Annual Report CREALOGIX Group **2005/2006**

CREALOGIX

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All amounts in CHF thousand	July–June 2002/2003	July–June 2003/2004	July–June 2004/2005	**July–June 2005/2006**
Operating profit	23,585	18,500	51,014	**63,307**
% increase	14.3	-21.6	175.7	**24.1**
Operating earnings before interest, taxes, depreciation and amortisation (EBITDA)	2,239	1,645	5,612	**10,132**
in % of revenue	9.5	8.9	11.0	**16.0**
Operating profit (EBIT)	791	340	2,434	**7,198**
in % of revenue	3.4	1.8	4.8	**11.4**
Consolidated profit	1,076	779	3,024	**4,342**
in % of revenue	4.6	4.2	5.9	**6.9**
in % of shareholders' equity	1.9	1.3	4.9	**6.5**
Net cash flow from operating activities	-918	-9,248	-2,269	**3,075**
in % of revenue	-3.9	-50.0	-4.4	**4.9**
Cash flow from capital expenditures	-2,017	6,714	-6,043	**-2,544**
Depreciation/Amortisation	1,448	1,305	3,177	**2,934**
Capacity of persons employed (equivalent to full-time positions)	111.9	100.0	222.9	**269.6**
Capacity of freelancers	3.6	2.4	34.1	**43.1**
Capacity, incl. freelancers	115.5	102.4	257.0	**312.7**
Revenue per person (capacity, incl. freelancers)	204	181	198	**202**
Personnel expenses per person	132	123	128	**125**
Headcount per 30 June	117	107	250	**295**
Capacity, June	106.9	97.4	231.7	**247.6**
Share prices in CHF				
High	47.80	62.90	69.90	**89.50**
Low	24.70	45.20	41.95	**65.25**
Per 30 June	46.00	51.50	69.00	**84.00**
Market capitalization (in m)				
High	51.1	67.3	74.8	**95.8**
Low	26.4	48.4	44.9	**69.8**
Market capitalization per 30 June (in m)	49.2	55.1	73.8	**89.9**
in % of revenue	208.7	297.9	144.7	**142.0**
in % of shareholders' equity	85.4	94.8	119.9	**133.7**
Earnings per share – basic	1.028	0.759	2.851	**4.164**
Price-earnings ratio (P/E)	44.7	67.8	24.2	**20.2**
Shareholders' equity per share	55.8	56.9	60.0	**64.8**
Price-book-value	0.8	0.9	1.2	**1.3**

All amount in CHF thousand	30 June 2003	30 June 2004	30 June 2005	**30 June 2006**
Total assets	63,459	62,263	83,622	**102,745**
Total current assets	58,084	51,633	60,649	**70,503**
Cash and cash equivalents and marketable securities of above	48,764	44,978	41,670	**45,871**
Non current assets	5,375	10,630	22,972	**32,241**
Liabilities	5,793	4,108	22,062	**35,523**
Shareholders' equity	57,666	58,155	61,560	**67,221**
Equity ratio (in %)	90.0	93.4	73.6	**65.4**

Report of the Chairman of the Board of Directors

Bruno Richle
Chairman of the Board of Directors and CEO

Dear Shareholders,
Colleagues and Business Partners

This year we are not just reviewing the past financial year, but looking a little further back in time. On 1 July 2006, our company celebrated its 10th anniversary. A number of different factors and facets come together to create a success story that is only just beginning.

This anniversary year was the most successful yet in the history of the company. Sales reached an all-time high of CHF 63.3 million and Crealogix generated a record operating profit (EBIT) of CHF 7.2 million.

Both the e-business and ERP (Enterprise Resource Planning) divisions achieved satisfying growth. There are increasingly clear indications that our strategic focus on e-business and ERP reflects the needs of today's market. We took an important step in acquiring C-Channel, allowing us to expand our range of e-banking products. In another especially gratifying development, the services provided by the CREALOGIX Group are starting to meet with increased endorsement in the EU, with this region now accounting for 22 percent of sales.

10 years of Crealogix
Let us take a quick look back over the history of the CREALOGIX Group. Established on 1 July 1996, the company went public just four years later on 7 September 2000. In 2001 Crealogix began to expand its service portfolio in the e-learning and mobile business segments.

In 2004 ERP was added to e-business as a second cornerstone, and e-banking operations were significantly strengthened at the same time. In its current configuration the CREALOGIX Group is ideally positioned going forward.

Sales and earnings
The 2005/2006 financial year saw the CREALOGIX Group expand its sales by 24.1 percent year-on-year to CHF 63.3 million (FY 2004/2005: CHF 51.0 million).

Organic growth accounts for two-thirds of this increase. Profitability was also further improved, as scheduled. Operating profit (EBIT) rose from CHF 2.4 million in 2004/2005 to CHF 7.2 million, accompanied by an EBIT margin of 11.4 percent (up from 4.8 percent in the previous year).

Consolidated profit came to CHF 4.3. million (FY 2004/2005: CHF 3.0 million). This figure includes the negative impact of an expense of CHF 1.6 million for deferred purchase price obligations in connection with acquisitions, which IFRS requires to be recognized in the financial result.

We have exceeded our target of lifting sales by 10 percent organic growth and improving the EBIT margin.

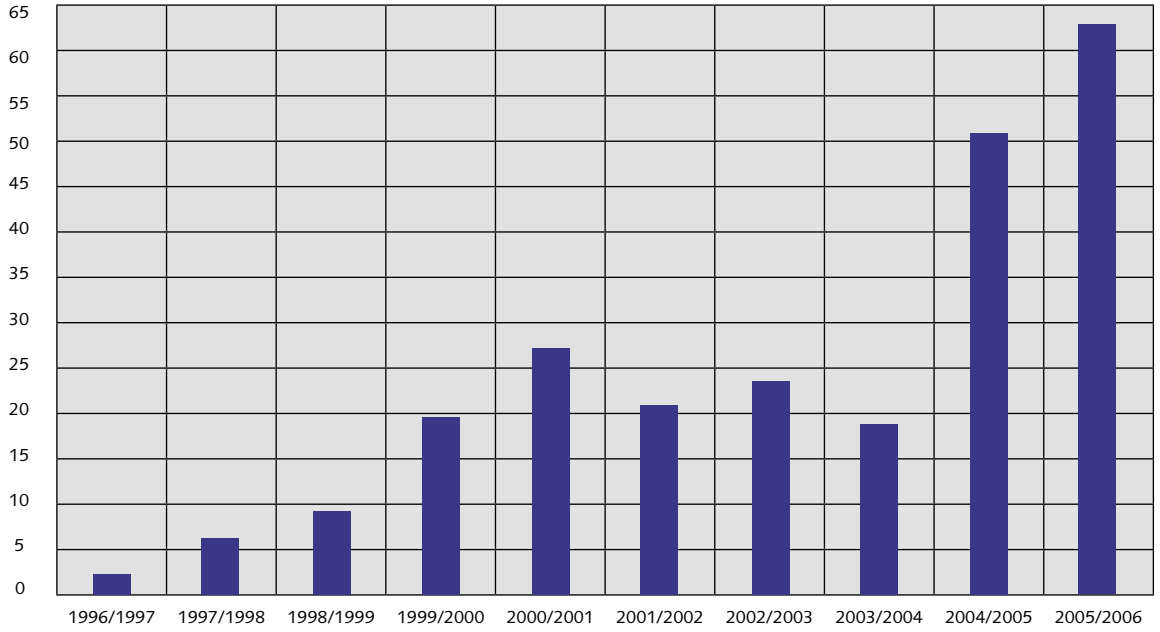
Personnel and operating expenses
As at 30 June 2006, the CREALOGIX Group employed a workforce of 295. The number of full-time equivalents has gone up by 21 percent, with half of that figure accounted for by acquisitions.

Operating income per full-time employee (incl. freelance positions) advanced to CHF 202,000. Personnel costs per full-time employee stood at CHF 125,000, other operating expenses at CHF 5.1 million.

Market development and positioning
The IT market continued to recover in the year under review, especially in the financial sector. Following a lengthy period of market caution, investment in new e-banking software is once again picking up steam. However, in the ERP segment, too, we can see that many companies will shortly be faced with the need to replace their existing solutions. Our „Evento“ product for the public education sector also meets the requirements of the market in Germany.

Product development
We have continued to strengthen our product development activities. This is the only viable path towards sustaining our market leadership in the segments in which we operate.

Sales in CHF million



In e-business, for example, we have further developed existing products such as the „time2learn" training planner, the „CYPnet" blended learning platform and the Mobile Business Service Platform (MBSP). A number of extra functions have been added to the „hmi.e.banking" solution. C-Channel products like PayMaker, NetBanking, SwissMoney and PayPen further round out this standard offering. New developments include „ready4LAP", an interactive repetition and exercise tool to support commercial apprentices in their studies.

In the ERP division we have advanced the standardization of the Microsoft Dynamics AX (formerly Axapta) Fashion and Transport products and have further developed the „Evento" school ERP software for the i nternational market.

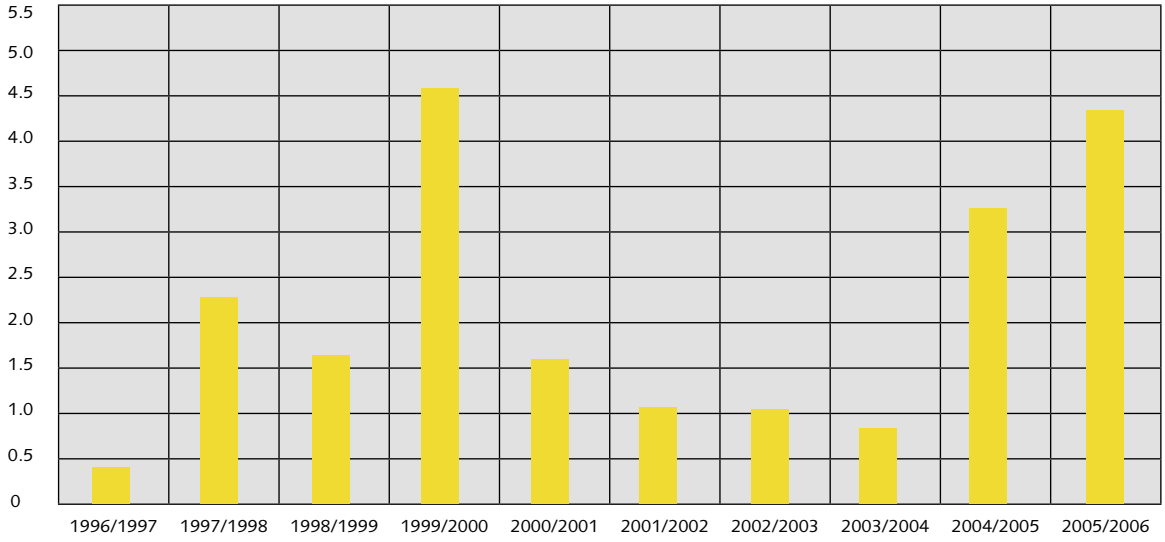
Crealogix Webshop, which is now ready to go to market and is directly compatible with Microsoft Dynamics AX, is a good example of the overlap between ERP and e-business.

e-business division

The e-business division beat all expectations in the financial year just ended, generating sales of CHF 34.9 million. This corresponds to a 55% share of consolidated sales. The sales of C-CHANNEL AG were factored in for the period 1 March 2006 to 30 June 2006.

This year again a considerable volume of orders was received from new and existing customers. In particular, we provided our longstanding client Credit Suisse with valuable support in its „One Bank" restructuring project. In addition, we were able to collaborate with Siemens on a number of new and follow-up projects for the Swiss Air Force.

Net profit in CHF million



In e-banking we won over Bank Coop, the Luzerner, Sankt Galler and Thurgauer Cantonal Banks with our solution in this area. Other new e-business clients include: the School and Sports Department of the City of Zurich, Swisscom Mobile, T-Systems, WIR Bank and the Zürcher Kantonalbank.

ERP division

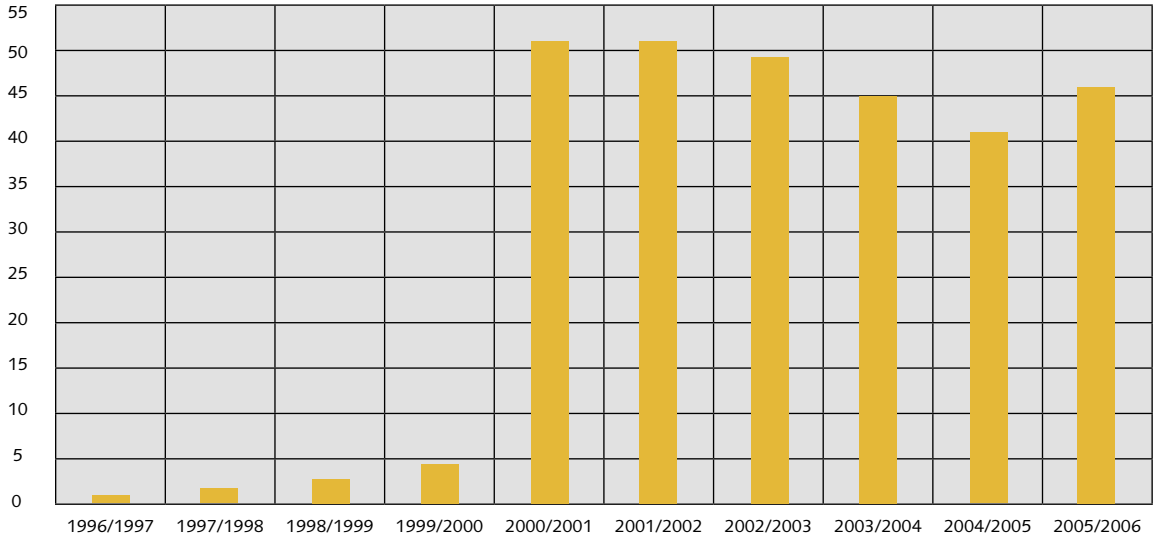
In the period under review, the ERP division recorded sales of CHF 28.8 million, corresponding to a 45 percent share of total sales.

In this division, both the Microsoft Dynamics AX-Fashion product from the CIRCON Group and the Evento school and course administration software from Balzano Informatik AG performed positively.

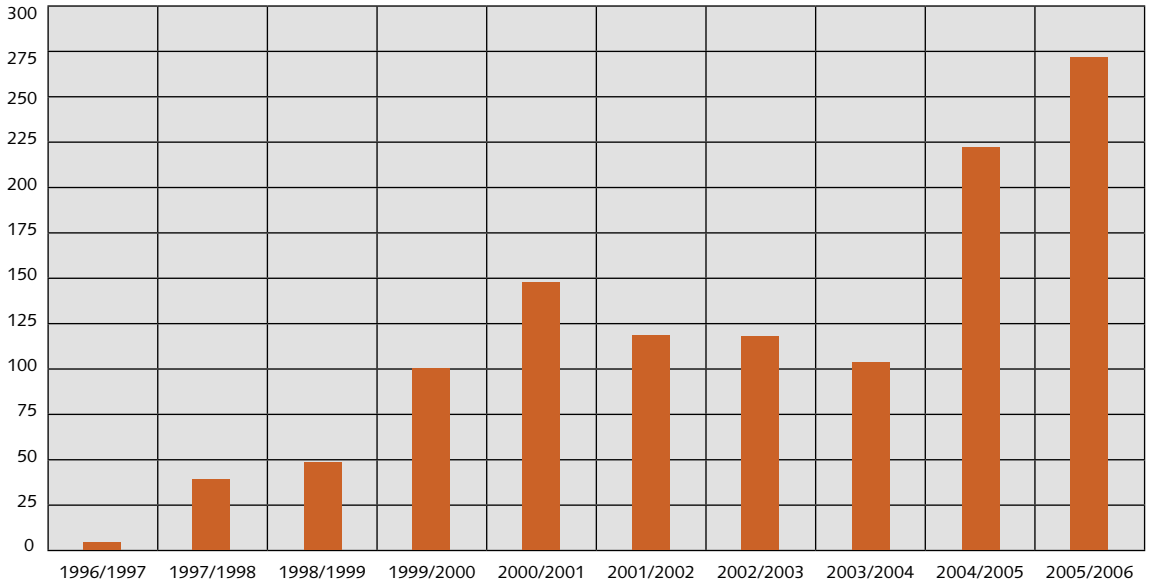
The Microsoft Dynamics AX-Fashion product is proving immensely popular within the textile and fashion industry, as became particularly evident at the IMG trade show in Cologne. Several major new clients were acquired in the last twelve months, especially in Germany.

The future looks equally bright for our „Evento" product. As we have already succeeded in satisfying the stringent requirements of the Bologna reform on behalf of our Swiss clients, we believe we are in a good position to make inroads into the EU market, where implementation of the Bologna reform has only just got underway. We signed our first licence agreement in Germany this June. In future the Hamburg University of Technology (TUHH) will use Evento to plan the curriculum for its approx. 4,500 students and generate course timetables.

Cash & cash equivalents and securities in CHF million



Full-time equivalents



Share price performance

The CREALOGIX share performed satisfactorily in the period under review, advancing by 21.7 percent, with the price standing at CHF 84.00 as at the balance sheet date on 30 June 2006 (FY 2004/2005: CHF 69.00).

Acknowledgements

On behalf of the Board of Directors and Group management I would like to convey a warm thank you to our staff for their loyalty, motivation and commitment. We are likewise grateful to our clients for the nature of their cooperation and for displaying such confidence in our services. Last but not least, we would like to thank our shareholders most heartily for their financial commitment, an expression of their continuing faith in the company. To mark our 10th anniversary, we will be proposing to the Annual General Meeting of shareholders a par-value reduction of CHF 2 per share.

Outlook

Over the last financial year the CREALOGIX Group has improved its long-term competitive edge. We will continue to pursue our strategy of focusing on e-business and ERP and expanding our market leadership in certain segments. More than ever, we are convinced we will realize our vision of becoming a „software powerhouse“ – and we will also be deploying our financial resources to this end. Our aim is thus to continue on the path of above-average growth while at the same time maintaining the current profitability level.

Bruno Richle
Chairman of the Board of Directors and CEO

10 years of Crealogix
... and how it all began

1996-2000:

Setting sail

- **1996**
  The company is set up on July 1, 1996.
- **1997**
  Crealogix develops Switzerland's first internet banking solution on behalf of Credit Suisse.
- **1998**
  Crealogix positions itself as one of Switzerland's most successful e-business solution providers.
- **1999**
  The Crealogix brand is launched.
- **2000**
  2000 marks a high point in the history of this young company: Crealogix shares are traded on the Swiss stock exchange for the first time on 7 September 2000.

2001-2003:

Weathering the storm

- **2001**
  Increasingly strongly focus on IT services.
- **2002**
  Service portfolio widened to include e-learning, an offshoot of the e-business segment.
  This diversification is supported by the acquisition of two companies.
- **2003**
  Strengthening of position in development and operation of IT solutions for the mobile market. Crealogix acquires specialist skills in the mobile sector and the technical platform for bidirectional SMS and MMS communications from Rixxo AG.

2004-2005:

Stock-taking and new strategies

- **2004**
  Move into the ERP business with CIRCON Circle Consulting AG. Crealogix becomes leader in Swiss e-banking following merger with hmi Informatik AG (now CREALOGIX E-Banking Solutions AG). Crealogix takes strategic stake in Balzano Informatik AG (Evento) with a view to strengthening its position in education management.

