# 2004
# Annual Report

NEXUS
providing eHealth solutions

## Contents

# NEXUS – Growth and Internationalization

## Medical Processes Are in the Forefront

With open, modular solutions, which optimize medical processes in hospitals, NEXUS has been able to develop into a convincing alternative in the market of software suppliers in the health care system over the past years. The year 2004 was characterized by this success. Many new customer contracts, improved business figures and the integration of micom GmbH, Munich, characterized the past year.

micom has been a member of the NEXUS Group since June 2004 and underlines the orientation of the company with its product MediCare.plus™. NEXUS has become a solution provider, which takes the place of medical information processing of the first generation and is going the modern way of a modular strategy.

## Greatest Increase in New Customers in the Company's History

The advantages of the NEXUS product concept, for example the openness of the system and the possibility of integrating it into already existing IT environments, has result in NEXUS being able to record its greatest increase in new customers in the company's history. More than 40 hospitals and specialist clinics have become NEXUS customers in Germany, Europe and Arab countries.

This is a figure, which provides us with a tailwind for further development of high quality and user-friendly solutions. We are working consistently on being a provider for our customers, which can demonstrate a long-term oriented strategy for the future. A partner, which also provides a great deal of investment security in addition to highly innovative systems.

NEXUS has become a provider of solutions in demand for hospitals. Hospitals, which are not afraid of competition and find a way in spite of tight budgets to make their institutions into a profitable organization, search for a partner, who can support them. There is a great potential for optimization in one of the central and most expensive areas, i.e., the communication within and between wards as well as external service providers. Georg Braun of the Federal Ministry of Health puts it clearly: "We are still working with management and documentation systems, which are not on a par with current technology." These systems are responsible for substantial coordination and communication deficits.

The NEXUS Group owes a great deal of its success to the international orientation of the company and its products. The most recent example: The Hôpital Cantonal Fribourg (Switzerland) awarded NEXUS the contract for equipping several hospitals with the hospital information system NEXUS.MedFolio®. This is proof that we speak the language of our customers and achieve a high degree of acceptance. With its entry into the French-speaking market, NEXUS can now expand its market leadership in Switzerland considerably.

NEXUS.MedFolio® now in used in 13 countries, and its international share of sales has increased in 2005. We consider this a success on our path to becoming an internationally recognized company, which we will continue consistently over the next years.

**Dr. Ingo Behrendt**
**Chief Executive Officer**

# A Market Undergoing Change

## The German Health Care System and the Providers of Information Systems Are Lining Up Anew

Approximately 2,200 hospitals with 1.1. million employees treat more than 17.4 million patients per year in Germany. German hospitals represent a decisive economic factor with 63.8 billion euros annual turnover.

## Health Networks are the Future

Tight public budgets, which make sustained subsidies to hospitals from the government difficult, have increased the economic pressure on hospitals. For this reason, a great number of hospitals will join together into larger, competitive networks in the near future. Private health centers will be created, whose returns in the future growth market of health care will attract investors' attention.

## DRG Case Flat Rate Billing

**Cost monitoring, quality management and patient orientation will play an increasing large role in the future.**

The introduction of a diagnosis-related payment system has resulted in substantial restructuring in German hospitals. Cost monitoring, quality management and patient orientation will play an increasing large role in the future. Consequently, nine of ten hospitals are investing in modern IT equipment as well as in a higher degree of treatment quality. While the services provided by hospitals were still budget-neutral, the convergence phase is beginning in 2005 during which the case flat rates will have direct effects. NEXUS already made the module NEXUS.MedFolio® DRG available at a very early time, so that the processes could already be analyzed and structured long before their application became obligatory.

## Case Management

Individual controlling of treatment and billing, i.e., case management, will increase substantially in importance for more than 60 percent of the hospitals. Especially patients with chronic illnesses will receive an individual treatment plan, which is adapted to their care requirements. The product NEXUS MedFolio®, which is in great demand, provides the IT environment for these treatment guidelines.

## Integrated Care

A total of 7% of hospitals participated in integrated care in 2004. Another 47% of the hospitals plan to participate in the near future, and 33% at least do not want to exclude participation for the future.

The most common form of integrated care is sector-overlapping care. Cooperation exists here especially with preventive care and rehabilitation institutions as well as with registered doctors in private practices. According to information from the hospitals, which plan to participate in the future, coope-

**Products of the NEXUS Group**

| Software | IT-Service | Ward Solutions |
|---|---|---|
| Hospital Information Systems | Network Management | OP / Anesthetics |
| for hospitals | e-Gate-Management | RIS / PACS |
| for psychiatric clinics | SAP R/3 support | Cardiology |
| for social institutions | Database and Server Support | Dermatology |
| for rehabilitation clinics | Internet / Intranet / Webhosting | Geriatrics |
| | Helpdesk | Psychiatry |
| | Development and Administration in Lotus Notes | Radiooncology |
| | | Obstetrics |
| | | Gynecology |
| | | Neurology |

**NEXUS is the sole corporation that is an independent company on the market and can maintain its stable position in competition.**

ration with registered doctors in private practices will increase considerably. Cooperation between several hospitals will also increase. The NEXUS Group is prepared for this development with its cooperation partner All for One Systemhaus AG and already provides tried and tested software solutions for in-house treatment in hospitals and the subsequent rehabilitation measures. A successful example for the integration of these services is provided by the Schmieder Hospitals in Allensbach. As a specialist neurological clinic, they have more than 900 beds at six sites in Baden-Württemberg (Germany). The joint solution from NEXUS and All for One went into actual operation in the first hospital in May 2003. All hospitals have been integrated in the meantime.

With help of the integrated solution from NEXUS and micom, now family practice doctors can also access the data of their patients in hospitals. This is a model that does full justice to the future development of integrated care.

## Health Card

The topic of a "health card" will shape medical information and communication technology over the coming years. It should be introduced for all patients in the country starting in the spring of 2006 according to the plans of the German Federal Government. The first model projects will run in various regions in the fall of 2005. NEXUS is working out concepts, which will make it possible to implement the health card.

## Concentration of Providers for Hospital Information Systems

Not only the health care system, but the market situation is also changing for the providers of the information systems. The year 2004 was characterized by a number of mergers. Companies are beginning to stand out, which have the goal of faster growth and of providing the health care market with new solutions. Over the next year, substantial growth is expected in the health care system for hospital information systems and digital patient files.

NEXUS is the sole corporation that is an independent company on the market and can maintain its stable position in competition. Thanks to the integration of micom GmbH, its range of solutions have become larger and its customer base has increased considerably, especially in Germany. The specialization of NEXUS as a provider of solutions for medical processes could be expanded with the products from micom. The administrative components, i.e., patient management from before admittance and all the way to billing, can now be offered as an integrated solution. As a specialist for patient and treatment management in psychiatric institutions, micom GmbH won a leading market position over the past years and was able to sign several hospital-sponsoring companies as new customers in 2004.

"Good medicine at affordable prices" is the entrepreneurial answer of hospitals to the challenges in the health care system. The NEXUS Group with its subsidiaries provides applicable concepts in process structuring, so that hospitals can achieve this ambitious goal. The standardization of processes with simultaneous individualization of patient-related services opens the chances for secure financing of modern medicine in the interest of patients.

**Hospitals invest in Electronic Patient Records**

(planned investments until 2006 for the standardization and digitalization in the process management; in % of the hospitals interviewed[1])


[1] mainfold answers possible
Source: Mummert Consulting, F.A.Z. Institute

# micom GmbH: A good Start in the NEXUS Group

In June 2004, NEXUS AG acquired controlling interest of micom GmbH from DEWB AG. This is a link, which both companies, investors and customers consider an ideal complement.

For micom customers, it is now possible to expand their information system with new, integrated modules from the NEXUS world. These are modules such as radiology management, the digital archive or special medical modules such as endoscopy or cardiology. “We performed the integration on the database level and were able to adapt the software solutions to each other within a relative short time thanks to the same technological basis,” Edgar Kuner, Development Manager at the NEXUS Group, described the development activities in the first joint year.

