG, D	1.00		1.00	
Treasury shares	2,171,909.50		1,717,088.00	
Prepaid expenses	11,140.00		0.00	
Total current assets	43,046,716.35	82.0	48,522,547.58	92.4
Investments	7,516,256.80		4,015,956.80	
Loan related party	200,000.00		0.00	
Loans associated companies	1,763,000.00		0.00	
Total non-current assets	9,479,256.80	18.0	4,015,956.80	7.6
Total ASSETS	52,525,973.15	100.0	52,538,504.38	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY				
Trade accounts payable	357,516.24		423,715.16	
Other current liabilities and accruals	49,560.00		359,415.90	
Total current liabilities	407,076.24	0.8	783,131.06	1.5
Share capital	10,700,000.00		10,700,000.00	
Share premium	41,386,280.05		41,674,056.55	
Legal reserves	75,000.00		75,000.00	
Reserve for treasury shares	2,315,219.95		2,027,443.45	
Accumulated deficit	-2,357,603.09		-2,721,126.68	
Shareholders' equity	52,118,896.91	99.2	51,755,373.32	98.5
Total LIABILITIES AND SHAREHOLDERS' EQUITY	52,525,973.15	100.0	52,538,504.38	100.0

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Other revenue Group	0.00	4,388.64
Total revenue	0.00	4,388.64
Total goods and services purchased	0.00	0.00
Contribution margin 1	0.00	4,388.64
Personnel expenses	-32,880.30	-66,457.95
Contribution margin 2	-32,880.30	-62,069.31
Marketing and advertising	-39.92	0.00
Insurance and fees	-6,509.00	-6,289.00
Consulting expenses	-71,633.20	-95,724.88
Other operating expenses third	-35,600.00	-36,000.00
Other operating expenses Group	27.92	-422,931.76
Other operating expenses	-113,754.20	-560,945.64
Operating loss (EBIT)	-146,634.50	-623,014.95
Financial income	659,680.39	1,704,552.09
Financial expense	-149,522.30	-793,229.69
Financial result	510,158.09	911,322.40
Profit before taxes	363,523.59	288,307.45
Income tax expense	0.00	-50,769.05
Net profit for the year	363,523.59	237,538.40

Investments

Company	Activity	Capital	Interest held
CREALOGIX AG Bubikon, Switzerland	Consulting and implementation of integrated Internet and Intranet applications	CHF 100,000	100%
CREALOGIX Corp. Toronto, Canada	Consulting and implementation of integrated Internet and Intranet applications	CAD 100,000	100%
CREALOGIX AG Frankfurt, Germany	Consulting and implementation of integrated Internet and Intranet applications	EUR 100,000	100%
CIRCON Circle Consulting AG Glattbrugg, Switzerland	Development/trade of/with software and IT-systems	CHF 1,000,000	28.622%
CSB Holding AG Zug, Switzerland	Management of investments	CHF 100,000	35%

Treasury shares All amounts in CHF	Number of shares	Average price	Value
As at 1 July 2003	37,328	46.00	1,717,088.00
Purchases 2003/2004	60,045	57.33	3,442,437.40
Sales 2003/2004	-55,200	57.15	-3,154,660.90
Unrealised loss			167,045.00
As at 30 June 2004	42,173	51.50	2,171,909.50

As at 30 June 2004 the reserve for treasury shares was CHF 2,315,219.95 and is recorded at cost.

Share capital

Since 5 September 2000 there have been 1,070,000 issue registered shares in the company. Each of these has a par value of CHF 10 and is fully paid in.

Since 5 September 2000 conditional capital of CHF 2.5 million related to the staff share option scheme has been in place.

Authorized capital in an amount of CHF 3.0 million was created effective 30 September 2003.

Significant shareholders

As at 30 June 2004 the following shareholders had proportions of ownership interests over 5 percent:

Shareholders	Proportion of ownership interest	Number of shares
Bruno Richle	22.69%	242,733
Dr. Richard Dratva	22.30%	238,567
Daniel Hildebrand	15.56%	166,477
Peter Süsstrunk	7.37%	78,808
Chase Nominees Ltd.	5.21%	55,764

Proposal of the Board of Directors for appropriation of the accumulated deficit

All amounts in CHF	July–June 2003/2004	July–June 2002/2003
Accumulated deficit at the beginning of the financial year	-2,721,126.68	-2,958,665.08
Net profit for the year	363,523.59	237,538.40
Total accumulated deficit	-2,357,603.09	-2,721,126.68
Transfer to legal reserves	0.00	0.00
Accumulated deficit at the end of the financial year	-2,357,603.09	-2,721,126.68

53 Report of the Statutory Auditors to the General Meeting of CREALOGIX Holding AG, Zurich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of CREALOGIX Holding AG, presented on pages 49 to 52 of the annual report, for the business year ended 30 June 2004.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with the Swiss law and the companies articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



R. Willborn



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