- **2005**
  Majority stake is acquired in Balzano Informatik AG (Evento).

Heute:

„Revival“ of e-business in conjunction with ERP

- **2006**
  February 2006 sees Crealogix acquire C-CHANNEL AG, marking another step in the continuous expansion of its lead position in e-banking.

The Crealogix Group is one of the leading e-business and ERP (Enterprise Resource Planning) providers in Switzerland, Germany and Austria. Shares in Crealogix Holding AG (CLXN) are listed on the SWX Swiss Exchange.

ERP plus e-business – a successful formula

In light of the growing spread of cutting-edge ERP solutions, successfully structured e-business modules that cover all aspects of the core system have a key role to play. Areas of application can be found for such e-business modules wherever the company and its processes are dependent procedures and decisions of outside parties.
E-business modules based on the ERP core are found in retail logistics, for example, where existing business logic can be complemented with e-procurement (electronically managed, centralized purchasing).

Opting for an up-to-date ERP system and the use of state-of-the-art, web-based technologies can – if skilfully combined – revive and enhance every single business process, thus giving companies an opportunity to build a successful position for the future in what is a relatively simple way.

With its strong positioning both in ERP and e-business, the CREALOGIX group can already address these new business challenges in an effective manner, thus making it an attractive partner for its customers.

ERP

In the ERP sector, the CREALOGIX group – in the form of Group company CIRCON and the Microsoft Dynamics AX (formerly Axapta) product – is market leader in Switzerland and Austria. In terms of vertical industry solutions in particular, CIRCON stands out with its add-on solutions for fashion and transport, as well as food and beverages. CIRCON is also a direct supplier of the Microsoft Dynamics AX cost accounting package.

With Evento, the standard ERP software for education management, group company Balzano Informatik AG is market leader among Switzerland's universities of applied sciences. Evento is the perfect solution for today's market requirements. Early implementation of these school reforms in Switzerland means we are ideally placed to capture the international market.

Circon is one of the leading providers of Microsoft Dynamics AX-based ERP solutions in Switzerland, Germany and Austria. CIRCON combines core competencies in the realization of complex global ERP solutions, integrated e-business solutions and the in-house development of complete industry modules for the clothing industry and transport management.

Evento is the leading standard ERP software for school administration in the Swiss public education system. Evento is also a proven and widely used standard software package for mission-critical solutions in event management.

E-Business

CREALOGIX AG is one of the largest software service providers in Switzerland, and is actually the market leader in e-business and the mobile business. In the web sector, CREALOGIX AG can look back on 10 years of experience. During this time, the company has advanced to become Switzerland's largest web services provider. Another cornerstone is e-learning, an offshoot of the e-business segment. Here it has successfully emerged as market leader in Switzerland.

On the e-banking side, CREALOGIX E-Banking Solutions AG and C-CHANNEL AG together constitute the leading service provider in Switzerland. Their products are winning over the Swiss finance industry: CREALOGIX E-Banking Solutions with its standard e-banking product hmi.e.banking, and C-Channel with its PayMaker e-banking solution and the PayPen scanning pen.

Crealogix is one of the leading IT and software service providers in Switzerland. Specializing in the fields of e-finance and mobile business, Crealogix designs and realizes integrated applications using web technologies.

CREALOGIX E-Banking Solutions AG AG is the leading e-banking solutions provider in Switzerland. It offers its own standard e-banking product, which comes with a comprehensive set of functionalities.

Over the past 17 years now, **C-CHANNEL AG** has been developing successful software products for e-banking, and is the clear market leader in Switzerland in the field of payment slip scanners with its line-up of high-performance tools. C-Channel is a Microsoft partner.


Dr. Louis-Paul Wicki, CEO of CREALOGIX AG

Longstanding client relationships are a cornerstone of our business

How do you succeed in winning over customers?
By helping our customers achieve success. Longstanding customer relationships are a cornerstone of our business, and we're proud of the fact that we're able to build success together.

What are the company's objectives?
Satisfying our customers and employees, and achieving profitable growth.

Where will the biggest challenges lie in the near future?
Exploiting the opportunities that the CREALOGIX Group and its various companies are able to offer – both for our customers and for ourselves. Under a single corporate umbrella, we can now offer integrated solutions and work together in a way few of our rivals can match.

How can growth be underpinned going forward?
In the same way as before: we need to deliver added value for our customers, cooperate closely, and exploit opportunities. It's especially important for us to identify trends and focus on the „right" technologies.

What's unique about Crealogix?
„Unique" is rather a strong word to use. But time after time I'm impressed when I see how we're able to work with our customers, on a single-source basis, to deliver convincing solutions to complex problems. And to witness the way our employees – whether they're working in consulting, design, engineering or e-learning, or at other companies in the CREALOGIX group – complement each other so well, and in such an effortless way.

What's the „key driver" for you?
Having the honour of managing one of Switzerland's leading IT and software service providers. It's my responsibility towards our customers, employees and their families, our shareholders and our suppliers, that constantly motivates me to identify fresh opportunities.

Fujitsu Siemens Computers – life without e-learning's impossible to imagine

How significant is e-learning to your company?

We use it primarily for training purposes. Servers and storage solutions are products that call for a lot of explaining, and have complex technology behind them. This technology must be immediately obvious and easy to learn – whether for our sales team, specialist advisers or the service technicians who install, maintain and repair the equipment.

What changes has the introduction of e-learning meant for training?

In the past, training in high technology had to be conducted face-to-face. Fujitsu Siemens Computers is a major company, which regularly runs up to 200 different training programs for its products and solutions. Rapid technological change means products and technologies are almost obsolete by the time we get to reach all people in the target group on a face-to-face basis. The training requirement is immense, and in a classroom setting is impossible to achieve in a timely fashion. That's why we focus on e-learning.

„It's important that our partners understand the content and are able to explain it in an easy-to-grasp manner."
Karen Birkmann, Head of Training Operations and Projects, Fujitsu Siemens Computers GmbH, Augsburg

Were there acceptance problems when e-learning was introduced?

Our target groups all have laptops, they're frequently online, and they're accustomed to using computers and new media. E-learning has been very well received by all of them. Training modules are distributed by extranet and intranet, and are really easy to access. We're getting above-average feedback.

How has cooperation worked in terms of projects to date?

It's been excellent. We've always been able to rely on Crealogix, we've had open communications, and there have never been any major problems. Deadlines have been met, even if this meant calling in the night shift. Due to its size, Crealogix has the advantage of being able to adjust the resources needed at short notice if any bottlenecks occur.

Any useful tips? What do you think requires special attention when launching e-learning projects of this scale?

The planning time's really important. We gave ourselves a six-month period in which to analyze our needs in detail and used an advisor to help search for suitable partners. We've got 25,000 users tied into a project like that, and at the planning and analysis stage it's worth having enough time for all possible strategic considerations. Budgeting is just as important: at the end of the day there still needs to be a budget available for the content. What use is the best data highway, if you never drive down it?

What significance will e-learning have for medium to large firms in future?

It's impossible to imagine life without strategically positioned e-learning. Our expertise is growing, making the company efficient and resulting in financial success. Even smaller firms are increasingly using e-learning in their product training activities. That's because fast, targeted and well-prepared information increases selling opportunities in the market place.

Roland Holliger (left) and Walter Meister (right), Co-CEOs of CREALOGIX E-Banking Solutions AG

The uniqueness of Crealogix lies in its mix of top-notch products and services

How do you succeed in winning over customers?
In the shape of hmi.e.banking, we've got Switzerland's most comprehensive e-banking solution. The platform is state-of-the-art in technology terms, and is integrated into the leading core bank systems. In each case, the system is launched via a tried-and-tested system. We're able to offer our customers genuine added value.

What are the company's objectives?
To continue providing our customers with the best e-banking solution that's available on the market. The fact that our customers can constantly benefit from the latest developments, and are therefore in a position to offer their customers a first-rate electronic channel.

Where will the biggest challenge lie in the near future?
In maintaining and strengthening our technological and functional lead.

What's the recipe for ensuring guaranteed growth in future?
As the Swiss market is limited, it's vital for us to expand our business beyond the country's borders.

How can profitability be improved or increased?
By continuing to expand our high-margin licensing and maintenance business, thereby achieving a further improvement in profitability.

What's unique about Crealogix?
For us, the uniqueness of Crealogix lies in its mix of top-notch products and services on the IT market.

What's the „key driver" for you?
Our unstinting effort to maintain and expand our market position. Living up to our slogan: „be the best."

Patrik Gisel, Deputy CEO, Sales & Marketing, Raiffeisen Group Switzerland
„It's clear that Raiffeisen is not the first e-banking customer for CREALOGIX."

Raiffeisen Banks – improved functionality and more features in e-banking

What precisely is the Raiffeisen Banks' e-banking project?

The Raiffeisen Banks have been offering their customers a well-functioning online banking service since 2001. Their first e-banking project was undertaken using what was at that time the latest technology from Hewlett Packard. Since then, however, the needs and demands of customers have increased in terms of performance, user-friendliness and modernity. Technologies have long since become obsolete, and new security standards are vital. There has been a growing clamour for interactivity, a new look, increased user-friendliness, online personalized customer care and more features. In this phase, we opted for a completely new solutions platform and hunted around the market for an experienced partner.

How did you evaluate a suitable partner for your project?

The tender phase was a laborious process, and we had to hire professional assistance from outside. Using longlists, shortlists and a cost-benefit analysis, we examined a broad selection of providers.

What phases was the project divided into? Which was the most challenging?

We organized the project along traditional lines: evaluation and tender phase, then initialization, followed by a detailed specification phase (1,000 pages in a Lotus Notes database alone!), before the implementation phase. The testing and launch phase then posed the biggest challenge for us.

What changes have the new platform brought for clients specifically?

The customer benefits from more features and more info, while handling is still very straightforward, user-friendly and transparent. Customers can define flexible personal settings themselves or save functions to their desktop.

So what are the next possible steps?

We want to remain the bank that's „closer to you", even on the internet, to bring in more customer advisers, and promote a personal, direct online customer service. We're already working on a project with PayNet, with the aim of integrating electronic payments. Another of our plans is to integrate credit-card information, so that customers can get direct access to information they would previously have had to obtain from the credit card company. We aim to make the rather anonymous online banking service more „human", e.g. with an upgraded telephone banking service, which guides you through the system using voice recognition and gives you information about your portfolio, account balance, individual transactions, etc. We'll also be looking at the sending of mobile passwords and information via SMS in the near future. This means customers will get immediate information, and we make attractive cost savings.

Adrian Töngi, Head of Distribution, Raiffeisen Group Switzerland.
„The biggest hurdle is D-day, when the switchover takes place."


Paul Gnos, CEO of C-Channel AG

We need to continue bringing innovative products to market in the future

How do you succeed in winning over your customers?
By creating and distributing innovative, straightforward and user-friendly products.

What are the company's objectives?
Satisfied employees and customers are our top objective. Only then will we increase our revenues and therefore strengthen our EBIT.

Where will the biggest challenge lie in the near future?
Creating maximum satisfaction among customers and employees with the resources we have available.

What's the recipe for ensuring guaranteed growth in future?
If we're to remain on a successful trajectory, it's important that we continue bringing innovative products to market in the future too.

How can profitability be improved or increased?
By identifying early on what it is the market wants, through innovation, more attractive pricing, sales growth and the automation of operating processes.

What's unique about Crealogix?
Crealogix unites attractive companies with complementary products and services that can also be used by the companies themselves. Crealogix succeeded a few years ago in generating a lot of cash through its IPO and investing this in a sensible way.

What's the „key driver" for you?
„My" business is now part of a company that can ensure the continuation of my life's work in the long term. I aim to prove time and time again that Crealogix bought a gem of an outfit when it acquired C-CHANNEL.

PayPen's speed and precision make it a hit in the e-banking market

It can read Swiss inpayment slips quickly and efficiently. With just a tiny movement of the hand, pay-in slips can be scanned into the e-banking system or into your own payment software in fractions of a second. This makes e-banking easy and reliable.

PayPen is held just like a conventional marker pen, it doesn't matter whether you're left or right-handed. An additional button can be provided with useful functions (e.g. line break, tabulator).

The scanning of text in 167 different languages is no problem at all, as is the reading of bar codes.

This innovation in terms of easy, secure e-banking is used by the Basellandschaftliche Kantonalbank (BLKB), for instance, for marketing purposes: in a two-month, regional campaign the first 100 people to sign up for internet banking and carry out an online transaction (payment or stock-exchange order) will be rewarded with a free PayPen.

PayMaker recommended by Swiss banks for e-banking
Swiss banks and PostFinance recommend PayMaker for electronic payments. Since the start of 2006, European banks have been asking for the IBAN (International Bank Account Number) and BIC (Bank Identifier Code) of the recipient in relation to payment transactions. If something's missing the beneficiary bank charges additional third-party costs, since this type of payment prevents fully automated processing.

From 2007, the recipient bank will even be able to decline cross-border payments without an IBAN and BIC. A timely changeover of the entire payment transactions operation to IBAN and BIC using PayMaker means unnecessary costs can be avoided and automatic proprietary account numbers can be converted into valid IBANs that are accepted by all banks.

The new direct debit system enables seamless processing of regular payments. The debit authorization by the bill payer permits the recipient to obtain his or her payment on an automated basis via the electronic route. This enables the two parties to process the payment on the value date, and reduces the need for reminders.

Franz Coester, CEO of CIRCON Group

ERP and e-business: two worlds moving ever closer together

How do you succeed in winning over customers?
We endeavour to meet our clients' needs in an individual way. Our partnership-based style of communication and focus on quality help us deliver optimal, customized solutions that impress our customers.

What are the company's objectives?
Further expansion of the company and a strengthening of market leadership in our core areas. Our company must symbolize long-term, reliable partnership with our clients.

Where will the biggest challenge lie in the near future?
The ERP market is characterized by strong competition, a crowding-out process and pressure to consolidate. The challenge lies in successfully growing the company despite the pressure on margins and high investment costs.

What's the recipe for ensuring guaranteed growth in future?
Growth in our industry comes primarily through innovation. Standardization of the ERP world requires the constant creation of a unique selling point on our part.

How can profitability be improved or increased?
The main options for lifting profits in a difficult and competitive market are to increase efficiency and lower production costs. For that reason we're already developing a large part of our software in the Czech Republic.

What's unique about Crealogix?
It's the impressive way Crealogix links the ERP world with the e-business world, right here and now. This technology trend was embedded in its corporate strategy from an early juncture.

What's the „key driver" for you?
Sharing in the development of forward-looking solutions with our employees and colleagues, implementing sophisticated projects alongside our customers, and together witnessing the fruits of our endeavours when it all goes live – it gives you satisfaction and equally it spurs you on.

Sport Service – launch of an ERP solution in just 10 months

What were your main requirements in terms of IT?

It was important for us to build independent operating processes and to replace our obsolete systems. As far as the processes were concerned, we needed an easy-to-understand IT set-up – one that would break new ground in the retail sector. We wanted a cutting-edge solution, because as market leader in Austria and Europe's fifth-largest sports retailing company we act as a role model.

What did the launch of the new ERP solution mean?

We soon found an answer to the crucial question of which system, in the form of Microsoft Axapta. For us the decision depended heavily on the partner and its solution, and there were many recommendations in favour of Circon. We only ever considered the best and the fastest on the market. All the same, we had only 10 months' time until day X, when everything had to be up-and-running.

How was the project structured?

The project was divided into two phases. The initial phase involved sorting out the essentials: we needed our own infrastructure for our headquarters, the branches and the new POS system. 2,500 staff, most of them in sales, are linked via the POS system to the Microsoft Axapta ERP solution, in which a bonus system calculates bonuses on a daily basis in order to create performance incentives. The financial accounting, cost accounting and stock replenishment systems at the branches had to be migrated in their entirety, which required every dimension of purchasing, including the pricing system, to be factored in. Some POS interfaces and interfaces with Intersport had to be created from scratch. In the second phase, very specific group requirements are now being integrated into the system.

„We only ever considered the best and the fastest on the market."
Maximilian Mitterhauser, CEO of Sport Service GmbH

What's special about this project?

The short lead time. Our project serves as a role model! Doing all that in 10 months is a pioneering achievement. Initial decisions in favour of Circon and its fashion and retail solution based on Microsoft Axapta were taken within 24 days, August 15, 2005 being the key date. We jumped straight in at the deep end!

What were the challenges, and the highs and lows of this project?

As with every project, we too experienced highs and lows. But there was never any doubt in our mind that we would be able to do it. Sometimes we also had to take decisions under pressure and adjust the performance requirements to the situation.

What advice would you give someone undertaking a similar project?

You need to have the right professional skills in place. The project manager and team must have sufficient maturity at a personal level in order to manage such a project and be able to implement it. Any problems that emerge must be tackled using a constructive approach. You need to define a common objective, and stick to it. Success will come, provided you never take your eye off the ball.


René Balzano, CEO of Balzano Informatik AG

Our short and medium-term goal is to continue increasing the reach in German-speaking

How do you succeed in winning over your customers?
Through our employees focusing totally on the customer. What counts for the customer is often the motivation, flexibility and reliability of our people rather than some or other detail of the service we provide.

What are the company's objectives?
Our short and medium-term goal is to continue increasing the reach of our Evento standard software in German-speaking Europe.

Where will the biggest challenge lie in the near future?
In adapting our sales organization to meet the needs of internationalization. In the meantime, we've been able to attract our first German university – Hamburg – as a customer.

What's the recipe for ensuring guaranteed growth in future?
Our growth is virtually secured over the next few years: our product for the public education sector meets the requirements of the Bologna reforms, which were actually implemented in Switzerland earlier than in most other EU countries. We are ideally placed to capture the international market.

How can profitability be improved or increased?
We're constantly endeavouring to increase the degree of standardization of our software, so as to keep the implementation cost of individual customer projects at a low level.

What's unique about Crealogix?
The fact that we've maintained a high degree of entrepreneurial spirit for a group of this size.

What's the „key driver" for you?
Solving the current problems in the public sector – such as those that have occurred in the course of the education reforms – through the use of exciting technologies. The manageable size of our unit means I can be actively involved in the „outside world" as well as in technology.

Hamburg University of Technology opts for Evento ERP education software

Establishing an up-to-date service to ensure the smooth running of the curriculum is high on the agenda at many leading universities. Hamburg University of Technology (TUHH) is also taking this forward-looking step, with a new software solution to be launched in 2007. This is essential for the smooth planning of the 800-plus courses per semester – and it's an extremely tall order: each semester, lectures, seminars and tutorials need to be assigned to the teaching staff available – a group of more than 300 people. Also, it's about allocating suitable rooms out of the several dozen differently sized and differently equipped available, to meet the varying requirements.

Dietmar Dunst, Head of the Teaching & Studying support unit.
„It very quickly became apparent that Evento is the best way of solving our problems."