NEXUS can also expand its core product NEXUS.MedFolio® with additional modules thanks to the merge. Joint further development of components for accounting are resulting in increased orientation of NEXUS.MedFolio® to an overall system, which provides all advantages of an open medical information system at the same time. This step will help the NEXUS Group to put the products NEXUS.MedFolio® and micom MediCare.plus™ to work even faster.

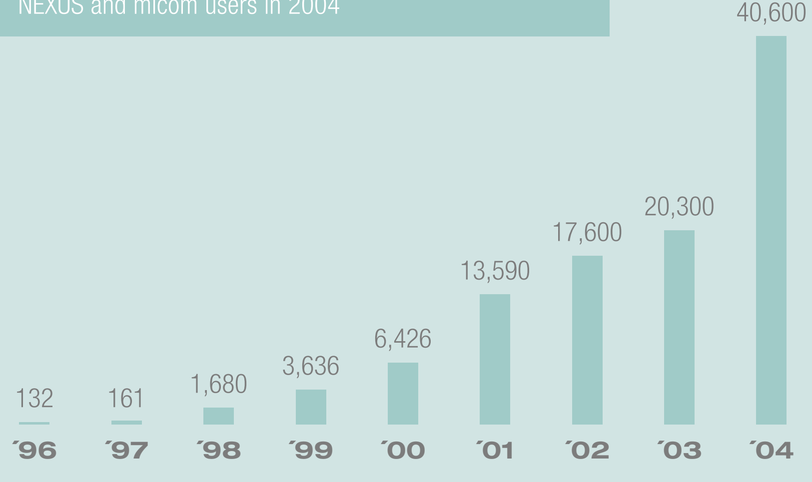
micom GmbH is managed as an independent subsidiary of the NEXUS Group and the core product MediCare.plus™ is being developed further. A Customer Care Center has been opened in Ismaning near Munich. Contact persons for customers will be centered there to response to customer requests.

The new orientation of the NEXUS Group has already resulted in notable success in the initial phase. micom has won a call for bids for six institutions of the Andernach State Hospital. This order takes one of the first places in the ranking of new customers. Almost at the same time, the Hubertus Hospital in Berlin awarded micom a contract for installing its hospital information system. These are clear signals that the market is betting on micom and the innovative capability of the NEXUS Group in the long term.

**“We have already found the line-up, with which we want to operate successfully on the market in the coming years“**
Ralf Heilig, Managing Director of micom GmbH

**Number of users of NEXUS information systems**

NEXUS and micom users in 2004




# New Customers – New Solutions

## Andernach State Hospital Expects Competitive Advantages thanks to New Hospital Information System

Andernach State Hospital (public hospital) with its six core institutions (1,922 beds/2,380 employees) has awarded the contract for a new information system for supporting medical and nursing processes to micom GmbH.

Management of the state hospital is signaling the start into the new era of communication and process optimization in its clinics with the contract award.
Communication processes will be made leaner and resources saved using the patient and treatment management system micom MediCare.plus™. The hospitals treat approx. 17,000 cases per year.

The experience of our company in the world of psychiatry was an essential aspect for the state hospital in selecting a new IT partner. micom serves a great number of hospitals with its software solution and consequently fulfills these requirements.

**„We want a partner, who is available to us in the long term and depicts our processes."**
Norbert Finke, Managing Director of the State Hospital Andernach / Germany

Management expects competitive advantages from the new information system thanks to increased IT security and improved use of resources. At the same time, the level of quality should be ensured. The electronic archive and financials were also replaced. The goal is to switch to cost unit accounting and structure operational processes uniformly within controlling.

## Psychiatric Hospitals in Baden-Württemberg Are Now Switching to Digital Patient Documentation

NEXUS AG has received the contract for installing the hospital information system in the three centers for psychiatry in Baden-Württemberg Emmendingen, Calw and Reichenau.
A total of nine centers for psychiatry in Baden-Württemberg handle in-patient, part-time in-patient and out-patient treatment of psychologically disturbed persons within the framework of regional and communal psychiatric associations. The fact that the three hospitals Emmendingen, Calw und Reichenau, which treat more than 14,000 patients annually, decided to use electronic support for their medical and nursing work procedures is one consequence from the increasing comprehensive demands put on documentation and quality.

## Diagnosis Software Convinces Customers

Speed, platform independence and maximum configurability: these development goals are in the forefront of Inovision Professional 4 Diagnosis Software from INOVIT, the radiology division of the NEXUS Group. These are development goals, which have already resulted in notable market success.

**We selected NEXUS, because its competence in the medical area and experience with processing the performance data in SAP R/3 convinced us.”**
Prof. Dr. Dr. Jürgen Seelos, Director of the Centers for Psychiatry Emmendingen, Calw, Reichenau

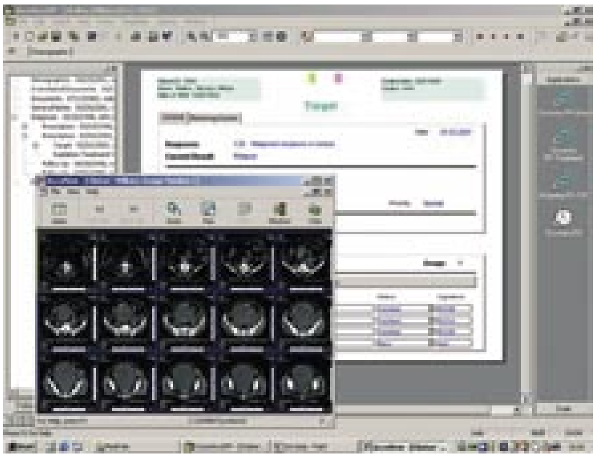
Inovit demonstrates with this new development that modern and young PACS systems (Picture Archiving and Communication Systems) can provide improved user management, fewer hardware requirements and lower introduction costs. An advantage, which can revolutionize the PACS market over the coming years. With the successful introduction of the radiology management system INORIS in the University Hospital of Basel with more than 150 workstations, INOVIT has started operation of one of the largest RIS systems in the Swiss market.

## Information System for Radiotherapy Records: International Success

In collaboration with the Dutch company Nucletron, NEXUS AG has developed a software solution for documenting treatment of cancer patients. This product, Oncentra IM, covers the areas of scheduling and treatment planning, electronic patient files and archiving. It makes communication between medical staff more efficient, reduces sources of errors in documentation, and supports management in planning resources to use budgets optimally.

## New Radiotherapy Solution in Villingen Hospital

Villingen Hospital invested in a new radiotherapy solution in 2004 and awarded the contract to NEXUS. A total of 20 users work with Oncentra IM in the ward and use the software solution for scheduling and resource planning of patients, medical staff, rooms and equipment. In addition, NEXUS.MedFolio® provides the traditional functions of electronic patient files, serves for recording doctors’ services, supports writing of letters for referring doctors and external service providers and supplies medical data to the internal hospital accounting system. The radiation log data, such as the size of the radiated field, the dose, the direction of irradiation and the number of irradiations, are imported from the radiation equipment into NEXUS.MedFolio®; images can also be stored in the electronic patient files and consequently retrieved or archived at any time.



**All patient data and pictures are available in the electronic patient files.**

## Italian Hospital Works with Radiotherapy Solution from NEXUS

The private hospital Bonvicini in Bozen (Italy) has been using Oncentra IM for radiotherapy since 2004. The administration and medical staff there also profit from the electronic documentation of patient data , scheduling and import option for images from the radiotherapy equipment.

## Hirslanden Hospital in Aarau (Switzerland) Equips Radiotherapy Ward with NEXUS Solution

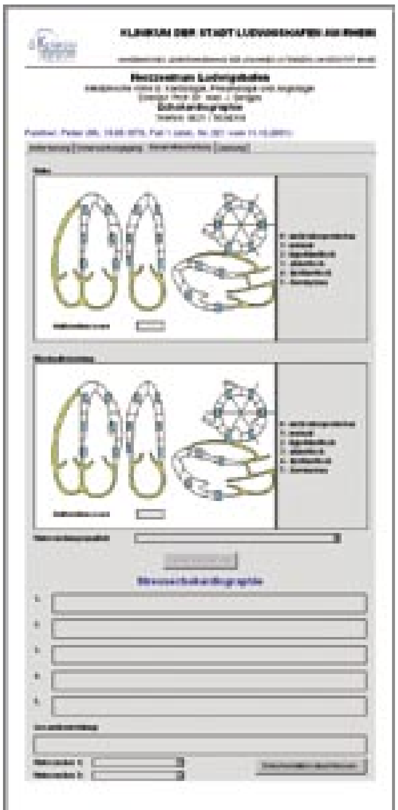
The Hirslanden Hospital in Aarau, Canton Aargau, has decided to use NEXUS.MedFolio® in radiotherapy. A total of 15 users now work with the functions of electronic patient files. Scheduling and treatment data are recorded in the radiotherapy system and imported directly into Oncentra IM. Consequently, all data are available in electronic patient files and are available for hospital management for billing.

## NEXUS.MedFolio® for the Wards: Graphics Support For Bed Planning

This new solution provides graphics support for bed planning and scheduling at wards. Using a simple drag and drop procedure, nurses can manage beds and rooms available at wards directly. The advantage: availability at short notice and compliants with patient requests.

## NEXUS.MedFolio® for Endoscopic Procedures: Integrated Workflow between Images and Findings

NEXUS supports both operational sequence in endoscopy and graphics management of images and videos taken in endoscopy. Thanks to the combination of images and findings and the allocation of texts, this new software module simplifies work considerably and makes it faster. Integrated text modules in documentation and findings of endoscopic examinations with derivation of services, diagnoses and procedures automate the documentation.



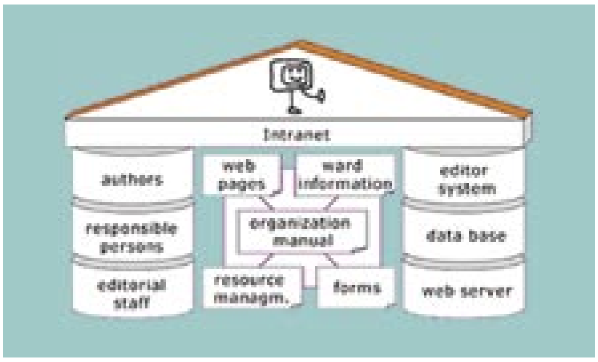
**The documentation of examination results with visual support simplifies the work of doctors.**

## NEXUS.MedFolio® for Cardiology Wards: Substantial Advantages thanks to Integration of Examination Results

The advantages of electronic patient files are especially clear in cardiology. Writing reports manually is painstaking, because the data for heart surgery or family doctors must be rewritten continually. Thanks to the linking to cardiac catheter measurement spots, laboratory, EKG and blood pressure measuring stations, the data can be entered into the system during operations and automatically transferred into the digital case histories of patients. Unwieldy printouts on paper are no longer required.

## NEXUS.Medfolio®QCM Information Portal Supports Hospital in Complying with Their Documentation Obligations

Transparency and legal security for all workflows and tasks are the basis for modern hospital operations. More than 100 institutions throughout Germany have been certified according to the new regulations of KTQ to fulfill the quality reports legally required starting in 2005. Essential information must be available to staff and customers. The goal is a working knowledge database, which serves as a daily tool in work. As a web-based information portal, it is suited to reflect central contents, which are created once, in different hospitals, from work planning to on-call services and all the way to planning room occupancy. All staff members can view quality and certification reports online, thus resulting in the desired transparency.




**NEXUS.MedFolio®QCM is a knowledge database for all users in a hospital**

## NEXUS.MedFolio® for Lung Clinics High Tech Solution for a Special Discipline

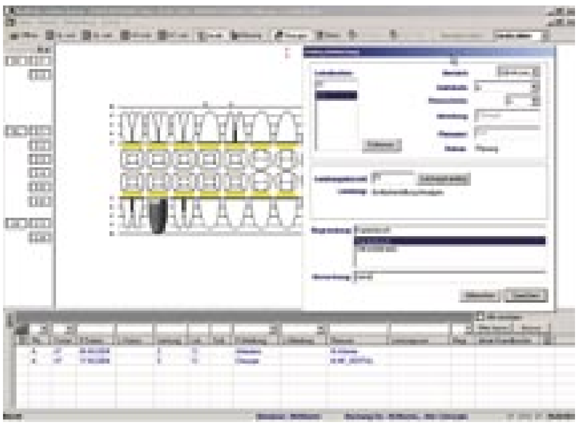
The lung clinic in Hemer (Germany) is being equipped with a new, innovative solution from NEXUS. This modern solution covers the essential functions for treating patients with lung diseases and uses a “state of the art” procedure. The new electronic information system is used in four wards: pneumology, thorax surgery, radiology and anesthetics. The clinic treats 10,000 patients per year.

## Failure Concept for Electronic Patient Files

It is often not sufficient for digital hospitals to have data availability of 99%. Using the NEXUS failure concept, all medical staff can access patient data at any time and at any place, even if there is a complete system failure. Emergency case files are updated on portable computers every minute independent of power supply. This provides doctors and nurses with the security of being able to provide optimum care to patients even in difficult situations.

## NEXUS.MedFolio® for Dental Clinics: The Solution for Healthy Teeth Comes from NEXUS

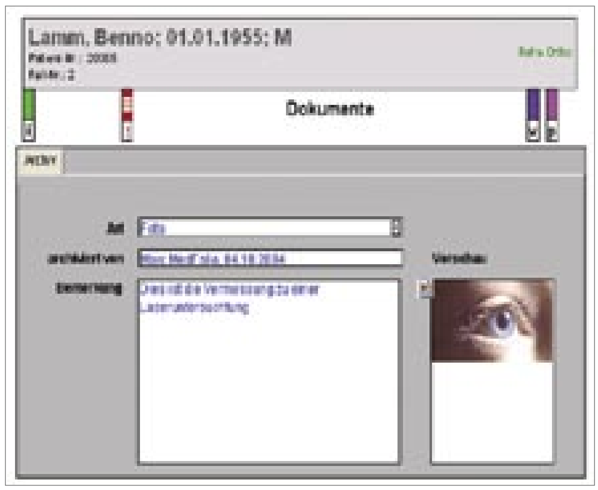
The module for dentistry makes it possible to plan all treatments and document them. Performance figures are transferred directly from the documentation to the accounting system. Information such as X-ray pictures or dental formulas are available at every workstation. Integrated scheduling makes efficient treatment management possible.
Long years of use of the system in the Vienna Dental Clinic in all areas of stomatology and prosthetic dentistry demonstrate the benefits and user orientation.