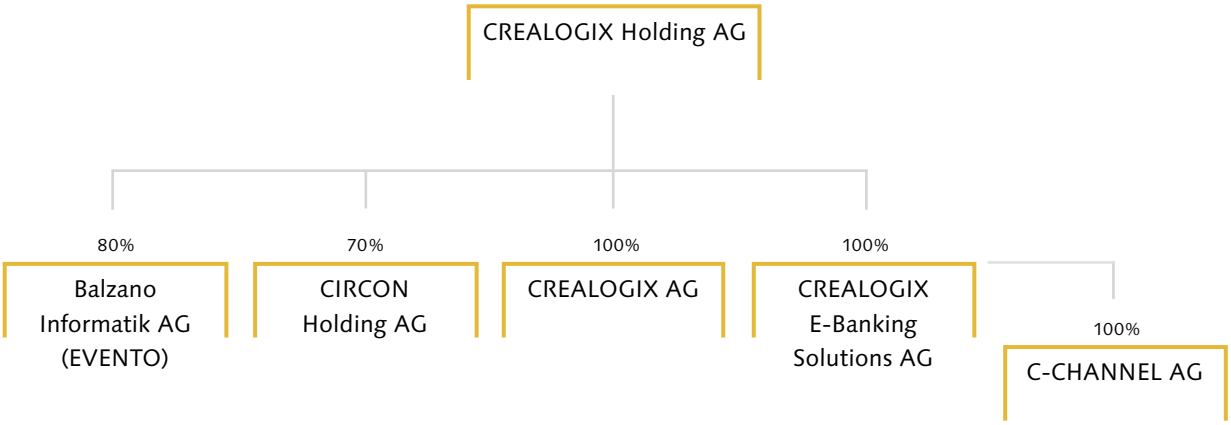
TUHH has opted for the Evento system. „It very quickly became apparent that Evento is the best way of solving our problems," says Dr. Dietmar Dunst, Head of the Teaching & Studying support unit. The existing software, which was designed more than 10 years ago specifically

Hamburg University of Technology (TUHH)

for the demands of TUHH, has long since been inadequate; it's also too small, non-compatible and now flawed as well. But student demand is growing and with the across-the-board introduction of the bachelor and masters degrees from 2007 at the latest – meaning at least twice as many courses on offer – all universities are faced with a rethink: the eCampus project initiated by the Hamburg universities and colleges in autumn 2004 dealt intensively with this issue and others, and served to establish the general criteria for a new software solution. Based on this, each of the participating institutions is able to look for its own individual software solution.

At TUHH, the Dean's Office involved in the planning of courses is hoping above all for a considerable simplification of the task in hand. „Unlike no other tool, Evento is able to create and optimize the curriculum of lectures and seminars on an almost exclusively automated basis, says Jens Voss from the computing centre. Other data can be included as well as the master data, and this means the actual planning can be left entirely in the hands of the software. Based on genetic algorithms, the software calculates a virtually optimal syllabus that can then be adapted manually as required. By 2007 at the latest, when the new software replaces the old one at the start of the 2007/08 winter semester, it will be clear whether these expectations can be met. If so, it will be followed by the second stage: the planning of exam dates, which at the moment still takes place on an entirely „hand-picked" basis.

Summary of Group structure



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 1,111,570 and its market capitalisation as at 30 June 2006 stood at CHF 89.9 million. A detailed list of CREALOGIX Holding AG's shareholdings in its various subsidiaries is given on page 37 of the annual report (scope of consolidation as at 30 June 2006).

Significant Shareholders

As at June 2006, the following shareholders each held more than 5 percent of voting rights:

Shareholder	Share of votes	No. of Shares
Bruno Richle	22.75 %	243,388
Richard Dratva	22.36 %	239,220
Daniel Hiltebrand	15.42 %	165,000
Peter Süsstrunk	7.20 %	77,000
Chase Nominees Ltd/Schroders	5.37 %	57,504

The first four of the shareholders named (founder shareholders) have concluded a shareholder pooling agreement. Under the terms of this agreement they undertake to jointly exercise their voting rights in all substantive items of business transacted at the Annual General Meeting of CREALOGIX Holding AG (Pooled voting). Upon sale of shares in the company to a third party by a founding shareholder, the other founding shareholders have the right of first refusal at the conditions offered by the third party (Pre-emptive right).

In the event of the sale of at least 30 percent of the share capital of the company to a third party by two or three founding shareholders, the remaining founder shareholders are entitled to request that their shares be simultaneously tendered for sale at the same conditions (Take along).

Capital structure

As of 30 June 2006, 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
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 25 October 2007
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 66 to 69 of the annual report.

Capital changes

The capital changes of the past three years are listed on page 35 of the annual report.

Equity capital

As at 30 June 2006, 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 2006, CREALOGIX Holding AG held 32,771 shares, or 3.1 percent, 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 30 and 73 of the annual report.

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 66 to 69 of the annual report.

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.

Bruno Richle, Chairman (1957),
dipl. El. Ing. HTL, Swiss citizen
Chief Executive Officer of CREALOGIX Holding AG
Member of the board since 1996, voted up to the General Meeting 2006
Having studied electrical engineering, specializing in information technology and telecommunications, at Rapperswil Technical College (HSR), he worked from 1985 to 1989 as head of the Electronic Engineering department at Oerlikon Aerospace in Montreal (Canada). In 1990, Richle moved to Teleinform AG in Bubikon, were he served on the Executive Board and as Technical Director until 1996. During this time he was responsible for setting up consulting activities. In 1996, he became a founder member of CREALOGIX AG. Other directorships: Yachtwerft Portier AG. Other mandates: Stiftung FUTUR und Innovationsstiftung der Schwyzer Kantonalbank

Richard Dratva, Vice Chairman (1964),
dipl. El. Ing. HTL, Swiss citizen
Chief Executive Officer of CREALOGIX Holding AG
Member of the board since 1996, voted up to the General Meeting 2006
From 1987 to 1991 he was an Internal consultant at Swiss Bank Corporation (now UBS AG), From 1992 to 1994 he works as an research assistant at the Institute for Information Management, University of St. Gallen. From 1995 to 1996 he works as a consultant at Teleinform AG, 1996 is he co-founder of CREALOGIX AG. Other directorships: X8X Process Solutions AG, Zurich

Jean-Claude Philipona, member (1953), lic.oec.publ., Swiss citizen
Member of the board since 2005, voted up to the General Meeting 2008
After several years with the Swiss Federal Price Control Office (1977-1980) and a period of residence in the United States (1981), he went on to hold a leading position at PricewaterhouseCoopers as a management consultant specializing in strategy, organization and controlling (1982-1989). He then joined Papermill Biberist, where, as Head of Finance and Administration and Member of the Executive Committee, he was closely involved in the restructuring and renewal process launched in tandem with the Biber-Nova expansion project (1989-1997). In 1997, J.C. Philipona was appointed CFO at Adval Tech Holding AG in anticipation of the IPO. He has been Chief Executive Officer since 2001 with overall operational responsibility for the Adval Tech Group. Other mandates: Member of the board Swissmem, Member of the committee SwissHoldings, Berne

Beat Schmid, member (1943), Prof. Dr., Swiss citizen
Member of the board since 2001, voted up to the General Meeting 2007
He holds a Master of Science degree in theoretical physics, a doctorate in mathematics and a postdoctoral lecturing qualification from the Federal Institute of Technology in Zurich.
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. Other directorships: Abraxas Informatik AG, St.Gallen, Zurich.

Christoph Schmid, member (1954),
Dr. iur. and attorney-at-law, Swiss citizen
Member of the board since 2000, voted up to the General Meeting 2006
Began his professional career in the legal department at Ringier AG in Zurich, before serving as an articled clerk and court clerk at the district court of Meilen and then becoming a lawyer with the firm of Arnold & Porter in Washington D.C. In 1986 he joined Wenger & Vieli in Zurich as a lawyer. Current position: Dr. iur and attorney, partner at Wenger & Vieli attorneys-at-Law in Zurich. Other directorships: Robert Bosch Internationale Beteiligungen AG, KWC AG, Kessler & Co AG, EBS Service Company Limited and 5 E Holding AG, Zug.

Duties and responsibilities

The Board of Directors meets as often as business requires, but at least five times a year. In the 2005/2006 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 18 September 2006.

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 Jean-Claude Philipona. The Audit Committee generally meets twice a year. It held three sessions in the 2005/2006 financial year.

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. The Compensation Committee generally meets once a year. It held two session in the 2005/2006 financial year.

Definition of responsibilities and vehicles of information

Where permitted by law and the Articles of Association, the Board of Directors transfers all management res-ponsibilities to the Management (also known as the „Executive Group Management").

In respect of the operational organisation and management of the CREALOGIX Group, the Management is particularly entrusted with the following tasks:

a) supervising ongoing business;
b) maintaining the accounts and drawing up the budget;
c) determining the managerial organisation of the Executive Group Management and the Managements of the Group companies;
d) appointing and dismissing members of staff, unless this is reserved to the Board of Directors;
e) preparing and implementing the resolutions and directives of the Board of Directors;
f) elaborating the bases for decision-making to be referred to the Board of Directors regarding significant investments, cooperations, etc.;
g) submitting reports on business activities to the Board of Directors;
h) complying with and meeting the publication obligations under stock exchange law, having first informed the Board of Directors

The Management informs the members of the Board of Directors without delay by telephone or in writing of extraordinary events or procedures (such as changes to areas of business, loss of a major client, resignation of a member of the Management, etc.), which are of major significance to the course of business of the CREALOGIX Group.

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
The 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

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

Jürg Neck (1953), Dr. oec. publ., Swiss citizen
CFO of the CREALOGIX Group

Dr. Jürg Neck is Chief Financial Officer and member of the Executive Group Management. He joined Crealogix in early 2000 to strengthen the company's financial team. After studying economics at the University of Zurich, he gained a doctorate for his work on exchange rates and monopolistic import goods markets. Mr Neck has many years of experience in the financial sector, having worked at Citibank from 1983-1985 and at Credit Suisse from 1985-1989. He then went on to work as a freelance business consultant, specializing in the realization of strategy and BPR projects. In 1991 he set up the fiduciary company CTX Codex Treuhand and Consulting AG in Zurich, together with a partner, where he handled accounting, auditing and corporate consulting mandates. Jürg Neck is Chairman of the Board of Directors of CTC Codex und Consulting AG.

Louis-Paul Wicki (1963), Dr. oec. HSG, Swiss citizen
CEO of the CREALOGIX AG

Dr. Louis-Paul Wicki is CEO and Member of the Management of the CREALOGIX Group, having joined Crealogix in July 2000.
Mr Wicki studied at the University of St. Gallen, where he also later earned his doctorate. After graduating he worked at Digital Equipment (DEC) from 1989 to 1992, where he developed software for financial institutions after the DEC College. Louis-Paul Wicki worked at the Institute of Information Management at the University of St. Gallen from 1992 to 1995 and earned his doctorate with a thesis entitled „Bank-wide added value potential of an information platform", written in close cooperation with Zürcher Kantonalbank. From 1996 to 2000 Mr Wicki worked at the St. Gallen Consulting Group (SCG), where he was appointed a Member Of Executive Management in 1999.

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

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. The Directors' fees and

the target salaries of the Management members are determined on an annual basis. In addition, there are some bonus arrangements in place for the members of staff, including the Management.

The allotment of employee stock options is effected by the Board of Directors at the request of the Compensation Committee in accordance with the provisions governing employee stock option plans.

The criteria for the allotment of options are rank plus an assessment of potential in relation to leadership, team spirit and motivation.

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 76 of the annual report.

Allotment of shares in the year under review

In the 2005/2006 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 2006, the executive members of the Board of Directors and the members of Management together held a total of 483,308 shares in CREALOGIX Holding AG. The non-executive members of the Board of Directors together held a total of 1,100 shares in the company.

Stock options

As of 30 June 2006, the executive members of the Board of Directors and the members of Management together held a total of 54,736 stock options. The non-executive members of the Board of Directors together held a total of 6,816 stock options.

Other fees and remuneration

In the 2005/2006 financial year, the fees paid for legal advice from Wenger & Vieli (Board member Dr. Christoph Schmid) amounted to CHF 60,130.

Options awarded to executive BoD members and management

Date	No. Plan I	No. Plan Ia	No. Plan II	Excersise Prise
7.9.2000			2,600	240.00
2.7.2001			2,148	76.80
1.7.2002	8,589			32.80
1.7.2002			4,511	39.35
3.7.2003		3,356		46.00
1.7.2004		15,920		50.90
3.1.2005		9,812		47.00
1.7.2005		8,520		69.50
Total	**8,589**	**36,888**	**9,259**	

Options awarded to non-executive BoD members

Date	No. Plan I	No. Plan Ia	No. Plan II	Excersise Prise
7.9.2000			160	240.00
1.7.2002	1,000			32.80
3.7.2003		1,000		46.00
1.7.2004		1,600		50.90
3.1.2005		1,456		47.00
1.7.2005		1,600		69.50
Total	**1,000**	**5,656**	**160**	

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 76 of the annual report.

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 (33⅓ 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 25 October 2005, BDO Visura, Zurich, has acted as Group auditors and as statutory auditors of CREALOGIX Holding AG. Mr. Martin Nay 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 2005/2006 financial year BDO Visura, zurich received fees of CHF 122,000 for auditing and CHF 34,615 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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F +41 44 302 19 26
bruno.richle@crealogix.com

Dr. Jürg Neck CFO
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F +41 55 253 22 85
juerg.neck@crealogix.com

Key figures – shares

Share capital	10,070,000
Total number of shares in circulation	1,070,000
of which publicly held	345,392
in %	32.28
Net assets per share in CHF	64.80
Earnings per share in CHF – undiluted	4.164
Share price in CHF	
30 June 2006	84.00
High (13.3.2006)	89.50
Low (13.7.2005)	65.25
Issue price (7.9.2000)	200.00
Market capitalisation in CHF m	
30 June 2006	89.90
High (13.3.2006)	95.80
Low (13.7.2005)	69.80
Issue Price (7.9.2000)	214.00
Market capitalisation (30 June 2006)	
in % of revenue	142.0
in % of shareholders' equity	133.7
Price-earnings ratio (P/E)	20.2
Trading volume in CHF m	
1.7.2005 to 30.6.2006	20.30

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 1,111,570.

Ticker-symbols	
Telekurs	CLXN
Reuters	CLXZn. S
Bloomberg	CLXN SW

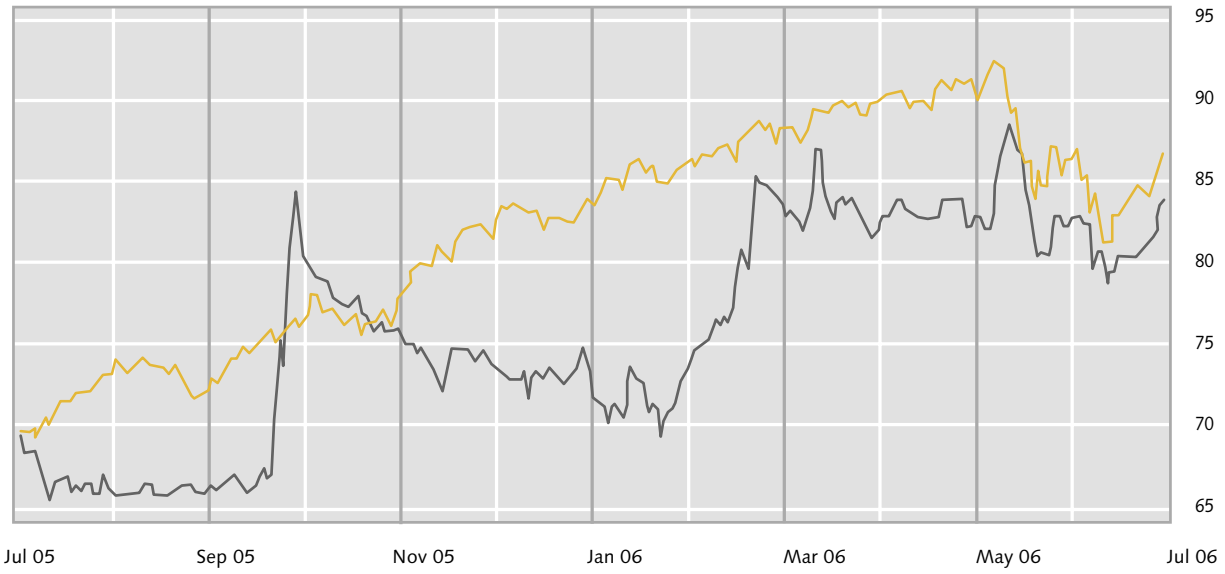
Dividend policy

The Board of Directors will propose to the Annual General Meeting that no dividends be paid for the annual year 2005/2006. The general strategy is for profits to be reinvested in the company's expansion plans.

On the occasion of the company's 10th anniversary, the Board of Directors of CREALOGIX Holding AG will propose to the Annual General Meeting to be held on November 9, 2006 that a par value repayment of CHF 2.00 per share be made. The new par value will then be CHF 8.00 per share.