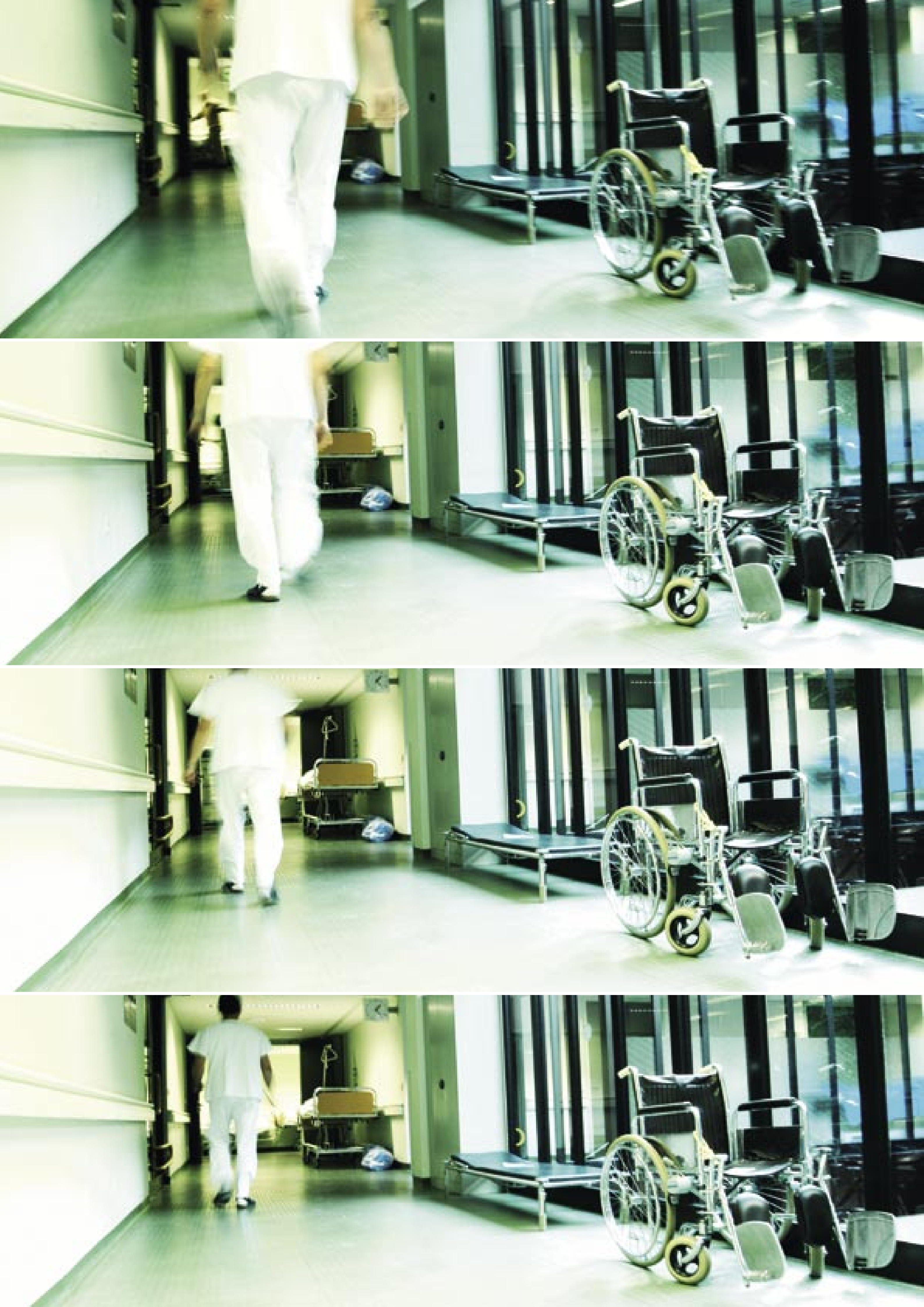
**The depiction of the dental formula serves for recording services and documentation**

## NEXUS.MedFolio® for Ophthalmology Clinics: Module for Eye Treatment and Sight Training Centers

This medical information system provides structured, digital documentation of all measures in the treatment process. The medical documentation can be stored for the areas of patient histories, fluorescent angiography, OP planning, recording services, coding and OP reports. Standardized test documentation is stored for sight training centers. Data from equipment can be displayed and integrated and are also available for writing doctors’ letters quickly.




**NEXUS designed entry masks specific to specialities for documenting all treatment steps for eye diseases**



# New Cooperation Agreements

## New Invoicing Model for Hospitals: Medidata GmbH as Joint Venture of NEXUS, the Private Doctors' Clearing Offices and Zehnacker

The private doctors' clearing offices Berlin/Brandenburg, Büdingen, Limburg/Lahn, Rhine-Ruhr as well as Westphalia-North with main office in Mülheim an der Ruhr, want to support hospitals in their invoicing procedures with an innovative business idea.

**The goal is to handle billing of all services of hospitals with special focus on DRG invoices.**

These doctors' clearing offices, which do business under the name of PriA Dienstleistungen im Gesundheitswesen GmbH, have founded the Medidata GmbH together with NEXUS AG and Zehnacker GmbH. The goal is to handle billing of all services of hospitals with special focus on DRG invoices. PriA has been known to hospitals for a long time for its complete service for the complete area of out-patient and in-patient hospital invoicing. This includes individual, technical solutions for invoicing for hospital polyclinics, out-patient operations and the complete billing for in-patient services.

The product of Medidata GmbH for billing services in hospitals is adapted to the individual requirements of hospitals and is unique on the market.

## Cooperation with KTQ: NEXUS Supports Hospitals in Their Internal Quality Management

KTQ GmbH, Siegburg, is the sponsor of the KTQ certification procedure, which promotes continual improvement of internal quality management in hospitals. The KTQ certification is considered the leading procedure for hospitals in Germany. NEXUS AG signed a well regarded cooperation agreement with KTQ at the world's largest medical trade fair in Dusseldorf in November 2004. The goal of the cooperation is to supplement the product "NEXUS.MedFolio®.QCM" with the contents of the KTQ®, which have already become established on the market, and to make it possible to carry out the complete certification with this software.

Hospitals and clinics, which use the products of the NEXUS Group, can now access the KTQ data without extra expenses or work required. This especially simplifies the work of those responsible for quality assurance in hospitals. The individual KTQ work groups can process questions decentrally within a hospital. Thanks to the easy locating and updating of contents in the QCM web portal, the quality documentation, KTQ contents or other ward information become a working knowledge database, which can quickly become a daily tool for work.

**The goal of the cooperation is to supplement the product "NEXUS.MedFolio®.QCM" with the contents of the KTQ®, which have already become established on the market, and to make it possible to carry out the complete certification with this software.**

# Letter
# to our Shareholders

## Dear Sir / Madam:

NEXUS AG was able to achieve a substantial increase of its business volume during 2004 compared to 2003. The number of newly signed contracts for the hospital and radiology management systems was never as high as in 2004. We understand this development as a good omen for the next years and believe that this confirms our corporate and product strategy. Customers of different specialties, from psychiatry to radiotherapy and all the way to specialist and rehabilitation clinics, have decided to use a NEXUS solution. This is due to the trust in the innovative capability and financial security of the company on one hand. Decisive considerations of ordering parties also include the modular solution strategy, which contributes to making it possible to integrate the new software components into existing IT structures and keep introduction costs at an acceptable level.

NEXUS can also demonstrate expanding business internationally. The foreign share has increased, mainly thanks to conclusion of business deals in Switzerland and Arab countries. Our involvement in the French-speaking areas of Switzerland is new, which will be increasingly important for us in the coming years.

With sales of 16.4 million euros, we have exceeded the previous year's figures by 18 %. Our result makes it clear that the software share has increased in overall sales, while we can show hardware sales figures on the level of the previous year.

In the result before taxes, we have an improvement of KEUR 618 and a result of KEUR -124. (2003: KEUR – 742)

**The number of newly signed contracts for the hospital and radiology management systems was never as high as in 2004.**

We are going to continue our expansion policy over the next years. Canvassing new markets in foreign countries is just as much a part of this as active management of new and regular customers in the countries where we already do business. We are certain that we can continue to convince more customers with the product lines of the NEXUS Group, The growing number of references is an indication that our products and price/performance ratio can hold their own in international competition.

Dr. Ingo Behrendt
Chief Executive Officer of NEXUS AG

Stefan Burkart
Member of the Managing Board of NEXUS AG

# NEXUS at a Glance

## Company and Main Office
NEXUS AG,
Auf der Steig 6, 78052 Villingen-Schwenningen, Germany

## Fields of Business
Health care software for hospitals, rehabilitation clinics and social welfare institutions, health care service for IT services in hospitals

## Subscribed capital
EUR 13,720,000.00 (2003: EUR 10,292,301.00)

## Equity capital
KEUR 41,025 (2003: KEUR 34,142)

## Number of employees
197 (31.12.2004)

## WKN/ISIN Code
522090/DE 000 522090 9

## Market segment
Prime Standard of the Frankfurt Stock Exchange

## Subsidiaries

NEXUS Digitale Dokumentationssysteme Projektentwicklungsges. mbH
Vienna (A)

NEXUS.IT GmbH SÜDWEST, SÜDOST und NORD
Villingen-Schwenningen (D)

NEXUS Medizinsoftware u. Systeme AG
Kreuzlingen (CH)

NEXUS Italia S.r.l.
Bologna (I)

INOVIT Radiology Software GmbH
Ismaning (D)

micom GmbH
Ismaning (D)

micom GmbH
Vienna (A)

## Finance and Event Schedule

04/08/2005
Analysts and Annual Financial Statement Press Conference
11 a.m., Haus der Wirtschaft, Stuttgart / Germany

05/30/2005
Quarterly Report Q1/2005

06/27/2005
General Stockholders Meeting
11 a.m., Haus der Wirtschaft, Stuttgart / Germany

08/30/2005
Semi-Annual Report 2005

11/29/2005
Quarterly Report Q3/2005

## NEXUS Maintains Contact

Investor relations means at NEXUS that we consistently publish our results and provide information to investors, stockholders and analysts. In the wake of the law concerning improvement of protecting investors, we will publish all relevant information that influences stock prices using the appropriate media. In addition, our investor relations staff is available to provide information to all those interested.

**Angelika Lange, Investor Relations**

## Trade Fairs and Congresses

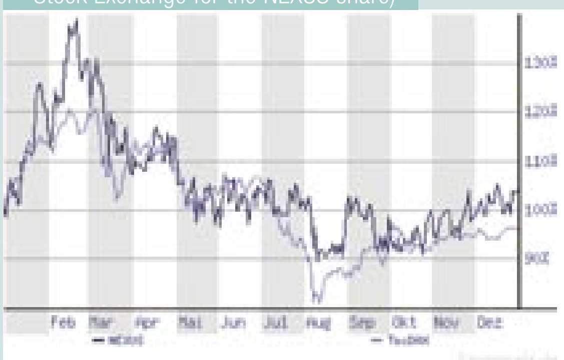
26.–28. April 2005
IteG Frankfurt
IT Trade Fair & Dialog in the Health Care System

25.–26. October 2005
eHealthcare Congress
Nottwil / Switzerland

16.–19 November 2005
MEDICA Düsseldorf – World's Largest Medicine Trade Fair

**The first joint presentation of the software solutions from NEXUS, INOVIT and micom at the world's largest medical trade fair MEDICA in Dusseldorf 2004.**

**Performance 2004**
(XETRA closing price at the Frankfurt Stock Exchange for the NEXUS share)




**Overview**

| | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|
| High | 5.40 | 3.05 | 2.69 | 2.88 |
| Low | 2.11 | 1.33 | 1.35 | 1.85 |
| Market Capitalization (year end in million euros) | 24.60 | 17.29 | 20.58 | 29.49 |
| Result per share in EUR (average) | -0.21 | 0.04 | -0.11 | -0.04 |

# Business Areas

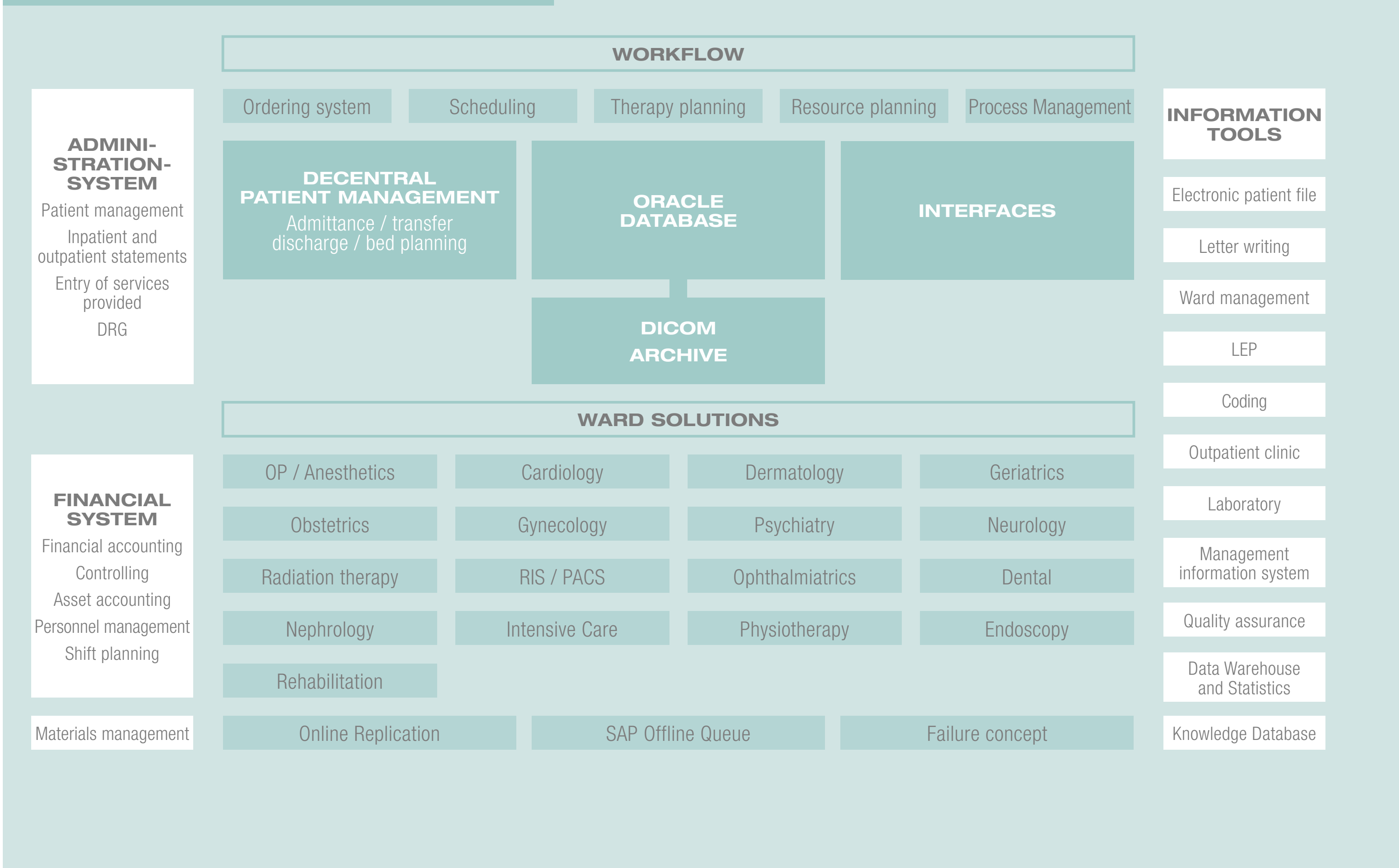
## Health Care Software: Modules for an Open Hospital Information System

NEXUS favors an open hospital information system with the modular structure of the product NEXUS.MedFolio®. Thanks to its modular, open architecture, it can be integrated into existing IT structures and at the same time represents an integrated hospital information system focused on medical processes.

The modular strategy makes it possible to expand the system step by step and change individual modules without the necessity of the customer putting the complete application into question. This aspect become especially significant when you consider the introduction costs of a hospital information system.

NEXUS refers to the specialties in hospitals with its solutions. Depending on the size, complexity or focal point of work of a respective institution, different modules or configurations are provided. NEXUS is presenting an interesting alternative to the previously uniform strategy in the industry to offer a standard solution for all institutions in the health care system. Without deviating from the standard, we offer special solutions that reflect the needs of psychiatric institutions, university hospitals, small somatic institutions or rehabilitation clinics.

### Modular Structure



**The management of service companies is also part of the Health Care Services sector. This provides hospitals with the possibility of adapting their IT organization to expanded requirements and the handling of additional tasks.**

In the radiology division, the diagnosis software INOVISION has been improved considerably, and it was possible to sell INOVISION professional 4 successfully in several hospitals. The new product is part of the comprehensive radiology solution INO-RMS and supplements the INORIS module (organization and information system) and INOPACS (image management). The digital images provide the prerequisites for precise diagnoses and findings and are available at the desired workstations in hospitals or at external radiologist, including per Internet. The most recent example for a new customer of INOVIT is the Basel University Hospital (Switzerland).