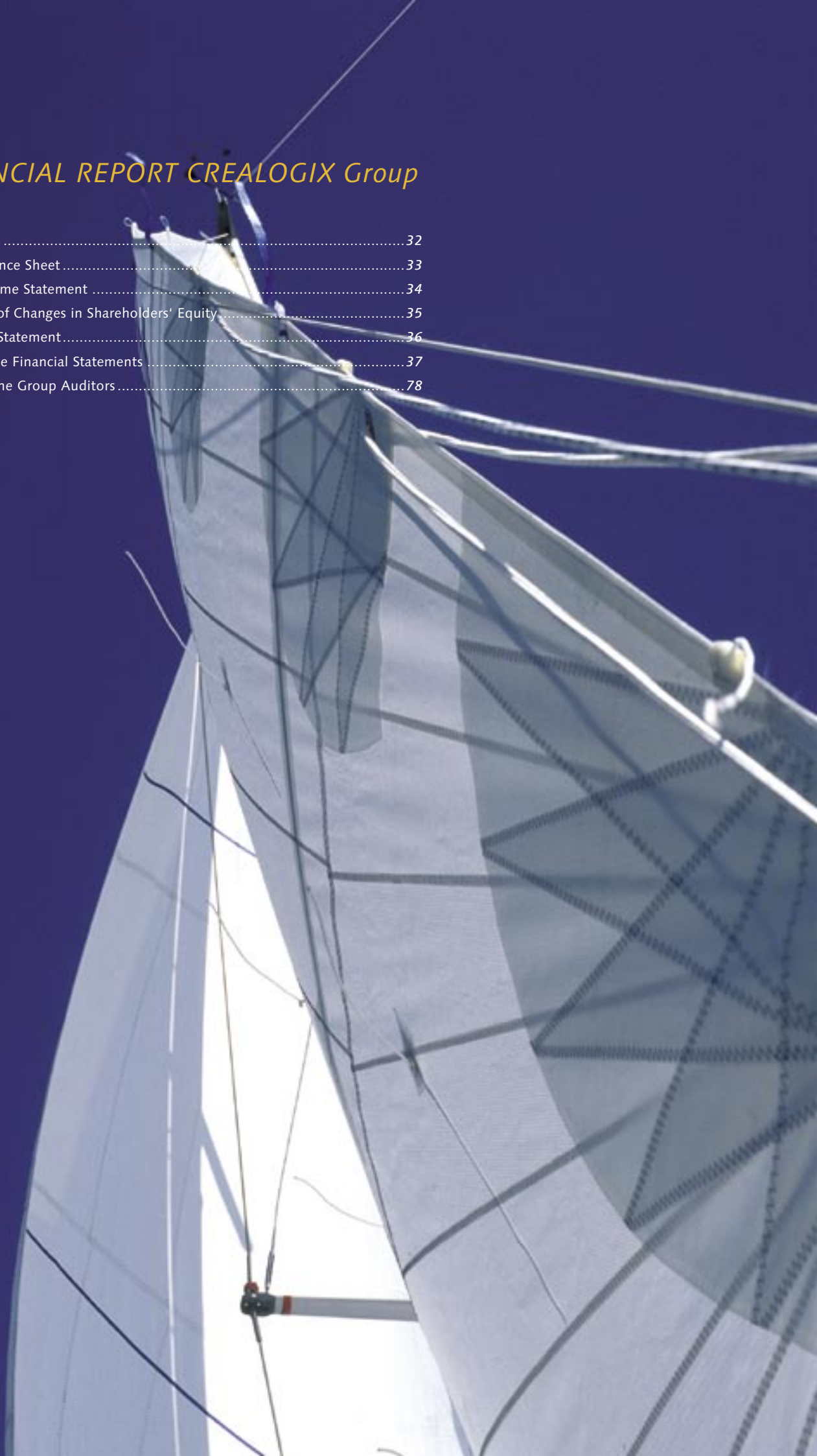
Price movements, 1 July 2005 to 30 June 2006

All amounts in CHF



Symbols	Period High	Period Low	Period Change (%)
CLXN	89.50	65.25	14.50 (20.86 %)
SXGE	6,365.65	4,669.32	1,184.53 (24.83 %)

FINANCIAL REPORT CREALOGIX Group



	January–June 2006	January–June 2005	**July–June 2005/2006**	July–June 2004/2005
Operating profit	**33,783,989.15**	27,545,407.28	**63,306,629.24**	51,014,353.45
% increase	**22.6**	217.5	**24.1**	175.7
Operating earnings before interest, taxes, depreciation and amortisation (EBITDA)	**6,208,070.70**	3,496,053.63	**10,131,735.39**	5,611,500.09
in % of revenue	**18.4**	12.7	**16.0**	11.0
Operating profit (EBIT)	**5,101,278.19**	1,197,555.25	**7,198,172.42**	2,434,434.93
in % of revenue	**15.1**	4.3	**11.4**	4.8
Consolidated profit	**2,493,360.78**	1,457,833.84	**4,342,070.31**	3,024,207.20
in % of revenue	**7.4**	5.3	**6.9**	5.9
in % of shareholders' equity	**3.7**	2.4	**6.5**	4.9
Net cash flow from operating activities	**-2,656,669.75**	-2,418,279.00	**3,074,937.91**	-2,268,617.95
in % of revenue	**-7.9**	-8.8	**4.9**	-4.4
Cash flow from capital expenditures	**-2,773,321.75**	-2,706,589.00	**-2,543,650.05**	-6,042,772.29
Depreciation/Amortisation	**1,106,792.51**	2,298,498.38	**2,933,562.97**	3,177,065.16
Capacity of persons employed (equivalent to full-time positions)	**275.0**	225.8	**269.6**	222.9
Capacity of freelancers	**44.9**	35.9	**43.1**	34.1
Capacity, incl. freelancers	**319.9**	261.7	**312.7**	257.0
Revenue per person (capacity, incl. freelancers)	**105,607.97**	105,255.66	**202,451.64**	198,499.43
Personnel expenses per person	**60,477.64**	65,059.74	**124,619.95**	128,138.23
Headcount per 30 June			**295**	250
Capacity, June			**274.6**	231.7

Share prices				
High	**89.50**	69.90	**89.50**	69.90
Low	**69.50**	45.40	**65.25**	41.95
Per 30. June			**84.00**	69.00
Market capitalization (in m)				
High	**95.8**	74.8	**95.8**	74.8
Low	**74.4**	48.6	**69.8**	44.9
Market capitalization per 30 June (in m)			**89.9**	73.8
in % of revenue			**142.0**	144.7
in % of shareholders' equity			**133.7**	119.9
Earnings per share – basic	**2.465**	1.390	**4.164**	2.851
Price-earnings ratio (P/E)	**17.0**	24.8	**20.2**	24.2
Shareholders' equity per share			**64.8**	60.0
Price-book-value			**1.3**	1.2

			30 June 2006	30 June 2005
Total assets			**102,744,507.26**	83,621,671.17
Total current assets			**70,503,307.21**	60,649,212.29
Cash and cash equivalents and marketable securities of above			**45,871,054.86**	41,669,776.28
Non current assets			**32,241,200.05**	22,972,458.88
Liabilities			**35,523,384.53**	22,061,896.14
Shareholders' equity			**67,221,122.73**	61,559,775.03
Equity ratio (in %)			**65.4**	73.6

	Notes	30 June 2006	in %	30 June 2005	in %
A S S E T S					
Currrent assets					
Cash and cash equivalents	6	**19,955,486.43**		19,820,359.16	
Marketable securities	7	**25,915,568.43**		21,849,417.12	
Trade and other receivables	8	**20,950,014.01**		15,186,813.31	
Work in progress/inventories	9	**3,682,238.34**		3,792,622.70	
Total current assets		**70,503,307.21**	**68.6**	60,649,212.29	72.5
Non-current assets					
Property and equipment	10	**4,270,333.40**		1,914,370.55	
Intangible assets	11	**27,277,304.65**		20,689,812.33	
Financial assets	12	**275,840.00**		200,000.00	
Investments in associates	13	**53,389.00**		19,076.00	
Deferred tax assets	16	**169,333.00**		87,200.00	
Prepaid pension assets	17	**195,000.00**		62,000.00	
Total Non-current assets		**32,241,200.05**	**31.4**	22,972,458.88	27.5
Total A S S E T S		**102,744,507.26**	**100.0**	83,621,671.17	100.0
L I A B I L I T I E S A N D S H A R E H O L D E R S, E Q U I T Y					
Current liabilities					
Trade and other payables	14	**15,722,543.48**		11,013,799.87	
Current income tax liabilities		**1,494,220.58**		830,503.90	
Total Current liabilities		**17,216,764.06**	**16.8**	11,844,303.77	14.2
Non-current liabilities					
Financial liabilities	15	**1,947,971.25**		678,103.37	
Suspended obligation of purchase price	18	**14,447,991.02**		8,304,000.00	
Deferred tax liabilities	16	**1,910,658.20**		1,235,489.00	
Total non-current liabilities		**18,306,620.47**	**17.8**	10,217,592.37	12.2
Total liabilities		**35,523,384.53**	**34.6**	22,061,896.14	26.4
Shareholders, equity					
Share capital	19	**10,700,000.00**		10,700,000.00	
Share premium		**39,694,424.68**		39,694,424.68	
Treasury shares	19	**-1,591,729.99**		-2,536,548.40	
Other reserves		**1,440,312.61**		536,430.65	
Retained earnings		**16,799,839.52**		12,945,564.44	
Total Minority interest		**67,042,846.82**		61,339,871.37	
Total equity	21	**178,275.91**		219,903.66	
Total Shareholders, equity		**67,221,122.73**	**65.4**	61,559,775.03	73.6
Total L I A B I L I T I E S A N D S H A R E H O L D E R S, E Q U I T Y		**102,744,507.26**	**100.0**	83,621,671.17	100.0

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

	Notes	**July–June 2005/2006**	**in %**	July–June 2004/2005	in %
Revenue	5	**63,306,629.24**	**100.0**	51,014,353.45	100.0
Goods and services purchased		**-14,484,720.25**	**-22.9**	-11,091,659.29	-21.7
Personnel expenses	22	**-33,597,539.74**	**-53.1**	-28,562,010.41	-56.0
Depreciation	10	**-1,180,977.11**	**-1.9**	-1,611,162.58	-3.2
Amortisation expense	11	**-1,752,585.86**	**-2.8**	-1,565,902.58	-3.1
Advertising costs		**-1,115,802.59**	**-1.8**	-1,048,069.06	-2.0
Rent, maintenance and replacements	23	**-1,489,262.91**	**-2.4**	-1,683,422.28	-3.3
General and administration expenses	24	**-2,487,568.36**	**-3.9**	-3,017,692.32	-5.9
Operating profit		**7,198,172.42**	**11.4**	2,434,434.93	4.8
Financial income	25	**-1,365,872.46**	**-2.2**	1,005,306.25	2.0
Earnings from associated undertaking	13	**34,313.00**	**0.1**	151,259.98	0.3
Profit before income tax		**5,866,612.96**	**9.3**	3,591,001.16	7.1
Income tax expense	26	**-1,524,542.65**	**-2.4**	-566,793.96	-1.1
Consolidated profit		**4,342,070.31**	**6.9**	3,024,207.20	6.0
Attributable to:					
Share holders CREALOGIX Holding AG		**4,280,356.06**	**6.8**	2,924,856.08	5.7
Minority shareholdings		**61,714.25**	**0.1**	99,351.12	0.2
Earnings per share attributable to equity holders					
basic	27	**4.164**		2.851	
diluted	27	**4.087**		2.726	

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

	Shareholders CREALOGIX Holding AG					Minority interest	Total Shareholders equity
	Share capital	Share premium	Treasury Shares	Other reserves	Retained earnings		
Per 1 July 2004/annual report 2003/2004	10,700,000.00	39,694,424.68	-2,315,219.95	-130,969.83	10,207,256.36	0.00	58,155,491.26
Effect from applying IFRS 2 grant of options				186,548.00	-186,548.00		0.00
Per 1 July 2004 adjusted	*10,700,000.00*	*39,694,424.68*	*-2,315,219.95*	*55,578.17*	*10,020,708.36*	*0.00*	*58,155,491.26*
Addition resulting from change to scope of consolidation						120,552.54	120,552.54
Revaluation reserve				85,355.18			85,355.18
Translation differences				10,445.30			10,445.30
Consolidated profit					2,924,856.08	99,351.12	3,024,207.20
Share-based payment				385,052.00	0.00		385,052.00
Change of treasury shares			-221,328.45				-221,328.45
Per 30 June 2005 adjusted	*10,700,000.00*	*39,694,424.68*	*-2,536,548.40*	*536,430.65*	*12,945,564.44*	*219,903.66*	*61,559,775.03*
Addition resulting from change to scope of consolidation					41,216.17	-103,342.00	-62,125.83
Revaluation of reserve							0.00
Translation differences				21,997.29			21,997.29
Consolidated profit					4,280,356.06	61,714.25	4,342,070.31
Share-based payment				881,884.67	-467,297.15		414,587.52
Change of treasury shares			944,818.41				944,818.41
Per 30 June 2006	**10,700,000.00**	**39,694,424.68**	**-1,591,729.99**	**1,440,312.61**	**16,799,839.52**	**178,275.91**	**67,221,122.73**

	Retained earnings	
	Statutory reserves	Free reserves
Per 30 June 2005/annual report 2004/2005	4,417,706.17	9,099,458.27
Effect from applying IFRS 2 grant of options	0.00	-571,600.00
Per 30 June 2005 adjusted	*4,417,706.17*	*8,527,858.27*
Per 30 June 2006	**4,579,354.02**	**12,220,485.50**

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

	Notes	**July–June 2005/2006**	July–June 2004/2005
Cash flow from operating activities			
Gross cash flow from operating activities	28	**4,299,216.94**	-2,002,186.24
Interest paid		**-249,092.65**	-426,244.10
Tax received		**6,434.50**	259,567.60
Tax paid		**-981,620.88**	-99,755.21
Cash flow from operating activities		**3,074,937.91**	-2,268,617.95
Cash flow from investing activities			
Purchase of property and equipment	10	**-804,251.72**	-801,853.58
Disposals of property and equipment		**696,195.73**	23,266.64
Purchase of intangible assets	11	**-174,061.50**	-772,359.40
Guarantee/Repayment of loans	12	**-75,840.00**	200,000.00
Acquisition of subsidiaries, net of cash acquired	31/32	**-2,321,164.73**	-5,644,895.94
Prepayment of pension assets		**-600,000.00**	0.00
Interest received		**735,472.17**	953,069.99
Cash flow from investing activities		**-2,543,650.05**	-6,042,772.29
Cash flow from financing activities			
Payment of loans		**-27,632.12**	-690,628.63
Payment obligation of purchase price	18	**-1,344,642.00**	0.00
Purchase/sale of treasury shares – net		**944,818.41**	-221,328.45
Cash flow from financing activities		**-427,455.71**	-911,957.08
Change in cash and cash equivalents		**103,832.15**	-9,223,347.32
Cash and cash equivalents at beginning of period		**19,820,359.16**	29,031,355.54
Impacts from cash and cash equivalents		**31,295.12**	12,350.94
Cash and cash equivalents at end of period		**19,955,486.43**	19,820,359.16

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

1 Basic information

CREALOGIX Holding AG (the Company) and its subsidiaries (together the CREALOGIX Group) form one of the leading service providers in e-business and ERP (Enterprise Resource Planning) in Switzerland, Germany and Austria. The e-business and ERP segments constitute the core of the business. The Group is a joint-stock company headquartered in Switzerland. The address of its registered office is Hohlstrasse 535, CH-8048 Zurich.

The Group's registered shares are traded on the SWX Swiss Exchange under Swiss security number 1,111,570.

These consolidated financial statements have been approved for issue by the Board of Directors on 18 September 2006, and proposed for adoption by the Annual General Meeting of shareholders on 9 November 2006.

All figures in the annual financial statements are in **Swiss francs (CHF)**.

The following subsidiaries exist and are fully consolidated:

Company	Activity	Capital	Interest held	Proportion of voting rights
CREALOGIX AG Bubikon, Switzerland	Consultancy and services in information technology and data communication	CHF 100,000	100 %	100 %
CREALOGIX Corp. Toronto, Canada	Consultancy and services in information technology and data communication	CAD 100,000	100 %	100 %
CREALOGIX AG Frankfurt, Germany	Consultancy and services in information technology and data communication	EUR 100,000	100 %	100 %
CREALOGIX E-Banking Solutions AG Zurich, Switzerland	Consultancy and services in information technology and data communication	CHF 100,000	100 %	100 %
CIRCON Holding AG Baar, Switzerland	Management of investments	CHF 1,000,000	100 %	70 %
CIRCON Circle Consulting AG Glattbrugg, Switzerland	Development of/trading in software	CHF 150,000	100 %	70 %
CIRCON Development AG Glattbrugg, Switzerland	Development of/trading in software	CHF 100,000	62 %	43.4 %
CIRCON Circle Consulting AG Villingen, Germany	Development of/trading in software	EUR 200,000	60 %	42 %
CIRCON Circle Consulting AG Thalheim, Austria	Development of/trading in software	EUR 150,000	80 %	56 %
CIRCON Circle Consulting GmbH Dornbirn, Austria	Development of/trading in software	EUR 75,000	74 %	51.8 %
Balzano Informatik AG Zurich, Switzerland	Services in information technology and trading in hardware and software	CHF 200,000	100 %	80 %
C-CHANNEL AG Hünenberg, Switzerland	Services in information technology, development of software, trading in hardware and software	CHF 550,000	100 %	100 %

2 Summary of significant accounting and valuation policies

The significant accounting and valuation policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of CREALOGIX Holding AG have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the restatement of „available-for-sale financial assets" and financial assets and financial liabilities measured at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting and valuation policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are of crucial significance to the consolidated financial statements, are disclosed in Note 4.

Since 1 July 2005, the Group has used those IFRS standards listed below that are relevant to its business activities. Where necessary, the corresponding figures for the 2004/2005 financial year have been adjusted in line with the relevant standards.

- IAS 1 (revised 2003) Presentation of Financial Statements
- IAS 2 (revised 2003) Inventories
- IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 (revised 2003) Events After the Balance Sheet Date
- IAS 16 (revised 2003) Property, Plant and Equipment
- IAS 17 (revised 2003) Leases
- IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates
- IAS 24 (revised 2003) Related Party Disclosures
- IAS 27 (revised 2003) Consolidated and Separate Financial Statements
- IAS 28 (revised 2003) Accounting for Investments in Associates
- IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation
- IAS 33 (revised 2003, 2004) Earnings Per Share
- IAS 39 (revised 2003) Financial Instruments: Recognition and Measurement
- IFRS 2 (issued 2004) Share-Based Payment.

The application of IAS 2, 8, 10, 16, 17, 21, 27, 28, 32 and 33 has not resulted in any significant changes in the Group's accounting and valuation policies.

IAS 1 affected the presentation of minority interests and other mandatory declarations.

IAS 24 (revised 2003) resulted in more extensive disclosures concerning transactions with related parties.

The application of IAS 39 (revised 2003 and 2004) resulted in the reclassification of financial instruments, which are carried in the income statement valued at their fair value.

The application of IFRS 2 resulted in an adjustment of accounting policies for share-based payments. Prior to 30 June 2004, the grant of employee share options did not result in a charge within the income statement. From this date onwards, the expenses that the Group incurs in connection with share options for staff are required to be recorded in the income statement (see Note 2.15).

Staff expenses have changed in the reporting year and the previous year, because IFRS 2 has been applied for the first time. This has not only affected the operational result, but also the net profit and the operating figures.

	July–June 2005/2006	July–June 2004/2005
Personnel expenses (expenses relating to share-based payment)	**881,884.67**	385,052.00

Impact on:	**July–June 2005/2006**	July–June 2004/2005
Basic earnings per share	**-0.858**	-0.375
Diluted earnings per share	**-0.842**	-0.359

The following standards and interpretations relevant to the Group were issued for the first time or amended, but are not yet applicable for the Group.

- IFRS 7 (issued 2005) Financial Instruments: Disclosures
- IAS 19 (revised 2004) Employee Benefits
- IAS 39 (revised 2005) Financial Instruments: Recognition and Measurement
- IFRIC 4 (new 2005) Determining Whether an Arrangement Contains a Lease.

In the company's view, application of these new standards will not have any material impact on the balance sheet, income statement or statement of cash flows; on the other hand, greater disclosure is required.

2.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for subsidiaries that have been acquired by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting and valuation policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost.

The Group's investments in associates include goodwill identified upon acquisition (see Note 2.9).

From the date of acquisition, the Group's share of its associates, post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting and valuation policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

a) Operating currency and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (operating currency).

The consolidated financial statements are reported in **Swiss francs (CHF),** the Company's reporting currency.

b) Transactions and balances

Foreign currency transactions are translated into the operating currency at the exchange rate ruling in the month of transaction. Foreign currency gains and losses from the execution of such transactions as well as those from the conversion of monetary assets and liabilities reported in foreign currencies are included on the income statement at the exchange rate ruling at year-end. Currency translation differences for non-monetary items are stated as part of the profit or loss arising from the fair value calculation. In contrast, translation differences for non-monetary items whose change in fair value is included in shareholders, equity is recognized in the market valuation reserve in shareholders, equity.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have an operating currency that is different from the reporting currency are translated into the reporting currency as follows:

i) assets and liabilities are translated at the closing rate on the relevant balance sheet date;

ii) income and expenses for each income statement are translated at average exchange rates for the year under review; and

iii) all resulting exchange rate differences are recognized as a separate component of equity.

On consolidation, exchange rate differences arising from the translation of net investments in financially independent foreign entities, and from other currency instruments designated as hedges of such investments, are taken to shareholders, equity without impacting on earnings.

When a foreign operation is sold, such exchange rate differences are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair value

adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, post office and bank accounts, or short-term, highly liquid investments with an original maturity of no more than three months. Overdraft facilities that have been taken up are disclosed on the balance sheet as current liabilities under borrowings.

2.6 Trade and other current receivables

Trade receivables are stated at fair value (nominal value) less an appropriate impairment charge. An impairment is charged against trade receivables whenever the Group has objective evidence that it is not in a position to realize the full amount of the claim. The level of impairment is the difference between the book value of the claim and the present value of the estimated future cash flows arising from this claim, discounted using the effective interest rate. The impairment is recognized in the income statement.

2.7 Work in progress, inventories

Work in progress (projects) is recognized using the valuation methods outlined in Note 2.18.

Inventories are measured at the lower of cost and net realizable value. Cost includes all costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present condition, but not the cost of borrowing. The net realizable value is the estimated selling price in the ordinary course of business less the variable costs necessary to make the sale.

The costs are measured using the weighted average method.

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Furthermore, it may also include transfers of profits or losses accumulated in shareholders, equity from designated cash flow hedges for purchases of property, plant and equipment in foreign currencies.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of them can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation/amortisation on assets is calculated using the straight-line method to allocate their cost to residual values over their estimated useful lives, as follows:

	Years
Furniture and fixed installations	10
Office equipment, IT and communications systems	2
Other office equipment	5
Vehicles	5
Real estate	40

The net carrying value and the value-in-use of property, plant and equipment are reviewed and, if necessary, adjusted at each balance sheet date.

If the carrying amount of an asset exceeds its estimated recoverable amount, it is immediately written down to the latter (Note 2.10).

Gains or losses on disposals amount to the difference between the net proceeds and the carrying amount and are recognized in the income statement. If revalued assets are disposed of, the corresponding amounts are reclassified from the market valuation reserve to retained earnings.

2.9 Intangible assets

Amortisation on intangible assets is calculated using the straight-line method to allocate their cost to residual values over their estimated useful lives, as follows:

	Yeras
Software licenses acquired	4
Capitalized software development costs	5
Trademarks and licenses	5

These items are shown in the income statement in the „Depreciation, amortisation expenses" line.

a) Goodwill

Goodwill represents the excess of the cost of the acquisition as of the acquisition date over the fair value of the Group's share in the net identifiable assets of the acquired subsidiary/associate.

Goodwill arising from the acquisition of subsidiaries is treated as an intangible asset. Goodwill arising from the acquisition of associates is recognized as an investment in associates. Goodwill is tested for impairment annually and disclosed at cost less accumulated impairment losses. Profits and losses from the disposal of a business cover the carrying amount of the goodwill which is assigned to that business.

Goodwill is assigned to the cash-generating units to enable continual impairment tests to be conducted. Each of these cash-generating units represents the Group's investment in accordance with the primary reporting segment (Note 5.1).

b) Trademarks and licenses

Trademarks and licenses are disclosed at historical cost. Trademarks and licenses have a clearly defined useful life and are valued at cost less accumulated amortisation.

c) Software

Licenses acquired for computer software are recognized as an asset on the basis of the purchase costs and the costs arising in connection with putting the software into production.

Costs arising from the development and maintenance of computer software are posted as expenditure. Costs for internally developed software are capitalized, provided the following conditions are met:

1) the costs can be clearly and unequivocally allocated to the precisely identifiable and clearly delineable software product

2) the costs can be, and are, controlled by the Group, and

3) there is a certain probability that the product will generate an economic benefit in excess of the costs over a lengthy period of time. Costs include salary costs for the software developers and a reasonable portion of the relevant overheads.

2.10 Impairment of assets

Assets that have an indefinite useful life are not subject to depreciation/amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less disposal costs and value in use. For the purposes of assessing impairment, asset's are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.11 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial

assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

a) Financial assets at fair value through profit or loss
This category consists of financial assets held for trading from inception (securities). A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as securities if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except where their maturities extend more than 12 months beyond the balance sheet date. The latter are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2.6).

c) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group did not hold any investments in this category during the year under review.

d) Financial assets available for sale
Available-for-sale financial assets are non-derivative financial assets that have either been assigned to this category or have not been assigned to any of the other categories shown. They are assigned to non-current assets provided management does not have the intention of selling them within 12 months after the balance sheet date.

All purchases and sales of financial assets are recognized on the trade date, the day on which the Group commits itself to buying or selling the asset. Financial assets not belonging to the „at fair value through profit or loss" category are initially recognized at their fair value plus transaction costs. They are booked out once the rights to payment from the investment have expired or been transferred and the Group has substantially transferred all risks and rewards incidental to ownership. Financial assets available for sale and financial assets in the „at fair value through profit or loss" category are stated at fair value after their initial recognition.
Loans and receivables and held-to-maturity investments are stated at amortized cost using the effective interest method. Realized and unrealized gains and losses from changes in the fair value of assets in the „at fair value through profit or loss" category are recognized in the income statement in the period in which they arise.
Unrealized gains from changes in the fair value of non-monetary securities in the „financial assets available for sale" category are carried to equity. When securities in the „financial assets available for sale" category are sold or impaired, the accumulated adjustments in fair value contained in equity are recognized in the income statement as profits or losses from financial assets.

The fair values of listed shares/units are based on the current offer price (bid price). If there is no active market for financial assets or if unlisted assets are involved, the fair values are calculated using appropriate methods of measurement. These include taking account of recent arm's-length transactions, the use of current market prices of other assets which are basically similar to the asset involved, discounted cash flow processes and option pricing models which take account of the issuer's specific circumstances.

In the period under review, there were no financial assets for which no active market exists.

2.12 Financial liabilities

When initially recorded, financial liabilities are recognized at fair value less transaction costs. In subsequent periods they are measured at amortized cost; all differences between the disbursed amount (less transaction costs) and the amount repaid are reflected in the income statement over the life of the debt using the effective interest rate method.

Loan liabilities are classified as short-term liabilities unless the Group has an unconditional right to postpone settlement of the debt until at least 12 months after the balance sheet date.

2.13 Deferred taxes

Deferred taxes are provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the IFRS financial statements. However, if a deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxes are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference cannot be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 Leases

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

2.15 Employee benefit plans

a) Pension liabilities

The Group operates a number of pension plans which qualify as defined benefit plans and whose assets are held and managed autonomously by separate, legally independent foundations.

Although the employee benefit plans in Switzerland are designed in line with the Swiss defined contribution system, they fail to meet all the criteria for a defined contribution plan under IAS 19. For this reason, the employee benefit plans are disclosed as defined benefit plans.

These plans are financed by means of contributions both from employees and the affiliated Group companies, taking account of the recommendations of independent qualified actuaries. The costs for future pension obligations under defined benefit plans are calculated on the basis of future entitlements (using the „projected unit credit" method). Under this method, the expenses accruing to secure future pension entitlements are charged to income so as to spread them across the expected working lives of employees. The amounts recognized and their attribution to years of service are based on the recommendations of independent actuaries. The pension obligation is measured as the present value of the estimated future outflows, using the interest rates applicable to corporate bonds with a maturity approximating that of the liability in question.

A simplified method is used in place of the method described above to measure two non-compulsory management pension plans. These plans lack an interest

and principal guarantee, and the difference between the liabilities associated with them and conventionally measured pension liabilities is negligible. Moreover, the few remaining defined-benefit elements justify the use of a simplified disclosure method.

A portion of the actuarial gains and losses is recognized as income or expense if the net accumulated unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of the following amounts:

1) 10 percent of the present value of the defined benefit obligation at that date (before deduction of the plan assets); and

2) 10 percent 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 the actuarial gains or losses in excess of the percentages outlined above is amortized over the expected average remaining working lives of the participating employees for each of the defined benefit plans.

b) Share-based payments

The Group has initiated a share-based payment plan involving grants of options in its own shares. An expense is recognized in the amount of the fair value of the work performed by employees as consideration for the granting of the options. The total expense recognized up to the option vesting date is determined from the fair value of the options granted, without considering the effects of non-market-based barriers to the exercise of the options (such as profit and revenue growth targets). Non-market-based exercise barriers are taken into account in the assumptions concerning the number of options expected to be available to exercise. The estimated number of options expected to be available to exercise is reviewed at each balance sheet date. The effects of any potentially relevant changes in initial estimates are taken into account in the income statement and by a corresponding charge to shareholders, equity during the remaining time to the vesting date.

c) Profit sharing and bonus plans

A liability and expense based on net operating profit (EBIT) is recognized for bonuses and profit sharing payments. The Group recognizes a liability in cases where a contractual obligation exists or where a de facto obligation exists in consequence of past business practices.

2.16 Provisions

Provisions are recorded to cover restructuring costs and litigation if the Group has a present legal or de facto obligation as a result of a past event; it is probable that settling this obligation will impact the asset base; and a reliable estimate can be made of the amount of the provision. Restructuring provisions comprise payments for pre-term cancellation of leases and severance payments to employees. No provisions are recorded for future operating losses.

2.17 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are disclosed in equity as a deduction, net of tax, from the proceeds. Costs directly attributable to the issue of new shares or incurred directly through the acquisition of a company are included in the acquisition costs for the given purchase as part of the consideration paid for the purchase.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from the Company's shareholders, equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently reissued or sold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in the Company's shareholders, equity.

2.18 Revenue recognition

Crealogix generated income primarily from services and from licenses. The company focuses on the design and production of highly sophisticated applications in the e-business and ERP segments. These applications are developed and supported according to the „plan-build-run" principle.

Revenue is recognized on delivery of the goods and, where contractually stipulated, acceptance by the buyer. For services, revenue is recognized by percentage of completion. Revenue is normally recognized in the income statement upon delivery, with the exception of major projects not completed until after the balance sheet date, in which case revenue is recognized by the percentage-of-completion method as of the balance sheet date.

Revenues are only realized if the client is deemed „creditworthy".

Each project is recognized individually. Crealogix distinguishes between two different types of contract:

1) fixed-price contracts
2) contracts based on hourly work rates

a) Recognition of revenue for fixed-price contracts

As soon as reliable estimates can be made regarding the profitability of an order, the revenue arising from the transaction is recognized by the percentage-of-completion method as of the balance sheet date. The percentage of completion is measured as the ratio of the number of hours of work performed to date to the total number of hours of work in accordance with the contract. The profitability of the transaction can be reliably estimated when all of the following criteria are met:

- the amount of revenue from the order can be reliably measured;
- it is probably that the economic benefits associated with the transaction will accrue to the Company;
- the percentage of completion at the balance sheet date can be reliably measured;
- the costs incurred for the transaction and the costs to complete the transaction can be reliably measured.

If no reliable estimates on the results of a project can be made:

- revenue is recognized only to the extent of the expenses incurred that are recognized as recoverable;
- these expenses are posted as an expense in the period in which they were incurred.

For each contract not completed at the end of the year, future estimated expenses are set against the future revenues. If the expenses exceed revenues, the expected loss is posted as an adjustment to work in progress.

b) Recognition of revenue for contracts based on hourly work rates

Under this type of contract, Crealogix receives and agreed fixed fee per hour of work performed. Ideally, this fee should cover all costs.

Revenue from such transactions is posted with reference to the number of hours of work performed as of the balance sheet date. The total number of hours of work performed is charged on a monthly basis.

c) Interest income

Interest income is accrued using the effective interest rate method. If the value of a receivable declines, the Group writes down the carrying value to the recoverable amount, i.e. the sum of expected future payment streams discounted by the initial effective interest rate, and amortizes the interest rate effect over time within interest income.

Interest income from written-down receivables is recognized according to the prevailing circumstances when a payment is received or to the costs serviced.

d) User fees

Revenue from user fees is recognized on an accrual basis in accordance with the economic substance of the relevant agreements.

e) Dividend income

Dividend income is recognized at the date when the right to receive the payment originates.

2.19 Dividend distributions

Dividend distributions to the Company's shareholders are recognized as a liability in the period in which the dividends are approved.

3 Financial instruments

3.1 Financial management

The fair values of financial assets and liabilities are essentially equal to their carrying values.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group risk management system focuses on the unpredictability of financial market developments and pursues the aim of minimizing potential negative impacts on the Group's financial position. The Group may use derivative financial instruments to hedge against certain risks.

Risk management is conducted by the corporate (Group) Finance Department in accordance with guidelines adopted by the Board of Directors. The Group Finance Department identifies, assesses and hedges against financial risks in close cooperation with the Group's operating units.

3.2 Financial risk factors

a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from fluctuations in the exchange rates of various foreign currencies, primarily that of the euro. Foreign exchange risk arises from anticipated future transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities and net investments in foreign operations are denominated in a currency other than the entity,s own functional currency. Futures contracts may be used to hedge against these risks from unanticipated future transactions and recognized assets and liabilities.

The Group holds interests in foreign businesses whose net assets are subject to risk from exchange rate fluctuations. Foreign exchange risk from the net assets of foreign business operations is limited at the Group level using a risk assessment system.

ii) Price risk

The Group is exposed to risks arising from fluctuations in market prices of securities (recognized at fair value in income). Investments are undertaken in accordance with investment guidelines, selectively managed and monitored through use of performance analyses.

The Group is not exposed to risk from fluctuations in commodity prices.

b) Credit risk

The Group has no significant concentrations of credit risk. The Group observes basic principles which ensure that transactions are only conducted with such customers as have an appropriate credit history. Transactions involving financial derivatives or cash are placed with top financial institutions only.

c) Liquidity risk

Prudent liquidity risk management comprises maintaining sufficient reserves of cash and cash equivalents as well as liquid securities, financing capacity through an adequate volume of approved lines of credit, and the ability to issue securities on the market.

d) Cash flow and fair value interest rate risk

As the Group has significant interest-bearing assets, its interest income is substantially dependent on changes in market interest rates.

4 Critical accounting estimates and assumptions

The Group makes estimates and assumptions in respect of future developments. Naturally, actual subsequent circumstances only rarely match these estimates. All estimates and assessments are continually revised and are based on past experience as well as other factors, including expectations of future events that are deemed reasonable under the given circumstances. Those estimates and assumptions that entail significant risk in the form of significant adjustments to the carrying value of assets and liabilities during the following financial year are discussed below.

a) Estimated goodwill impairment

Each year, the Group analyzes potential goodwill impairments in accordance with the accounting principles outlined in Note 2.9. The recoverable amount of cash-generating units (CGUs) is determined on the basis of value-in-use calculations. These value-in-use calculations necessarily entail certain assumptions (Note 11).
If the future expected average EBIT margin were 15 percent below that estimated by management on 30 June 2006, the Group would need to write down the carrying value of goodwill by CHF 720,000.

b) Fair value of acquired assets and liabilities in acquisitions

The assets and liabilities measured at fair value at the date of acquisition are based on assumptions that only rarely correspond to subsequent actual developments. They entail significant risk in the form of significant adjustments to the carrying value of acquired assets and liabilities (carried at fair value).

c) Revenue recognition

In accordance with Note 2.18, service revenues are recognized according to the degree of completion at the balance sheet date. Remaining expenses up to completion, and thence the degree of completion, are estimated as accurately as possible. If actual expenses were to differ significantly from these estimates, the variances would require recognition in subsequent accounting periods.

5 Segment information

5.1 Primary reporting format — business segments

At 30 June 2006 the Group is organized into two main business segments:

a) e-business (electronic business

This includes IT services and products which support company internal and especially external communication, collaboration, service delivery, trading and information exchange processes using Web technologies in distributed systems and locations. The main fields are e-finance, e-learning and mobile business.

b) ERP (Enterprise Resource Planning)

ERP systems are IT solutions in which complex, integrated application software is implemented for an entire enterprise. ERP systems are used to manage goods and equipment and to integrate the business processes of different company units in one shared system. ERP systems form the administrative backbone of most large companies. The main areas of expertise are industry solutions for textiles and fashion, beverages, transport and schools.

The segment results for the year ended 30 June 2006 are as follows:

July–June 2005/2006	E-Business	ERP	Other	Unallocated	Total Group
Segment revenue	34,518,998.42	28,787,630.82	0.00	0.00	63,306,629.24
Inter-segment revenue	393,655.66	30,903.76	0.00	-424,559.42	0.00
Operating profit	**34,912,654.08**	**28,818,534.58**	**0.00**	**-424,559.42**	**63,306,629.24**
EBIT	**6,383,096.07**	**902,991.80**	**-87,915.45**	**0.00**	**7,198,172.42**
Financial income					-1,365,872.46
Share of profit of associates [1]					34,313.00
Profit before tax					**5,866,612.96**
Income tax expense					-1,524,542.65
Consolidated profit					**4,342,070.31**
(of which minority interests)					61,714.25

[1] Refers to ERP segment

The segment results for the year ended 30 June 2005 are as follows:

July–June 2004/2005	E-Business	ERP	Other	Unallocated	Total Group
Segment revenue	26,354,389.64	24,659,963.81	0.00	0.00	51,014,353.45
Inter-segment revenue	703,251.72	10,647.50	0.00	-713,899.22	0.00
Operating profit	27,057,641.36	24,670,611.31	0.00	-713,899.22	51,014,353.45
EBIT	*1,984,540.14*	*525,583.39*	*-75,688.60*	*0.00*	*2,434,434.93*
Financial income					1,005,306.25
Share of profits of associates[1)]					151,259.98
Profit before tax					*3,591,001.16*
Income tax expense					-566,793.96
Consolidated profit					*3,024,207.20*
(of which minority interests)					99,351.12

[1)] Refers to ERP segment

Other segment items included in the income statement are as follows:

July–June 2005/2006	**E-Business**	**ERP**	**Other**	**Total Group**
Depreciation on property, plant and equipment (Note 10)	-699,824.94	-481,152.17	0.00	-1,180,977.11
Amortisation of intangible assets (Note 11)	-477,271.33	-1,275,314.53	0.00	-1,752,585.86
Goodwill impairment (Note 11)	0.00	0.00	0.00	0.00
Impairment of trade receivables	63,328.73	-89,258.23	0.00	-25,929.50

July–June 2004/2005	E-Business	ERP	Other	Total Group
Depreciation on property, plant and equipment (Note 10)	-1,244,117.06	-367,045.52	0.00	-1,611,162.58
Amortisation of intangible assets (Note 11)	-408,887.24	-1,157,015.34	0.00	-1,565,902.58
Goodwill impairment (Note 11)	0.00	0.00	0.00	0.00
Impairment of trade receivables	24,880.81	-268,945.82	0.00	-244,065.01

„Other" includes corporate-level management and administration expenses.

Intersegment transfers and transactions are conducted at arm,s length under the same terms and conditions as would be applied in transactions with third parties.

Segment assets and liabilities at 30 June 2006 and capital expenditure for the year then ended are as follows:

30 June 2006	E-Business	ERP	Other	Elimination	Total Group
Assets excluding associates	45,092,845.82	30,376,617.08	56,254,592.22	-29,032,936.86	102,691,118.26
Associates	0.00	53,389.00	0.00	0.00	53,389.00
Total assets	45,092,845.82	30,430,006.08	56,254,592.22	-29,032,936.86	102,744,507.26
Liabilities	22,567,114.89	20,057,755.88	830,687.13	-7,932,173.37	35,523,384.53
Capital expenditure	10,025,252.74	2,532,336.96	0.00	0.00	12,557,589.70

Segment assets and liabilities at 30 June 2005 and capital expenditure for the year then ended are as follows:

30 June 2005	E-Business	ERP	Other	Elimination	Total Group
Assets excluding associates	27,262,625.98	28,038,674.96	55,017,902.86	-26,716,608.63	83,602,595.17
Associates	0.00	19,076.00	0.00	0.00	19,076.00
Total assets	27,262,625.98	28,057,750.96	55,017,902.86	-26,716,608.63	83,621,671.17
Liabilities	12,423,767.44	16,814,639.67	778,203.82	-7,954,714.79	22,061,896.14
Capital expenditure	2,717,499.92	16,238,916.19	0.00	0.00	18,956,416.11

Segment assets consist primarily of cash and equivalents, securities, trade receivables and other short-term receivables, work in progress and inventories, property, plant and equipment, intangible assets, financial assets, and pension prepayments.