Our software solution for radiotherapy, Oncentra IM, was able to gain ground internationally in 2004. Hospitals in Germany, Switzerland and Spain have invested in this software for treating cancer patients.

## Health Care Services

As a supplement to the software portfolio, the service division of NEXUS serves customers in the health care system with technical services such as SAP consulting of Lotus Notes integration. Another service offer is the purchasing association. There are many possibilities for hospitals to reduce costs in procurement. Purchasing via system suppliers, which are coordinated by NEXUS.IT, can achieve a savings potential of up to two million euros in a hospital depending on the size and starting situation.

The management of service companies is also part of the Health Care Services sector. This provides hospitals with the possibility of adapting their IT organization to expanded requirements and the handling of additional tasks. Very different topic areas can be covered with the know-how, which NEXUS IT provides. Service providers and hospitals participate in this type of legal entity to handle IT or Facility Management for respective hospitals, for example. NEXUS.IT participates in several service companies such as G.I.T.S. in Fürstenfeldbruck and SRH-Kliniken Dienstleistungs GmbH in Heidelberg (Germany).

# Report of the Supervisory Board

At the General Stockholders meeting on 28 June 2004, the proposal of the administration to increase the number of members on the Supervisory Board from three to six was approved. In addition to Dr. Hans-Joachim König, Dr. Herwig Freiherr von Nettelhorst and Ronny Dransfeld, Professor Dr. Ulrich Krystek, Wolfgang Dörflinger and Dr. Dietmar Kubis have been elected to the Supervisory Board.

In the procedural Supervisory Board meeting of 14 September 2004, Dr. Hans-Joachim König was elected Chairperson of the Supervisory Board. Dr. Herwig Freiherr von Nettelhorst was elected Deputy Chairperson of the Supervisory Board. The Supervisory Board was informed in written and oral reports at regular intervals by the Executive Board about the respectively current development of business, the risk situation and especially about important events. The Supervisory Board has fulfilled its checking and monitoring obligations. The business transactions submitted for approval to the Supervisory Board due to legal and company statutes were checked and discussed with the Executive Board. In addition, the Chairperson of the Supervisory Board was informed about the course of business at regular intervals.

In addition, an audit committee was formed composed of Dr. Kubis, Dr. Freiherr von Nettelhorst and Ronny Dransfeld for the business year 2004.

The Supervisory Board dealt in depth the topic of "Corporate Governance" in its session on 17 December 2004, especially with the new German Corporate Governance codex. The Supervisory Board passed a resolution about the common correspondence statement of Supervisory Board and Executive Board in line with Clause 161 of the German Stock Corporation Law. The common correspondence statement is reproduced at www.nexus-ag.de and the 2004 annual report on page 26.

In the eight sessions during the business year, the Supervisory Board dealt above all with the current business situation, further strategic development and possible company acquisitions. The chances and risks of acquisition candidates were discussed intensively and negotiations were supported actively. Another focal point in the sessions was the internationalization of the company.

**The Supervisory Board would like to thank the Executive Board and all employees for their dedication and work completed over the past business year.**

The annual financial statements prepared by the Executive Board in respect of NEXUS AG for 2004 were presented to the Supervisory Board together with the Executive Board's management report and the auditor's report. The group financial statements, the group management report and the auditor's report for the group were also presented to the Supervisory Board. The accounts, the annual financial statements and the management report were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft in Villingen-Schwenningen, the auditors appointed by the shareholders, and were furnished with an unqualified audit opinion.

The Supervisory Board's audit of the annual financial statements, the group financials statements, the management report and the group management report were discussed at the meeting on March 23, 2005 with the auditors and the Executive Board. Consequently, the annual financial statements have been approved.
The Supervisory Board would like to thank the Executive Board and all employees for their dedication and work completed over the past business year.

Villingen-Schwenningen, 23 March 2005
The Supervisory Board

Dr. Hans-Joachim König
Chairperson

# Group Management Report 2004

## I. The Group and Course of Business

### 1. Essential Events of the Business Year

NEXUS provides software solutions for hospitals and specialist clinics with its core products, the electronic information system NEXUS.MedFolio®, the patient management system micom MediCare.plus® and the radiology information system INORMS. The various modules of the software solution are used both for improving work processes and the course of treatment as well as for optimizing the quality of the documentation of patient date. The aim of our product is to offer our customers everything necessary for digitalization, acceleration and qualitative improvement of their business processes.

**NEXUS' main source of sales was the Healthcare Software division in 2004. In comparison to 2003, the division achieved a substantial increase in sales.**

The acquisition of 100% of the shares of micom GmbH, Munich from DEWB AG by NEXUS on June 8, 2004 has rounded out the range of products both in the administrative sector as in the area of medicine and opened expansion options in the area of regular customers of both companies. With the same objective, NEXUS AG founded the Medidata GmbH jointly with PriA Dienstleistungen im Gesundheitswesen GmbH and Zehnacker GmbH. The goal is to handle billing of all services of hospitals with special focus on DRG invoices.

NEXUS' main source of sales was the Healthcare Software division in 2004. In comparison to 2003, the division achieved a substantial increase in sales. In addition to organic growth, this area was strengthened by the acquisition of micom GmbH, Munich. The company was integrated into the consolidation sphere of NEXUS AG from the beginning of June 2004. The Healthcare Service Division was able to stabilize its sales after several years of consolidation and further strengthen its orientation to high quality IT services in the health care system.

The share of our international involvement again increased considerably in 2004, especially in the area of Healthcare Software. Important orders were won and invoiced in Europe and Arab regions.

### Improvement of the Market Position in Germany and Internationalization

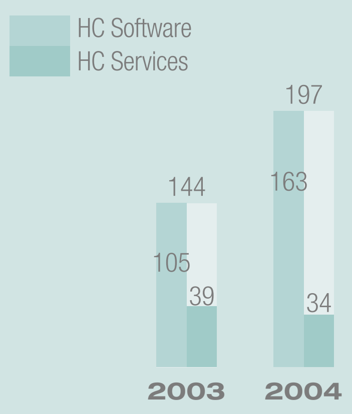
In 2004, the targets of increasing internationalization and improving market shares in Germany were achieved consistently. Numerous orders won in German and internationally have strengthened the market position of NEXUS. At the same time, the acquisition of micom GmbH has resulted in an expanded customer base and consequently in improved market shares.

Product innovations and improvements were also an important focal point in 2004. New products are NEXUS. MedFolio®web, Endoscopy, Quality Content Management (QCM) and Outpatient Care, for example.

Product and market cooperation remain an essential component of our strategy. In collaboration with our Dutch partner company Nucletron, the product Oncentra IM was marketed on a worldwide basis in the area of radiotherapy. Collaboration with the Zehnacker Company for IT services offers also resulted in stabilizing the Healthcare Service Division in 2004. We are working together with All-for-one AG in the area of complete solutions for rehabilitation institutes and implemented new products in the rehabilitation sector despite continued weakness in the market.

**Number of employees**

12/31/2003 and 12/31/2004



## 2. Course of Business of the Company Divisions

### Health Care Software Division: Sales Increases and Prestigious Projects

The Healthcare Software Division achieved sales of KEUR 10,997 in 2004 following KEUR 9,308 in the previous year. This represents an increase of 18.1%. Partial settlement of large projects such as those in Kuwait and at the University Hospital of Basel are contained in the sales figures. In addition, sales from the micom GmbH have been consolidated from the beginning of June 2004. The success in the course of business is not the least due to the production innovations of the last months.

### Healthcare Service Division: Stabilization of Business

The Healthcare Service Division provides IT services for institutions in the healthcare system. Sales could also be increased here by 18.5% with sales of KEUR 5,398 following KEUR 4,554 in 2003. Business successes were achieved especially in the new service areas and even in hardware.

## 3. Personnel Developments

The basis for our success and the increase of our competitiveness is the efficiency and capability of our staff. This applies especially to an area so dependent on knowledge such as medical informatics, in which medical and informatics knowledge are combined to create solutions oriented to customer needs. NEXUS puts a great deal of value on efficient personnel management.

The number of employees and their structure at NEXUS changed due to the integration of the staff from micom GmbH. On December 31, 2004 a total of 197 people were employed compared to 144 the previous year. micom GmbH employed 62 people on the cutoff date of December 31, 2004. The areas of development, project management and technology were especially strengthened in the NEXUS group thanks to the integration of micom GmbH.

## 4. Assets, Finances and Profit Situation

The NEXUS Group has consolidated sales of KEUR 16,395 in 2004 following KEUR 13,862 in 2003. This represents an increase in sales of 18.3%. KEUR 3,580 can be attributed to micom GmbH.

The net loss for the year before taxes improved from KEUR 742 in the previous year to KEUR 124 in the year under review. KEUR 310 from the integration of micom GmbH starting from the beginning of June 2004 are contained in the consolidated figures.

**Structure of employees**

12/31/2004

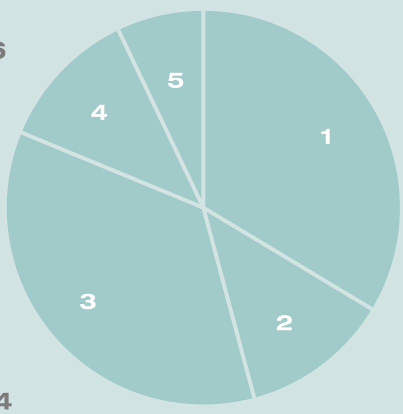
1
Development: **66**

2
Technical Department: **24**

3
Project Management: **70**

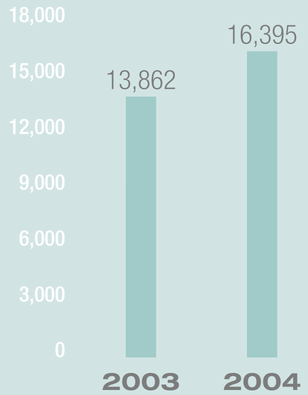
4
Sales/ Marketing: **23**

5
Administration: **14**



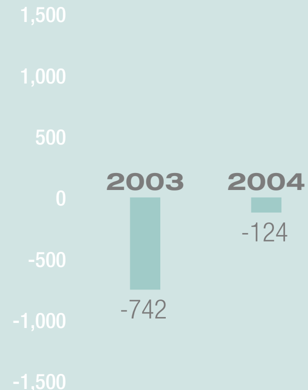

**Sales in KEUR**

+18.3%




**Earnings before tax in KEUR**

+KEUR 618



The EBITDA 2004 was KEUR 2,668 following KEUR 1,223 in 2003 ( + KEUR 1,445). This repeatedly strong rise demonstrates that the operative business is stabilizing increasingly.

The net loss for the year before taxes was also reduced substantially to KEUR -473 (2003: KEUR -1,092), whereby tax burdens of KEUR 535 are contained in this amount. The reason for this clear upward trend is especially the further improvement of the profit structure. Revenues from licenses and hardware are continuing to increase, and it was possible to reduce structure costs in many areas at the same time.

The segment results show the same picture. The Healthcare Software Division achieved a positive result of KEUR 729 following a segment loss of KEUR -245 in 2003. The Healthcare Service Division reduced the segment loss with improved sales of TEUR -1,165 in the previous year to KEUR -555 in 2004.

The equity capital of NEXUS was KEUR 41,025 on the cutoff date following KEUR 34,142 in the previous year, which corresponds to an equity capital rate of 85.8% (previous year: 89.3%). The absolute increase of equity capital is due to the increase of subscribed capital by 3,427,699 shares of stock as well as the connected increase of the capital reserves by KEUR 3,873.

The amount of liquid funds (including securities) as of December 31, 2004 increased strongly to KEUR 16,694 (previous year: KEUR 15,904) and represents 34.9% (previous year: 41.6%) of the balance sheet total. The company thus has sufficient liquidity to achieve its ambitious growth plans. The inflow and outflow of funds is shown in the cash flow statement.

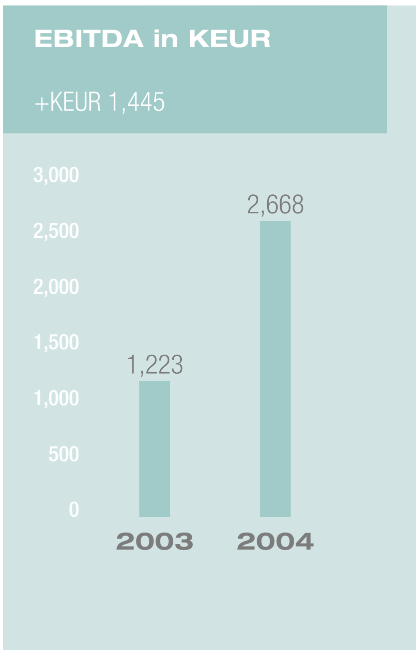
The Cash Flow from operating activities amounts to KEUR 4,310 following KEUR 1,243 in the business year 2003.

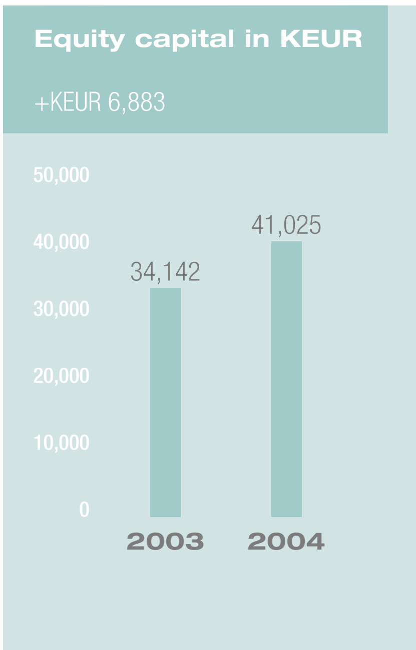
## 5. Investments / Acquisitions

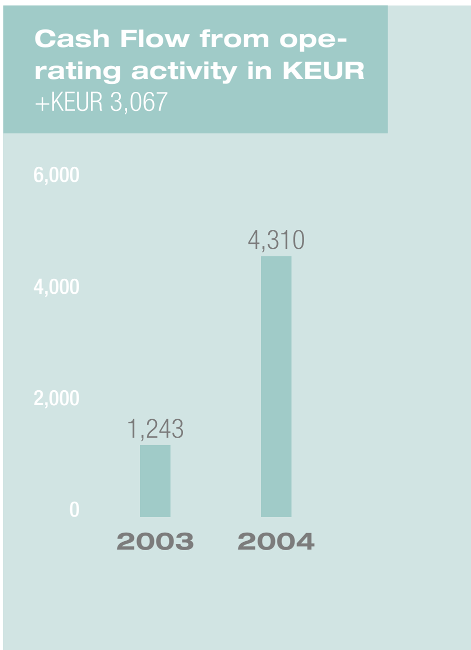
The largest investment in 2004 was the acquisition of the shares of micom GmbH from DEWB AG, Jena. The purchase was conducted in the form of an increase of non-cash capital against issue of new shares of the NEXUS AG. There were no significant investments in fixed assets besides this position.

NEXUS AG acquired 100% of the shares of micom GmbH, Jena with signing of the contract on June 8, 2004. The goal of the acquisition was to expand the range of products in the administrative sector and increase market share in Germany at the same time.

NEXUS agreed on payment in NEXUS stock for capital subscribed in kind for the purchase of micom GmbH. The number of shares were increased by the increase of capital stock by 3,427,699 new no-par bearer stocks (individual share certificates) to a total of 13,720,000. A total of 820,000 shares from the increase of capital stock only remain the property of DEWB in accordance with achievement of the performance figures (performance clause) and can flow back completely or partially after March 31, 2005 to NEXUS AG or a third party to be named. The increase of capital stock was based on use of the approved capital in § 4 Clause 4 of the bylaws of NEXUS AG in the amount of nom. EUR 5,146,150.00 (authorization from the general stockholders meeting of July 15, 2003). The capital stock was increased with exclusion of the options for new stock for all stockholders of NEXUS AG. The price of the NEXUS stock was EUR 2.13 per share at the date of purchase, so that the tentative net purchase price is KEUR 7,301. The final purchase price will only be determined after March 31, 2005 when the target values of the performance clause are set finally. It will accordingly be set how many of the shares paid as purchase price will flow back to NEXUS. The purchase price was split in accordance with IFRS 3/ IAS 38 (revised 2004) and is still tentative. On the basis of the tentative split, KEUR 400 was capitalized as customer relations (regular customers), KEUR 1,875 as intellectual property rights (technology) and KEUR 5,173 as goodwill.