Segment liabilities include trade payables and other short-term liabilities and financial liabilities.

Segment capital expenditure comprises additions to property, plant and equipment (Note 10) and intangible assets (Note 11), including additions resulting from acquisitions through business combinations (Notes 10, 11 and 31/32).

5.2 Secondary reporting format — geographical segments

The Group's two business segments operate in two main geographical areas.

The Company's home country and location of its main business operations is Switzerland. The Group's other sales are mainly in EU countries.

Operating profit	**July–June 2005/2006**	July–June 2004/2005
Switzerland	**49,292,609.56**	41,900,114.72
Europe	**13,921,068.51**	8,816,744.46
Rest of world	**92,951.17**	297,494.27
Total Group	**63,306,629.24**	51,014,353.45

Sales are assigned on the basis of the country where the client is domiciled.

Total assets	**30 June 2006**	30 June 2005
Switzerland	**99,102,145.29**	80,051,258.69
Europe	**3,499,466.09**	3,495,134.23
Rest of world	**89,506.88**	56,202.25
Associates (Note13)	**53,389.00**	19,076.00
Total Group	**102,744,507.26**	83,621,671.17

Assets are allocated based on the headquarters of the company to which they belong

Capital expenditure	**July–June 2005/2006**	July–June 2004/2005
Switzerland	**12,497,794.85**	18,886,121.96
Europe	**59,794.85**	70,294.15
Total Group	**12,557,589.70**	18,956,416.11

Capital expenditures are allocated based on the headquarters of the company undertaking them.

Revenues by category	**July–June 2005/2006**	July–June 2004/2005
Net sales of services	**45,698,245.48**	40,141,810.58
Net sales of goods	**4,217,180.81**	2,215,473.62
Net revenue from license fees	**13,391,212.95**	8,657,069.25
Total operating revenue	**63,306,639.24**	51,014,353.45

6 Cash and cash equivalents

Cash and cash equivalents	30 June 2006	30 June 2005
Cash in hand and in postal and bank accounts	17,403,435.18	12,485,929.16
Short-term investments	2,552,051.25	7,334,430.00
Total cash and cash equivalents	**19,955,486.43**	19,820,359.16

The effective rate of interest for short-term bank deposits stood at 0.4 percent (2004/2005: 0.4 percent).
The average maturity is 48 hours.

7 Securities

Listed securities	30 June 2006	30 June 2005
Switzerland	10,405,277.43	10,937,084.12
Europe	2,102,867.00	1,415,932.00
Mixed	13,407,424.00	9,496,401.00
Total securities	**25,915,568.43**	21,849,417.12

Sundry financial assets stated at fair value through profit or loss are disclosed in the section on operating activities as part of the changes in net working capital in the cash flow statement (Note 28).
Changes in the stated fair value of other financial assets are recognized in the income statement under financial income (Note 25).

8 Trade and other short-term receivables

	30 June 2006	30 June 2005
Trade receivables	**18,717,971.44**	13,591,387.12
Less: provision for impairment of trade receivables	**-452,071.38**	-468,088.63
Net trade receivables	**18,265,900.06**	13,123,298.49
Tax assets	**636.03**	10,153.22
Other short-term third-party receivables	**1,172,118.63**	909,266.00
Other short-term receivables from associates	**54,656.01**	100,166.11
Prepaid expenses	**572,991.81**	250,750.36
Accrued income	**883,711.47**	793,179.13
Other short-term receivables	**2,684,113.95**	2,063,514.82
Total trade and other short-term receivables	**20,950,014.01**	15,186,813.31

As the Group has a broad international client base, there is no concentration of credit risk in respect of trade receivables. The Group has disclosed an impairment loss totalling CHF 25,929.50 (2004/2005: CHF 244,065.01) on its receivables for the year under review. This loss item is included under Administration Expenses in the income statement.

9 Work in progress/inventories

	30 June 2006	30 June 2005
Work in progress (projects)	**3,135,753.60**	3,595,037.70
Inventories	**546,484.74**	197,585.00
Total work in progress/inventories	**3,682,238.34**	3,792,622.70

Work in progress (projects) is accounted for according to the valuation method described in Note 2.18. Inventories are valued at conversion cost.

The conversion costs of inventories are disclosed as expenses and are reported under Cost of Goods Sold in the amount of CHF 2,733,027.90 (2004/2005: CHF 1,697,011.39).

10 Property, plant and equipment

July–June 2004/2005	Furniture	Fixed installations	Office equipment	Vehicles	Real estate	Total
Opening net carrying amount	796,648.42	275,200.04	533,099.15	321,669.85	0.00	1,926,617.46
Translation differences on opening holdings	255.61	74.42	779.62	0.00	0.00	1,109.65
Acquisition of subsidiaries	236,508.55	34,249.22	402,801.30	123,503.02	0.00	797,062.09
Elimination from acquisition cost of property, plant and equipment no longer in use	-470,100.34	-414,198.29	-27,996.27	0.00	0.00	-912,294.90
Additions	80,756.30	35,558.57	538,725.59	145,610.81	0.00	800,651.27
Disposals						0.00
Depreciation	-406,593.54	-268,285.62	-775,804.38	-160,479.04	0.00	-1,611,162.58
Elimination from accumulated depreciation of property, plant and equipment no longer in use	470,100.34	414,198.29	27,996.27	0.00	0.00	912,294.90
Translation differences on acquisitions/disposals	90.23	-1.26	3.69		0.00	92.66
Closing net carrying amount	*707,665.57*	*76,795.37*	*699,604.97*	*430,304.64*	*0.00*	*1,914,370.55*
30 June 2005						
Acquisition cost	1,155,850.26	105,687.53	1,909,591.69	808,131.11		3,979,260.59
Accumulated depreciation	-448,184.69	-28,892.16	-1,209,986.72	-377,826.47		-2,064,890.04
Net carrying amount	*707,665.57*	*76,795.37*	*699,604.97*	*430,304.64*	*0.00*	*1,914,370.55*
Fire insurance value of fixed assets						
30 June 2005						8,336,000.00
(of which buildings)						(0.00)

July–June 2005/2006	Furniture	Fixed installations	Office equipment	Vehicles	Real estate	Total
Opening net carrying amount	707,665.57	76,795.37	699,604.97	430,304.64	0.00	1,914,370.55
Translation differences on opening holdings	918.78	88.44	1,037.48	0.00	0.00	2,044.70
Acquisition of subsidiaries	252,162.00	102,610.00	90,227.00	0.00	2,300,000.00	2,744,999.00
Elimination from acquisition cost of property, plant and equipment no longer in use	-350,000.00	-4,910.71	-746,200.00	-160,458.80	0.00	-1,261,569.51
Additions	74,530.16	41,928.51	452,967.85	234,825.20	0.00	804,251.72
Disposals	0.00	0.00	0.00	-14,168.89	0.00	-14,168.89
Depreciation	-128,134.92	-25,490.31	-825,806.49	-180,398.39	-21,147.00	-1,180,977.11
Elimination from accumulated depreciation of property, plant and equipment no longer in use	350,000.00	4,910.71	746,200.00	160,458.80	0.00	1,261,569.51
Translation differences on acquisitions/disposals	-26.91	-6.41	-153.25	0.00	0.00	-186.57
Closing net carrying amount	**907,114.68**	**195,925.60**	**417,877.56**	**470,562.56**	**2,278,853.00**	**4,270,333.40**
30 June 2006						
Acquisition cost	1,285,445.05	529,745.49	2,350,743.42	1,189,817.62	2,300,000.00	7,655,751.58
Accumulated depreciation	-378,330.37	-333,819.89	-1,932,865.86	-719,255.06	-21,147.00	-3,385,418.18
Net carrying amount	**907,114.68**	**195,925.60**	**417,877.56**	**470,562.56**	**2,278,853.00**	**4,270,333.40**
Fire insurance value of fixed assets						
30 June 2006						**10,624,072.00**
(of which buildings)						(1,165,000.00)

A leasing expense for leased vehicles amounting to CHF 221,917.95 (2004/2005: CHF 208,897.60) is recognized in the income statement.

Pledged assets (real estate) are carried in the balance sheet at CHF 2,278,853.

11 Intangible assets

July–June 2004/2005	**Goodwill**	**Software licenses acquired**	**Other [1)]**	**Total**
Opening net carrying amount	1,200,000.00	252,344.04	0.00	1,452,344.04
Acquisition of subsidiaries	0.00	28,573.09	3,954,000.00	3,982,573.09
Translation differences on opening holdings	0.00	98.55	0.00	98.55
Additions (Note 2.9)	12,469,369.27	170,560.39	736,200.00	13,376,129.66
Disposals	0.00	0.00	0.00	0.00
Reclassified from investments in associates	3,444,581.42	0.00	0.00	3,444,581.42
Amortisation	0.00	-336,075.58	-1,229,827.00	-1,565,902.58
Translation differences on acquisitions/disposals	0.00	-11.85	0.00	-11.85
Closing net carrying amount	*17,113,950.69*	*115,488.64*	*3,460,373.00*	*20,689,812.33*
30 June 2005				
Acquisition cost	17,113,950.69	1,384,595.14	4,690,200.00	23,188,745.83
Accumulated amortisation and impairment	0.00	-1,269,106.50	-1,229,827.00	-2,498,933.50
Net carrying amount	*17,113,950.69*	*115,488.64*	*3,460,373.00*	*20,689,812.33*

[1)] Other intangible assets comprise capitalized software development costs and other costs

July–June 2005/2006	Goodwill	Software licenses acquired	Other [1]	Total
Opening net carrying amount	17,113,950.69	115,488.64	3,460,373.00	20,689,812.33
Acquisition of subsidiaries	3,729,261.41	0.00	2,222,255.00	5,951,516.41
Translation differences on opening holdings	0.00	51.00	0.00	51.00
Elimination from acquisition cost of intangible assets no longer in use	0.00	-980,000.00	0.00	-980,000.00
Additions	1,760,686.00	174,061.50	1,122,075.07	3,056,822.57
Disposals	-668,300.00	0.00	0.00	-668,300.00
Reclassified from investments in associates	0.00	0.00	0.00	0.00
Amortisation	0.00	-255,787.79	-1,496,798.07	-1,752,585.86
Elimination from accumulated amortisation of intangible assets no longer in use	0.00	980,000.00	0.00	980,000.00
Translation differences on acquisitions/disposals	0.00	-11.80	0.00	-11.80
Closing net carrying amount	**21,935,598.10**	**33,801.55**	**5,307,905.00**	**27,277,304.65**
30 June 2006				
Acquisition cost	21,935,598.10	608,256.42	8,659,530.07	31,203,384.59
Accumulated amortisation and impairment	0.00	-574,454.87	-3,351,625.07	-3,926,079.94
Net carrying amount	**21,935,598.10**	**33,801.55**	**5,307,905.00**	**27,277,304.65**

[1] Other intangible assets comprise capitalized software development costs and other costs

Impairment tests on goodwill

Goodwill is assigned to the Group's identified cash-generating units (CGUs), i.e. to e-learning, e-banking and C-Channel in the e-business segment, as well as to Circon and Balzano in the ERP segment:

	e-business			ERP		Total
30 June 2006	**e-learning**	**e-banking**	**C-Channel**	**Circon**	**Balzano**	
Goodwill	1,200,000.00	2,889,905.15	3,729,261.41	11,300,152.68	2,816,278.86	**21,935,598.10**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on five-year financial budgets approved by management.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.
Key assumptions for value-in-use calculations:

July–June 2005/2006	**e-banking/ e-learning**	**C-Channel**	**Circon**	**Balzano**
EBIT margin [1]	15.9%	14.0%	7.9%	14.7%
Growth rate [2]	2.6%	10.0%	4.6%	9.4%
Discount rate [3]	14.5%	13.8%	14.3%	13.8%

[1)] Average budgeted EBIT margin
[2)] Weighted average growth rate used to extrapolate cash flows
[3)] Pre-tax discount rate applied to the cash flow projections

These assumptions have been used for the analysis of each CGU in the segment.
Management determined budgeted EBIT margins based on past performance and its expectations as regards future market development. The discount rates used are before tax.

Sensitivity analysis
A sensitivity analysis was conducted in respect of the EBIT margin and discount rate parameters. The results are shown in section 4 on page 19.

12 Financial assets

	30 June 2006	30 June 2005
At beginning of period	**200,000.00**	2,163,000.00
Loans granted	**75,840.00**	0.00
Loan repayments	**0.00**	-200,000.00
Elimination owing to change in the scope of consolidation	**0.00**	-1,763,000.00
At end of period	**275,840.00**	200,000.00

The loans have the following terms and conditions:

Name	Term	Interest rate	Security	30 June 2006	30 June 2005
Loans to related parties	No fixed term	2.25%/2.5%	no	**200,000.00**	200,000.00
Loan to subcontractor	No fixed term	0.0%	no	**75,840.00**	0.00

13 Holdings in associates

	30 June 2006	30 June 2005
At beginning of period	**19,076.00**	3,345,955.00
Acquisition of subsidiaries	**0.00**	884,037.50
Share in result	**34,313.00**	151,259.98
Currency differences	**0.00**	0.00
Other changes in shareholders, equity	**0.00**	0.00
Reclassification as „other assets“	**0.00**	-4,362,176.48
At end of period	**53,389.00**	19,076.00

The Group's holdings in associates are as follows. None of these associates is exchange-listed:

	Name	Country of domicile	Assets	Liabilities	Third-party sales	Result	Percentage
30 June 2006	**Circon**	**Czech Republic**	**218,972.75**	**113,849.84**	**0.00**	**68,626.00**	**50%**
30 June 2005	Circon	Czech Republic	58,512.88	23,662.62	0.00	28,612.00	50%

14 Trade and other current payables

	30 June 2006	30 June 2005
Trade payables	**3,099,014.73**	1,996,318.91
Other short-term third-party payables	**2,037,462.10**	1,540,107.92
Other short-term payables to associates	**127,548.91**	28,767.00
Prepayments from customers	**0.00**	125,550.95
Accrued expenses	**3,889,612.17**	3,812,296.92
Income received in advance	**3,868,258.98**	1,404,054.42
Accruals/deferrals for annual leave/overtime, bonuses	**2,700,646.59**	2,106,703.75
Total trade and other current payables	**15,722,543.48**	11,013,799.87

15 Financial liabilities

Name	Term	Interest rate	Security	30 June 2006	30 June 2005
Loans to employees	No fixed term	4%	no	**665,471.25**	678,103.37
Fixed-rate mortgage	30.03.07	4.75%	yes	**1,000,000.00**	0.00
Fixed-rate mortgage	15.06.09	4.05%	yes	**282,500.00**	0.00
Total financial liabilities				**1,947,971.25**	678,103.37

The Group holds CHF 3,291,500 of unused credit facilities with banks.

16 Deferred taxes

Deferred taxes are recognized on all temporary differences in accordance with the liability method, applying the effective tax rate of 21.0 percent (2004/2005: 21.0 percent).

Deferred tax assets and deferred tax liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities, and where deferred taxes are due from or owed to the same tax authority.

Movements on the account for deferred tax liabilities are as follows:

Deferred tax liabilities net	30 June 2006	30 June 2005
At beginning of period	**1,148,289.00**	685,000.00
Acquisition of subsidiaries	**675,569.39**	540,134.00
Currency differences	**990.00**	-0.23
Credited/charged to income statement (Note 26)	**-83,523.19**	-76,844.77
At end of period	**1,741,325.20**	1,148,289.00

	30 June 2006	30 June 2005
Deferred tax assets	**169,333.00**	87,200.00
Deferred tax liabilities	**1,910,658.20**	1,235,489.00
Deferred tax liabilities net	**1,741,325.20**	1,148,289.00

Expiry of loss carryforwards	30 June 2006	30 June 2005
Next 3 years	**326,868.00**	20,693.00
4 – 7 years	**351,011.00**	320,328.00
After 7 years	**712,319.00**	677,355.00
At end of period	**1,390,198.00**	1,018,376.00

The movement in deferred tax assets and liabilities in the year under review (not counting the offset of open items with the same tax authority), are calculated as follows:

Deferred taxes	**30 June 2005**	**Changes to scope of consolidation**	**Charged/ credited to income statement 2005/2006**	**Currency differences**	**Acquisition of subsidiaries**	**30 June 2006**
Receivables	189,262.00	0.00	36,775.83	0.00	0.00	226,037.83
Work in progress/ inventories	13,452.00	0.00	-251,533.40	0.00	0.00	-238,081.40
Prepaid pension assets	12,520.00	0.00	110,806.89	0.00	-40,110.00	83,216.89
Use of allowable tax loss carryforwards	0.00	0.00	-41,933.00	0.00	0.00	-41,933.00
Property, plant and equipment	112,616.00	0.00	241,434.19	0.00	241,943.52	595,993.71
Intangible assets	681,664.00	0.00	-131,936.38	990.00	466,673.55	1,017,391.17
Non-current liabilities	138,775.00	0.00	-47,137.32	0.00	7,062.32	98,700.00
Net deferred tax liabilities	**1,148,289.00**	**0.00**	**-83,523.19**	**990.00**	**675,569.39**	**1,741,325.20**

Deferred tax liabilities	**30 June 2004**	**Changes to scope of consolidation**	**Charged/ credited to income statement 2005/2006**	**Currency differences**	**Acquisition of subsidiaries**	**30 June 2005**
Receivables	64,941.00	39,461.00	84,860.00	0.00	0.00	189,262.00
Work in progress/ inventories	7,452.00	0.00	6,000.00	0.00	0.00	13,452.00
Prepaid pension assets	348,000.00	-329,180.00	-6,300.00	0.00	0.00	12,520.00
Use of allowable tax loss carryforwards	0.00	0.00	0.00	0.00	0.00	0.00
Property, plant and equipment	217,540.00	12,456.00	-117,379.77	-0.23	0.00	112,616.00
Intangible assets	47,067.00	695,091.00	-60,494.00	0.00	0.00	681,664.00
Non-current liabilities	0.00	122,306.00	16,469.00	0.00	0.00	138,775.00
Net deferred tax liabilities	*685,000.00*	*540,134.00*	*-76,844.77*	*-0.23*	*0.00*	*1,148,289.00*

Deferred tax assets are recognized for tax loss carryforwards to the extent to which it is probable that future taxable profit will be available to allow the benefit to be utilized. The Group has not yet applied deferred tax assets amounting to CHF 465,366 (2004/2005: CHF 444,325) which relate to losses of CHF 1,190,515 (2004/2005: CHF 1,018,376). These assets may be carried forward and set off against taxable income in the future. Of these loss carryforwards, 28 percent expire in 2008 and 12 percent in 2013, while 60 percent will not expire.

17 Accruals and deferrals relating to pension provision

The amounts recognized in the balance sheet are determined as follows:

	30 June 2006	30 June 2005
Fair value of plan assets	**26,693,000**	20,168,000
Present value of funded obligations	**-25,099,000**	-21,198,000
Funded status	**1,594,000**	-1,030,000
Unrecognized actuarial gains (-)/losses	**-1,399,000**	1,092,000
Assets recognized in the balance sheet	**195,000**	62,000

The amounts recognized in the income statement are as follows:

	July–June 2005/2006	July–June 2004/2005
Current service cost	**-2,399,000**	-1,977,000
Interest cost	**-684,000**	-645,000
Expected return on plan assets	**862,000**	690,000
Amortisation of actuarial gains/losses	**0**	-90,000
Losses owing to reductions to and compensation from plan	**-483,000**	0
Net pension cost for the period	**-2,704,000**	-2,022,000
Employee contributions	**1,084,000**	900,000
Net present service cost	**-1,620,000**	-1,122,000

The total charge of CHF 1,620,000 (2004/2005: CHF 1,122,000) has been factored into personnel expenses. The yield generated on plan assets came to 3.830 percent (2004/2005: 3.717 percent). The actual return on plan assets amounted to CHF 898,000 (2004/2005: CHF 582,000).

The amounts stated in the provision in the balance sheet changed as follows:

	July–June 2005/2006	July–June 2004/2005
At beginning of period	**62,000**	1,742,000
Net present service cost	**-1,620,000**	-1,122,000
Employer contributions	**1,944,000**	1,020,000
Prepaid/accrued benefit costs	**324,000**	-102,000
Changes in scope of consolidation	**-191,000**	-1,578,000
At end of period	**195,000**	62,000

The most important actuarial assumptions are listed below:

	30 June 2006	30 June 2005
Discount rate	**3.50%**	3.00%
Expected net return	**4.00%**	4.00%
Future salary increases	**1.50%**	1.50%
Future pension increases	**0.25%**	0.25%

18 Deferred conditional purchase price obligations

July–June 2004/2005	**E-Banking Solutions**	**C-Channel**	**Circon**	**Balzano**	**Total**
At beginning of period	0.00	0.00	0.00	0.00	0.00
Increase following acquisition of new subsidiaries	2,280,000.00	0.00	4,800,000.00	1,224,000.00	8,304,000.00
Adjustment after revaluation					0.00
Payments					0.00
At end of period	*2,280,000.00*	*0.00*	*4,800,000.00*	*1,224,000.00*	*8,304,000.00*
July–June 2005/2006					
At beginning of period	2,280,000.00	0.00	4,800,000.00	1,224,000.00	8,304,000.00
Increase following acquisition of new subsidiaries		4,775,847.02			4,775,847.02
Adjustment after revaluation	1,220,000.00		240,000.00	1,252,786.00	2,712,786.00
Payments	-294,642.00			-1,050,000.00	-1,344,642.00
At end of period	**3,205,358.00**	**4,775,847.02**	**5,040,000.00**	**1,426,786.00**	**14,447,991.02**

19 Share capital

July–June 2004/2005	Number of shares		Ordinary shares	Treasury shares	Total
	Ordinary shares	Treasury shares			
At beginning of period	1,070,000	-42,173	10,700,000.00	-2,315,219.95	8,384,780.05
Treasury shares purchased		-65,421		-3,901,806.35	-3,901,806.35
Treasury shares sold		55,471		3,175,872.65	3,175,872.65
Treasury shares used for share options		8,420		504,605.25	504,605.25
At end of period	*1,070,000*	*-43,703*	*10,700,000.00*	*-2,536,548.40*	*8,163,451.60*
July–June 2005/2006					
At beginning of period	1,070,000	-43,703	10,700,000.00	-2,536,548.40	8,163,451.60
Treasury shares purchased		-108,875		-7,229,004.74	-7,229,004.74
Treasury shares sold		100,626		6,699,053.50	6,699,053.50
Treasury shares used for share options		19,181		1,474,769.65	1,474,769.65
At end of period	**1,070,000**	**-32,771**	**10,700,000.00**	**-1,591,729.99**	**9,108,270.01**

There are a total of 1,070,000 registered shares outstanding (30 June 2005: 1,070,000).
Each share has a par value of CHF 10 (30 June 2005: CHF 10 per share).
The company has conditional share capital of CHF 2.5 million relating to employee share option schemes. It also holds authorized capital of CHF 3.0 million.
In 2005/2006 the Company sold a net volume of 10,932 of its own shares on the SWX Swiss Exchange for a net amount (excluding income tax) of CHF 944,818.41.
This amount was paid in to shareholders, equity. The shares are held as treasury shares. The Company is entitled to re-issue its own shares in the future.

20 Share options

Crealogix offers share option plans to selected members of staff and directors as an additional incentive for them to make a special contribution to the success and growth of the Company, and to strengthen ties between Crealogix and its workforce.
Share options are usually granted once a year on the first trading day of the new financial year. Each option entitles the holder to buy one share in CREALOGIX Holding AG (CLXN) at the fixed exercise price.

Crealogix has three employee share option plans (I, Ia and II).
The exercise price for options under option plans I and Ia corresponds to the closing price of a registered share traded on the SWX Swiss Exchange on the issue date. For options under option plan II, the exercise price is 20 percent higher than that for options under option plan I. Options under option plans I and Ia expire five years after the issue date. Options under option plan II expire ten years and six months after the date of issue.

All share option allotments are subject to a vesting period of one year, during which the options cannot be exercised. The vesting period for one quarter of a given allotment expires at the end of one year. A further quarter is released at the end of two years, and so on, until, at the end of four years, all options from a single allotment are available for exercise.
If the employment of a member of staff ends, the options lapse in full six months after the employee leaves the company, without compensation being paid for options not exercised.

From 2003, the taxation of option plan I was changed at the behest of the tax authorities of Canton Zurich, so that options granted under option plan I only become taxable when exercised.
To take account of these changes, the former option plan I has been run since 2003 as option plan Ia, with a shorter term to maturity. From 2003 onwards allotments have been made under option plan Ia only.

On 1 July 2005, 54,108 employee share options were granted at a strike price of CHF 69.50. The options will expire on 30 June 2010.

The following table provides an overview of all of the employee share options that have been allotted:

30 June 2006 Plan no.	Allotment date	Expiry date	Exercise price	No. of options allotted
2	07.09.00	07.03.11	240.00	35,104
1	03.01.01	03.01.06	86.00	424
2	03.01.01	04.07.11	103.00	2,184
2	02.04.01	03.10.11	75.00	3,648
1	02.07.01	03.07.06	64.00	3,288
2	02.07.01	03.01.12	76.80	37,832
2	01.10.01	02.04.12	48.00	808
1	02.01.02	02.01.07	47.00	84
2	02.01.02	02.07.12	56.40	2,000
1	01.07.02	02.07.07	32.80	11,316
2	01.07.02	03.01.13	39.35	45,628
1A	03.01.03	03.01.08	30.00	1,000
1A	03.07.03	03.07.08	46.00	28,172
1A	01.07.04	30.06.09	50.90	20,370
1A	03.01.05	31.12.09	47.00	48,172
1A	01.07.05	30.06.10	69.50	54,108
Total plan 1				15,112
Total plan 2				127,204
Total plan 1A				151,822
Total all plans				**294,138**

On each allotment date, vesting periods of one year, two years, three years and four years apply to the four 25 percent tranches respectively of the employee share options granted.

The following table reflects the development of all outstanding options over the last two years:

July–June 2004/2005	Weighted average exercise price	Number of options
Outstanding at beginning of period	80.23	130,821
Granted	48.16	68,542
Forfeited	84.73	-11,301
Exercised	43.22	-8,420
Expired unexercised	-	0
Outstanding at end of period	*69.45*	*179,642*
Exercisable at end of financial year	*112.79*	*60,898*
July–June 2005/2006		
Outstanding at beginning of period	69.45	179,642
Issued	69.50	54,108
Forfeited	87.15	-6,006
Exercised	52.72	-19,181
Expired unexercised	86.00	-224
Outstanding at end of period	**70.47**	**208,339**
Exercisable at end of financial year	**92.66**	**82,745**

The weighted average share price at the date of exercise of employee share options was CHF 79.04 in the period from 1 July 2005 to 30 June 2006.

The following table provides detailed information for each exercise price on outstanding and exercisable options as at 30 June 2006:

Maturity date	Weighted average remaining term to maturity in years	Exercise price	Number of options outstanding	Number of aexercisable options
02 January 2007	0.3	47.00	21	21
02 July 2007	0.5	32.80	9,836	7,007
03 January 2008	1.2	30.00	250	0
03 July 2008	1.4	46.00	19,608	7,812
30 June 2009	2.3	50.90	18,974	4,694
31 December 2009	2.9	47.00	44,764	9,595
30 June 2010	3.1	69.50	52,400	0
07 March 2011	3.8	240.00	17,248	0
04 July 2011	3.9	103.00	252	0
03 October 2011	4.3	75.00	896	896
03 January 2012	4.4	76.80	20,392	20,392
02 April 2012	4.5	48.00	58	58
02 July 2012	4.6	56.40	250	250
03 January 2013	5.1	39.35	23,390	14,520
Total			**208,339**	**65,245**

The application of IFRS 2 had the following implications:
For employee share options granted after 7 November 2002, Crealogix assesses the fair value as at the date of allotment. The fair value of an employee share option is carried as compensation expense for the period during which the option exists. This means that the fair value of a share option is booked as an expense, with a corresponding increase in equity instruments under „other reserves", between the date of issue and the date on which the vesting period expires.

The fair values of the share options which have been allotted since 7 November 2002 have been established using a binomial model. The model makes it possible to value the options while also factoring in their vesting periods. The anticipated early exercise of options is taken into account by the valuation model through the assumption that options will be exercised as soon as the net asset value of the option corresponds to the exercise price. It is further assumed that, once the vesting period has expired, some 6.6 percent of outstanding options will be exercised following the termination of employment relationships – provided such options are in the money.

The following table shows the fair values of the individual plans, as well as the attendant valuation assumptions as determined at the date the options were allotted:

Allotment date	**3.1.2003**	**3.7.2003**	**1.7.2004**	**3.1.2005**	**1.7.2005**
Calculated fair value	9.45	14.45	16.43	14.85	21.68
Share price upon allotment	30.00	46.00	50.90	47.00	69.50
Exercise price	30.00	46.00	50.90	47.00	69.50
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	1.87%	1.80%	2.45%	1.96%	1.65%
Anticipated volatility	25%/35%/ 45%	25%/35%/ 45%	25%/35%/ 45%	25%/35%/ 45%	25%/35%/ 45%
Maturity	5 years	5 years	5 years	5 years	5 years

The expected volatility was determined on the basis of the historical share-price volatility of comparable listed companies. As the historical volatilities of the comparable entities differ, separate fair values were determined for each individual option plan, assuming three volatility scenarios: 25 percent, 35 percent and 45 percent. The fair value of each option plan is arrived at using the average value.
Crealogix recognizes the option-related compensation expenses which were incurred after 7 November 2002 over the period of the employee services received. This means that the fair value of a share option is booked as an expense, with a corresponding increase in equity instruments under „other reserves", between the date of issue and the date on which the vesting period expires.

	July–June 2005/2006	July–June 2004/2005
Personnel expenses (Expense from share-based payments)	**881,884.67**	385,052.00

21 Minority interests

	July–June 2005/2006	July–June 2004/2005
At beginning of period	**219,903.66**	0.00
Acquisition of subsidiaries (Note 32)	**-103,342.00**	120,552.54
Share in result	**61,714.25**	99,351.12
At end of period	**178,275.91**	219,903.66

22 Personnel expenses

	July–June 2005/2006	July–June 2004/2005
Wages and salaries	**-27,725,561.76**	-23,859,600.23
Social security costs	**-2,350,880.50**	-1,993,606.25
Expense for defined benefit plans (Note 17)	**-1,620,000.00**	-1,122,000.00
Other personnel expenses	**-3,132,292.55**	-2,323,003.93
Capitalized software development costs (Note 11)	**1,122,075.07**	736,200.00
Flood compensation	**109,120.00**	0.00
Total personnel expenses	**-33,597,539.74**	-28,562,010.41
Full-time equivalents	**269.6**	222.9
Headcount as at 30 June	**295**	250

23 Rent, maintenance and replacements

	July–June 2005/2006	July–June 2004/2005
Rent, maintenance and replacements	**-1,502,929.41**	-1,683,422.28
Flood compensation	**13,666.50**	0.00
Total rent, maintenance and replacements	**-1,489,262.91**	-1,683,422.28

24 Administration expenses

	July – June 2005/2006	July – June 2004/2005
Administration expenses	**-3,244,430.86**	-3,017,692.32
Flood compensation	**756,862.50**	0.00
Total administration expenses	**-2,487,568.36**	-3,017,692.32

25 Financial result

	July–June 2005/2006	July–June 2004/2005
Interest income	**98,605.90**	93,290.72
Income on marketable securities	**402,374.03**	398,153.26
Other financial income	**292.10**	6,254.13
Gains in fair value (realized)	**234,200.14**	455,371.58
Gains in fair value (unrealized)	**43,438.23**	480,307.83
Total financial income	**778,910.40**	1,433,377.52
Interest expenses	**-124,845.25**	-83,074.38
Loan interest	**-27,954.25**	-43,326.08
Other financial expenses	**-38,993.51**	-1,977.00
Discount on deferred conditional purchase price obligations	**-1,620,400.00**	0.00
Losses in fair value (realized)	**-57,299.64**	-297,866.64
Losses in fair value (unrealized)	**-275,290.21**	-1,827.17
Total financial expenses	**-2,144,782.86**	-428,071.27
Total financial result	**-1,365,872.46**	1,005,306.25

26 Income tax expense

	July–June 2005/2006	July–June 2004/2005
Current tax	**-1,608,065.84**	-643,638.73
Deferred tax (Note 16)	**83,523.19**	76,844.77
Total income tax expense	**-1,524,542.65**	-566,793.96

The tax on consolidated pre-tax profit differs from the theoretical amount arrived at by using the weighted average corporate tax rate, and can be broken down as follows.

	July–June 2005/2006	July–June 2004/2005
Profit before tax	**5,866,612.96**	3,591,001.16
Tax expenses (weighted average tax rate) 21.64% (2004/2005: 21%)	**-1,269,535.04**	-754,110.24
Non-taxable income	**0.00**	336,477.23
Non tax-deductible expenses	**-427,347.38**	-176,620.92
Utilization of previously unrecognized tax losses	**63,289.07**	30,899.40
Tax losses for which no deferred income tax is provided	**-37,919.02**	23,570.00
Prior-year adjustments	**146,969.72**	-27,009.43
Total income tax expense	**-1,524,542.65**	-566,793.96

The weighted average applicable tax rate came to 21.64 percent (2004/2005: 21 percent). The increase in income tax expenses is mainly attributable to a change in the company's profitability as well as the rise in non tax-deductible expenses.

27 Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the average number of shares in issue during the financial year, excluding shares purchased by the Company and held as treasury shares.

Basic	**July–June 2005/2006**	July–June 2004/2005
Profit attributable to ordinary equity holders of the Company	**4,280,356.06**	2,924,856.08
Weighted average number of ordinary shares outstanding	**1,027,918.00**	1,025,998.00
Basic earnings per share	**4.164**	2.851

Diluted

Diluted earnings per share are arrived at by adjusting the average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In respect of share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined on the basis of the average annual market share price of the Company's shares). This calculation is based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares thus arrived at is added to the weighted average number of shares in circulation.

Diluted	**July–June 2005/2006**	July–June 2004/2005
Profit attributable to equity holders of the Company	**4,280,356.06**	2,924,856.08
Weighted average number of ordinary shares in circulation	**1,027,918**	1,025,998
Adjustment for share options	**19,366**	47,047
Weighted average number of shares for calculating diluted earnings per share	**1,047,284**	1,073,045
Diluted earnings per share	**4.087**	2.726

28 Cash flow from operating activities

	Notes	**July–June 2005/2006**	July–June 2004/2005
Consolidated profit		**4,342,070.31**	3,024,207.20
Adjusted for:			
Income tax	26	**1,524,542.65**	566,793.96
Depreciation on property, plant and equipment	10	**1,180,977.11**	1,611,162.58
Amortisation of intangible assets	11	**1,752,585.86**	1,565,902.58
Defined-benefit plans		**276,000.00**	0.00
Capitalized software development costs	11	**-1,122,075.07**	0.00
Gain/loss on sale of property, plant and equipment		**-684,152.67**	-23,266.64
Financial income	25	**-778,910.40**	-1,433,377.52
Financial expenses	25	**2,144,782.86**	428,071.27
Share in results of associates	13	**-34,313.00**	-151,532.00
Compensation for option allocation		**414,587.52**	385,052.00
Increase/decrease in provisions		**0.00**	-100,000.00
Currency translation differences		**21,997.29**	10,445.30
Changes in working capital			
Trade and other receivables		**-4,826,655.46**	-2,009,189.88
Work in progress/Inventories		**361,703.10**	-1,501,417.45
Other financial assets		**-4,332,423.76**	-5,443,853.78
Trade and other payables, incl. tax liabilities		**4,058,500.60**	1,068,816.14
Gross cash flow from operating activities		**4,299,216.94**	-2,002,186.24

29 Liabilities

Operating lease obligations

The Group rents office space and vehicles under non-cancellable operating lease agreements. The lease agreements are subject to different conditions, rental increase clauses and extension options. The lease and rental expenses recognized in the income statement in the year under review are disclosed in Notes 10 and 23.

The future aggregate minimum lease payments required under non-cancellable operating leases are as follows:

	30 June 2006	30 June 2005
Due within 1 year	**1,541,035.32**	1,560,553.58
Due between 1 and 5 years	**477,431.20**	696,898.23
Total future obligations	**2,018,466.52**	2,257,451.81

30 Dividends per share

In respect of the 2005/2006 financial year, it is assumed that the Annual General Meeting of 9 November 2006 will approve the non-payment of a dividend for the year.

31 Buyout of minority holdings/legal restructuring of the Circon Group

The remaining 40 percent holding in Lyss-based Circon Business Solutions AG was acquired for a nominal price of CHF 60,000 as at 1 July 2005. The transaction gave rise to negative goodwill of CHF 2,125.80. The company's head office was subsequently moved to Rümlang.

Circon Circle Consulting AG, based in Glattbrugg, was renamed Circon Holding AG and the Company's registered office relocated to Baar.

Circon Business Solutions AG, in Lyss, was renamed Circon Circle Consulting AG. Operational balance sheet items were transferred from Circon Holding AG to Circon Circle Consulting AG in Glattbrugg with retroactive effect as at 1 July 2005.

The downstream merger of CSB Holding AG into Circon Holding AG was completed on 21 December 2005, with retroactive effect as at 1 July 2005.

32 Acquisition of subsidiary

On 28 February 2006, CREALOGIX E-Banking Solutions AG acquired 100 percent of C-CHANNEL AG, based in Hünenberg. The company continues to be run as an independent joint stock company. With products such as „PayMaker", pen scanners for private individuals and document readers for companies, C-CHANNEL is the clear market leader in e-banking payment software. The present management will remain responsible for day-to-day operations.

In addition to the basic purchase price of CHF 2,500,000 already paid for 100 percent of the shares of C-CHANNEL, further variable purchase price tranches are payable, the amount of which will depend on the EBIT generated. There is an upper limit to the sum of the variable purchase price tranches.

The acquired company contributed CHF 3,235,169.82 to operating income and CHF 656,949.99 to consolidated net profit. If the acquisition had been concluded by 1 July 2005, the contribution to operating income would have been CHF 8,850,00.00 and that to net profit CHF 985,000.

The acquired net assets and goodwill can be broken down as follows:

	C-CHANNEL AG 100%
Purchase price (cash)	2,500,000.00
Costs directly attributable to the acquisition	21,169.65
Estimate of future purchase price payments	4,775,847.02
Fair value of the net assets acquired	-3,567,755.26
Goodwill	**3,729,261.41**

The goodwill figure is a result of the high expected profitability of the acquired entity.

The following assets and liabilities were acquired as a result of the takeover:

	Fair Value	Acquiree's carrying amount
Cash and cash equivalents	260,004.92	260,004.92
Other current assets	1,186,635.96	1,186,635.96
Property, plant and equipment	2,744,999.00	1,551,334.00
Intangible assets	2,222,255.00	0.00
Total ASSETS	6,413,894.88	2,997,974.88
Current liabilities	-682,070.23	-682,070.23
Deferred tax liabilities	-675,569.39	1,663.81
Deferrals from employee benefits	-191,000.00	0.00
Other long-term liabilities	-1,297,500.00	-1,297,500.00
Total NET ASSETS	3,567,755.26	1,020,068.46
Market value of net assets acquired	**3,567,755.26**	

	C-CHANNEL AG
Purchase price paid in cash	2,500,000.00
Costs directly attributable to the acquisition	21,169.65
Cash and cash equivalents acquired	-260,004.92
Cash outflow from the transaction	**2,261,164.73**

33 Related-party disclosures

Related parties include members of the Board of Directors, the Executive Board and other key personnel as well as close members of the families of those individuals, major shareholders and companies in their control, the Group's associates and post-employment benefit plans.

a) Majority shareholders

The Group is controlled by Bruno Richle, Richard Dratva, Daniel Hiltebrand and Peter Süsstrunk, who together have a 67.7 percent shareholding in the company. The remaining 32.3 percent of shares are in free float.

b) Group companies and associates

Note 1 provides an overview of Group companies and associates. Transactions between the parent and its subsidiaries and those between Group subsidiaries have been eliminated from the consolidated financial statements.

In the year under review, the following transactions were carried out with associates:

Associate **Circon Prague**	**July–June 2005/2006**	July–June 2004/2005
Cost of goods and services	**1,191,422.67**	1,030,190.05
Receivables	**54,656.01**	100,166.11
Payables	**127,548.91**	28,767.00

The amounts in question primarily refer to sofware development services.

Transactions with associates are passed on on a cost-plus basis, meaning they stand up to third-party comparison.

c) Key management personnel

The Board of Directors and the Executive Board are composed as follows:

Board of Directors	**Executive Board**
Bruno Richle	Bruno Richle (CEO)
Dr. Richard Dratva	Dr. Richard Dratva
Jean-Claude Philipona	Dr. Jürg Neck (CFO)
Prof. Dr. Beat Schmid	Dr. Louis-Paul Wicki
Dr. Christoph Schmid	

1) Compensation of members of the Board of Directors, the Executive Board and other key personnel:

For discharging their duties, the members of the Group's Board of Directors receive an annual retainer plus additional expenses related to attendance at Board committee meetings.

The members of the Executive Board and other key personnel receive contractually-agreed compensation for their role in the company's operations.

July–June 2005/2006	**Annual compensation***	**Social security contributions**	**Share-based payments**	**Total**
Board of Directors (3 non executive)	83,000.00	4,191.50	32,400.00	**119,591.50**
Executive Board (4 members)	1,205,397.35	217,152.71	172,530.00	**1,595,080.06**
Other (2 persons)	451,358.35	84,124.60	63,747.00	**599,229.95**
Total	**1,739,755.70**	**305,468.81**	**268,677.00**	**2,313,901.51**
(Highest compensation)				**(508,421.85)**

July–June 2004/2005	**Annual compensation***	**Social security contributions**	**Share-based payments**	**Total**
Board of Directors (2 non executive)	30,000.00	1,515.00	44,910.00	*76,425.00*
Executive Board (4 members)	1,290,106.00	159,563.30	370,770.00	*1,820,439.30*
Other (2 persons)	428,900.05	63,478.60	54,410.00	*546,788.65*
Total	*1,749,006.05*	*224,556.90*	*470,090.00*	*2,443,652.95*
(Highest compensation)				*(654,273.00)*

* Compensation includes annual salary, bonus, company car and lump-sum expenses

2) Share-based payments

As disclosed in Note 20, a profit-sharing programme is in place for the Board of Directors and selected management members and employees. The expenditure relating to options granted to related parties that is recorded in the income statement has been factored into the table above.

The Group additionally granted one member of key management personnel an unsecured loan amounting to CHF 200,000. This loan is a variable-rate loan with no fixed term. Interest on the loan is charged at 2.25 percent for the 2006 calendar year and 2.5 percent for the 2005 calendar year (see Note 12).

There are no further claims or commitments vis-à-vis persons in key management positions in the year under review (2004/05: none).

No long-term payments or severance payments were made in 2005/2006 (2004/2005: none).

In relation to legal advice, services were provided in the year under review by Wenger & Vieli, a law firm closely related to Director Dr. Christoph Schmid. Wenger & Viel's fees for legal advice came to CHF 60,130.00 (2004/2005: CHF 10,433.00).

d) Employee pension plan

The transactions between the Group and the defined-benefit plan for Group employees are disclosed in Note 17. Claims of CHF 645,771.9 (2004/2005: CHF 368,420.70) were outstanding against the pension plan as at 30 June 2006.

34 Events after the balance sheet date

No events occurred after the balance sheet date of 30 June 2006 that would have a material impact on the annual financial statements as approved by the Board of Directors on 18 September 2006.

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

As statutory auditors, we have reviewed the accounting records and the financial statements (balance sheet, income statement and notes) of CREALOGIX Holding AG, presented on pages 3 to 49 of the annual report, for the business year ended 30 June 2006. The annual financial statements for the 2004/2005 reporting period were audited by a different set of auditors, who, in their report of 12 September 2005 expressed an unqualified opinion on those statements.

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 review. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our review was conducted in accordance with the International Standards on Auditing (ISA) and the auditing standards promulgated by the Swiss profession, which require that a review 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 consolidated annual financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards and comply with Swiss law.

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

Zurich, 18 September 2006

BDO Visura

Martin Nay
Auditor in Charge
dipl. Wirtschaftsprüfer

René Krügel
dipl. Wirtschaftsprüfer

FINANCIAL REPORT CREALOGIX Holding AG

	30 June 2006	in %	30 June 2005	in %
ASSETS				
Cash and marketable securities	**33,171,604.02**		28,636,289.92	
Other receivables	**6,897.53**		3,685.01	
Accounts receivable from subsidiaries	**424,131.30**		5,077,459.06	
Treasury shares	**2,752,764.00**		3,015,507.00	
Prepaid expenses	**0.00**		901.50	
Current assets	**36,355,396.85**	**62.9**	36,733,842.49	64.6
Investments	**19,677,354.86**		18,332,712.86	
Long-term loans to subsidiaries	**1,763,000.00**		1,763,000.00	
Non-current assets	**21,440,354.86**	**37.1**	20,095,712.86	35.4
Total ASSETS	**57,795,751.71**	**100.0**	56,829,555.35	100.0

LIABILITIES AND SHAREHOLDERS' EQUITY				
Trade accounts payable	**41,579.90**		10,803.90	
Other current liabilities and accruals	**789,107.23**		767,399.92	
Current liabilities	**830,687.13**	**1.4**	778,203.82	1.4
Share capital	**10,700,000.00**		10,700,000.00	
Share premium	**42,109,770.01**		41,164,951.60	
Legal reserves	**154,000.00**		75,000.00	
Reserve for treasury shares	**1,591,729.99**		2,536,548.40	
Accumulated profit/deficit	**2,409,564.58**		1,574,851.53	
Shareholders' equity	**56,965,064.58**	**98.6**	56,051,351.53	98.6
Total LIABILITIES AND SHAREHOLDERS' EQUITY	**57,795,751.71**	**100.0**	56,829,555.35	100.0

	July–June 2005/2006	July–June 2004/2005
Other revenue Group	**25,000.00**	24,960.00
Personnel expenses	**-70,953.45**	-20,910.60
Insurance, fees	**-6,769.00**	0.00
Consulting expenses	**-60,326.22**	-61,938.00
Other operating expenses third	**25,133.20**	-17,800.00
Other operating expenses Group	**-7,750.00**	-12,320.00
Other operating expenses	**-120,665.47**	-112,968.60
OPERATING LOSS (EBIT)	**-95,665.47**	-88,008.60
Financial income	**1,414,335.72**	4,342,645.51
Financial expense	**-404,957.20**	-322,182.29
Financial result	**1,009,378.52**	4,020,463.22
PROFIT BEFORE TAXES	**913,713.05**	3,932,454.62
Income tax expense	**0.00**	0.00
N E T P R O F I T	**913,713.05**	3,932,454.62

Joint and several liability

The Crealogix subsidiaries in Switzerland are treated as a single taxable entity for VAT purposes (group taxation, Art. 22 VAT Law). If one of the Group companies is unable to meet its payment obligations to the Federal tax authorities, the other group companies are jointly and severally liable.

Investments

Company	Activity	Capital	Interest hold
CREALOGIX AG Bubikon, Switzerland	Consultancy and services in information technology and data communcation	CHF 100,000	100 %
CREALOGIX Corp. Toronto, Canada	Consultancy and services in information technology and data communcation	CAD 100,000	100 %
CREALOGIX AG Frankfurt, Germany	Consultancy and services in information technology and data communcation	EUR 100,000	100 %
CREALOGIX E-Banking Solutions AG, Zurich, Switzerland	Consultancy and services in information technology and data communcation	CHF 100,000	100 %
CIRCON Holding AG Baar, Switzerland	Management of investments	CHF 1,000,000	70 %
Balzano Informatik AG, Zurich, Switzerland	Services in information technology and trading in hardware and software	CHF 200,000	80 %

As at 30 June 2006 the reserve for treasury shares was 1,591,729.99 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 2.5 million related to the staff share option scheme has been in place.

Authorized capital in an amount of 3.0 million was created effective 25 October 2005.

Significant shareholders

As at June 2006, the following shareholders each held more than 5 percent of voting rights:

Shareholder	Share of votes	No. of Shares
Bruno Richle	22.75%	243,388
Richard Dratva	22.36%	239,220
Daniel Hiltebrand	15.42%	165,000
Peter Süsstrunk	7.20%	77,000
Chase Nominees Ltd.	5.37%	57,504

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

	July–June 2005/2006	July–June 2004/2005
Accumulated deficit at the beginning of the financial year	**1,495,851.53**	-2,357,603.09
Net profit for the year	**913,713.05**	3,932,454.62
Total accumulated profit/deficit	**2,409,564.58**	1,574,851.53
Transfer to reserves	**46,000.00**	79,000.00
Accumulated deficit at the end of the financial year	**2,363,564.58**	1,495,851.53

The Board of Directors of CREALOGIX Holding AG will propose to the Annual General Meeting to be held on November 9, 2006 that a par value repayment of CHF 2.00 per share will be made. The par value will then be CHF 8.00 per CLXN-Share.

As statutory auditors, we have reviewed the accounting records and the financial statements (balance sheet, income statement and notes) of **CREALOGIX Holding AG**, presented on pages 81 to 84 of the annual report, for the business year ended 30 June 2006. The annual financial statements for the 2004/2005 reporting period were audited by a different set of auditors, who, in their report of 12 September 2005 expressed an unqualified opinion on those statements.

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 review. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our review was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that a review 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 annual financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of association.

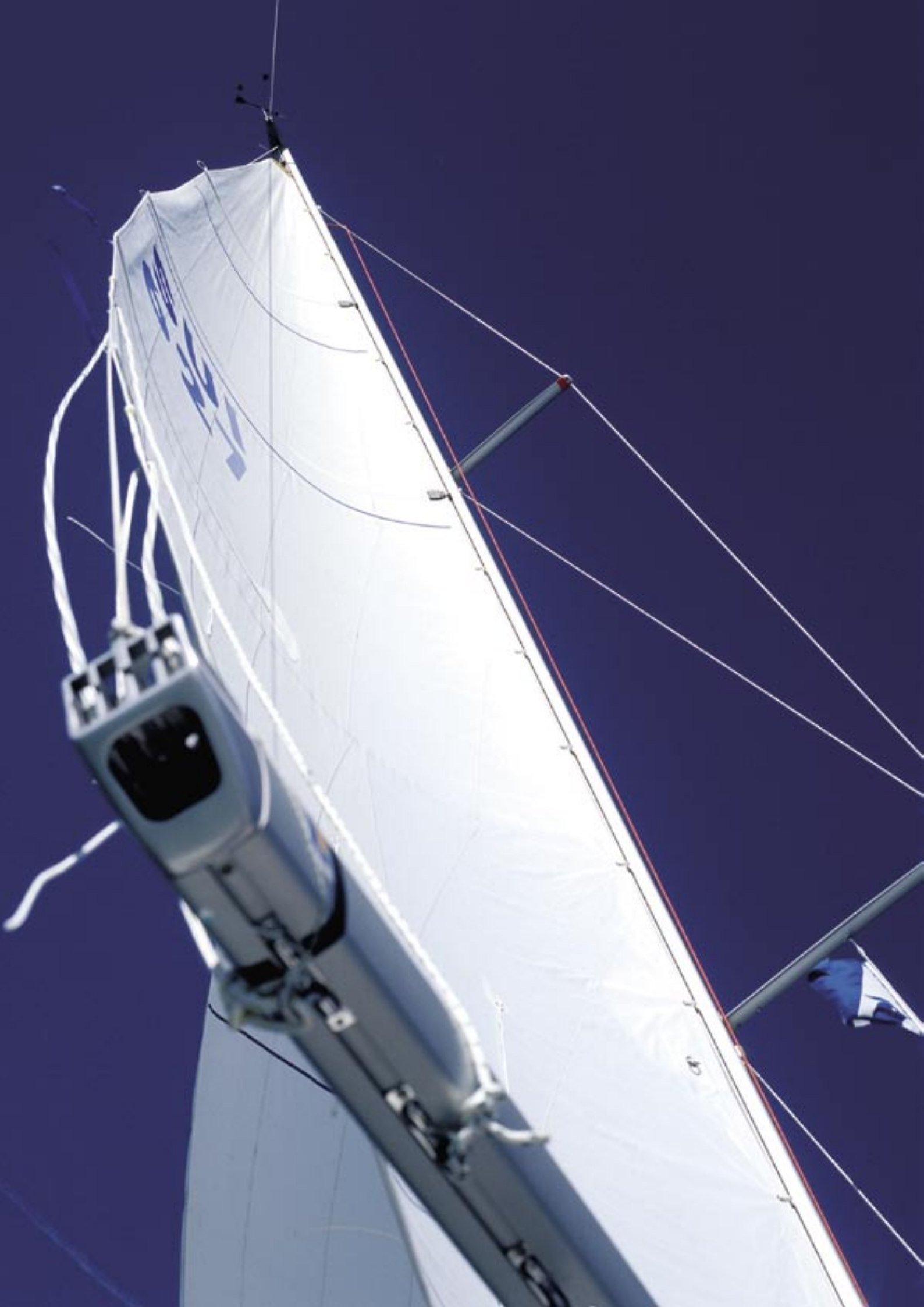
We recommend that the financial statements submitted to you be approved.

Zurich, 18 September 2006

BDO Visura

Martin Nay
Auditor in Charge
dipl. Wirtschaftsprüfer

René Krügel
dipl. Wirtschaftsprüfer



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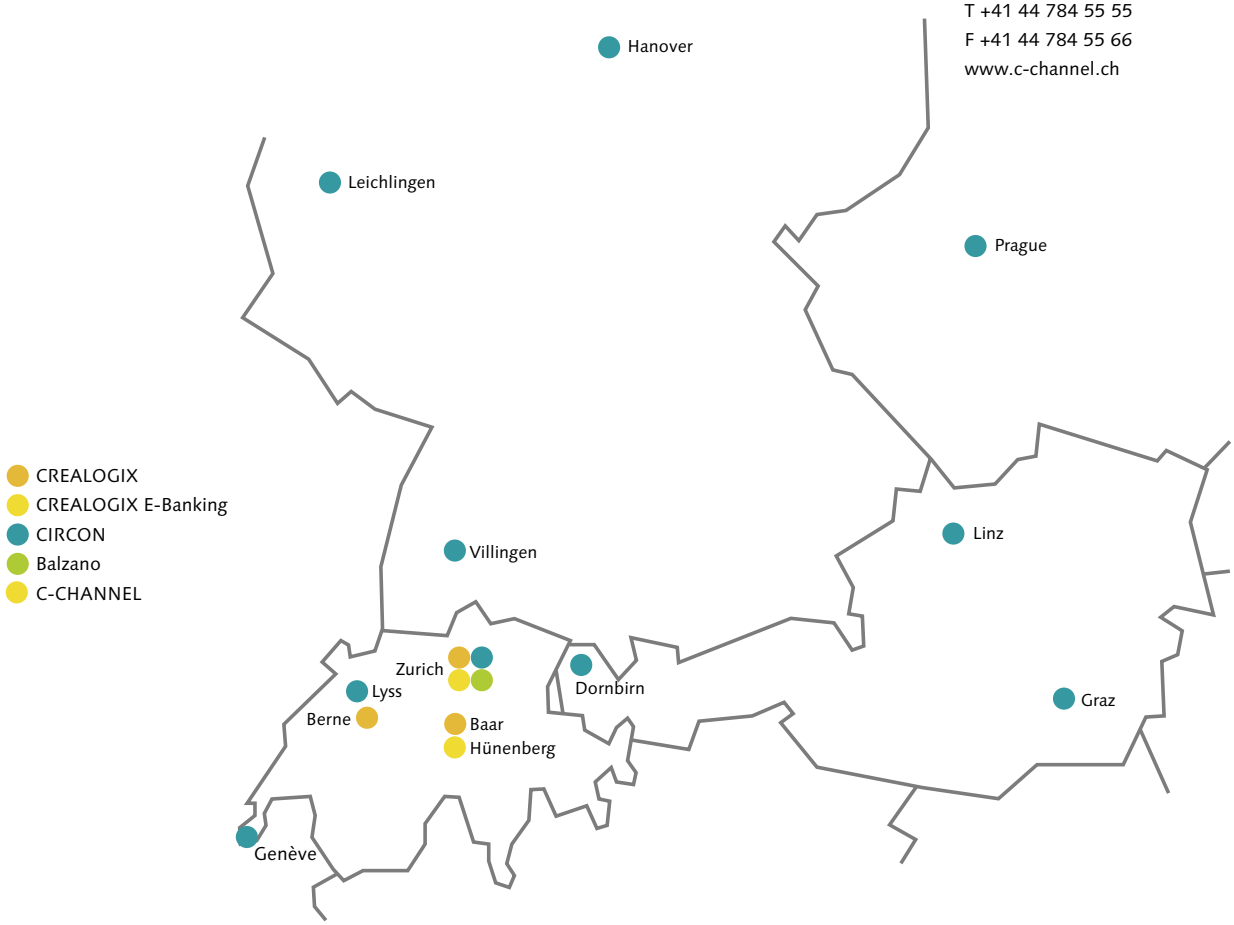

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