## 6. Development

Capitalized development costs totaled KEUR 3,393 (previous year: KEUR 2,715) in the reporting year. This represents an increase of 25%. The increase is basically due to the consolidation of the development expenses of micom GmbH. micom spent KEUR 550 for developments capable of capitalization. The developments include services, which were provided in connection with the standard functions of the products NEXUS.MedFolio®, the electronic hospital information system, micom MediCare.plus™, the patient management system and INORMS, the radiology information system.

## 7. Monitoring System in Accordance with §91 (2) AktG (German Stock Corporation Act) and Risk Reporting

In 2004, risks were observed in particular in the field of development and customer projects. The management operates a risk management system in keeping with §91 (2) AktG (German Stock Corporation Act), including risk reporting.

• Implementation difficulties, and technical difficulties in particular, could lead to penalty payments or reversed transaction for the existing large-scale projects which would have a negative effect on the earnings situation as well as the market reputation.

• A sharp decline in customer interest could endanger the company's operating basis.

• Risks are also posed by the time and budget planning of proprietary developments, deviations in which could cause substantial impact on marketing and costs.

• The migration of a large number of core knowledge carriers could lead to considerable difficulties in conducting operative business, at least on a short-term basis.

Like all companies, NEXUS is subject to management risks which are met with a systematic procedure that defines detailed planning and control processes. The Supervisory Board and the Management Board have obligated themselves to upholding the German Corporate Governance Code.

## 8. Outlook for Future Development: Sales Growth and Continual Improvement in Performance

NEXUS is going to position its activities increasingly clearly and transparently due to the concentration in the competitive environment. Thanks to the integration of micom, it has already been possible to expand the range of products so that NEXUS can now act as a provider of overall solutions and expand its specialization in medical information systems.

Thanks to the open, modular structure of our product lines, we are able to respond individually to customer requests. This is a strength, which we are going to communicate even more clearly in the future.

Over the past year, NEXUS improved its starting position considerably with product innovations and expansion of its customer base. We were able to increase the number of our customers significantly in Germany in the business year 2004 and have created a stable "home base". We have the possibility to operate internationally from there. We will convince customers in other customers with the multi-lingual versions of our products. We believe that there is promising potential for success in internationalizing our company over the next years.

It will be a question over the coming months of handling the technological challenges in our large projects and in the integration teams. The product lines of NEXUS, micom and INOVIT, which can depict the complete process chain in the sense of integrated overall care, already provide good prerequisites for this today.

Our goal in 2005 remains to increase our sales and to continue improvement of our cash flow and result before taxes. In doing this, it will be less a question of increasing results quickly, but instead of expanding our market position and increasing our sales dynamics over the next years. We are creating the basis for convincing sales growth in our core business via intensification of our market communication and acquisition of product components.

NEXUS has an excellent position today as an up-and-coming participant in national and international markets with a very good reputation for innovative products. We have an experienced staff, successful products, a large customer base and sufficient financial means. We are going to use these strengths to play an increasingly more important role in this attractive market. We base our goals for 2005 on this assessment.

**We have an experienced staff, successful products, a large customer base and sufficient financial means.**

## II. Corporate Governance

NEXUS AG is complying with this obligation and hereby submits the following explanations under consideration of its specific conditions, especially the size of the company: Declaration of the Management Board and the Supervisory Board of NEXUS AG Villingen in compliance with § 161 AktG (German Stock Corporation Act) and § 15 EG AktG

The Management Board and the Supervisory Board have decided to continue implementing the Government Commission's recommendations on the German Corporate Governance Code, barring the exceptions listed below, and to provide the following Declaration of Compliance in keeping with § 161 AktG (German Stock Corporation Act):

### Regarding Point 3.8 Sentence 3 of the Code:

The existing D&O insurance has not designated a deductible for any of the persons covered by the insurance protection. NEXUS AG does not regard a deductible as significant in adherence to the rules of proper business management and therefore deviates from the Code on this point.

### Regarding Point 4.2.2 ff. of the Code:

There are old contracts which were concluded before the Code went into effect. The contracts do not fully correspond with the Code guidelines in regard to remuneration. The Code guidelines were not taken into account in a Management Board contract extension in summer 2003 as this contract extension was already stipulated in the old contract.

According to planning, the Code guidelines will be taken into account in future contract extensions or new contracts. There are no plans for listing the salaries paid to the individual members of the Management Board in the Notes.

### Regarding Point 5.4.1 Sentence 2 of the Code:

There is currently no fixed age limit for members of the Supervisory Board members. As of 2004, the oldest member of the Supervisory Board was 60. We suggest introducing an age limit of 70 as part of the next alternations in the Articles of Association at an ordinary general stockholders' meeting.

### Regarding Point 6.6 Sentence 1 of the Code:

In conformity with the with the provisions laid down by the Exchange Rules and the obligatory admission criteria for the Prime Standard segment, the Securities Trading Act and the German Corporate Governance Code, NEXUS AG announces the purchases and sales of the company's stock and derivatives made by members of management.

In accordance with the regulations of the Securities Trading Act, no report is made if the total sum of transactions of a person with management functions does not amount to EUR 5,000.00 by the end of a calendar year.

### Regarding Point 7.1.2 Sentence 2 of the Code:

In conformity with the provisions laid down by the Exchange Rules (§§ 63, 78 BörsO new) and the obligatory admission criteria for the Prime Standard segment, NEXUS AG publishes its interim reports two months after the close of the reporting period at the latest.

The declaration is published on the website www.nexus-ag.de.

Villingen-Schwenningen, March 2005

NEXUS AG
The Executive Board
The Management Board

# Healthcare Installations worldwide

**Germany**
Alzey
Andernach*
Bad Berka
Bad Driburg
Bad Neustadt a.d. Saale*
Bad Soden
Bad Zwischenahn
Bad Sassendorf
Bayreuth
Beckum
Berlin*
Bielefeld
Bochum*
Boppard
Bottrop
Brandenburg
Bremerhaven
Calw
Chemnitz
Darmstadt
Delitzsch
Duisburg
Erfurt
Erlabrunn
Emmendingen
Essen
Flensburg
Frankfurt a.M.
Frankenthal
Freital
Gailingen
Gelnhausen
Gelsenkirchen
Gera
Gerlingen
Greifswald
Grevenbroich
Hagen
Halle
Hamburg
Hartmannsdorf
Heidelberg
Heppenheim
Hemer
Herzberg
Hohwald
Kehl
Kempten
Koblenz
Köln
Konstanz
Krefeld
Leipzig
Lörrach
Ludwigshafen
Mannheim
Mainz
Markheidenfeld
Meiningen
Meisenheim
Minden
München
Neindorf
Neumarkt
Neuss
Nürnberg*
Paderborn
Pirna
Quedlinburg
Recklinghausen
Reichenau
Riesa
Rinteln
Rheingrafenstein
Rottweil
Saalfeld
Schneeberg
Schwedt
Schwerte
Spaichingen
Speyer
Stadthagen
Stollberg
Stuttgart
Tuttlingen
Unna
Villingen
Weißenfels
Wermelskirchen*
Wesel
Wiesbaden*
Zschopau

**Great Britain**
Aberdeen
Dundee
Nottingham

**Italy**
Bologna
Bozen
Ravenna
Tarento
Torino

**Kuwait**
Kuwait City

**Netherlands**
Alkmaar
Arnhem
Delft
Eindhoven
Leuwaarden
Nijmegen
Tilburg
Zwolle

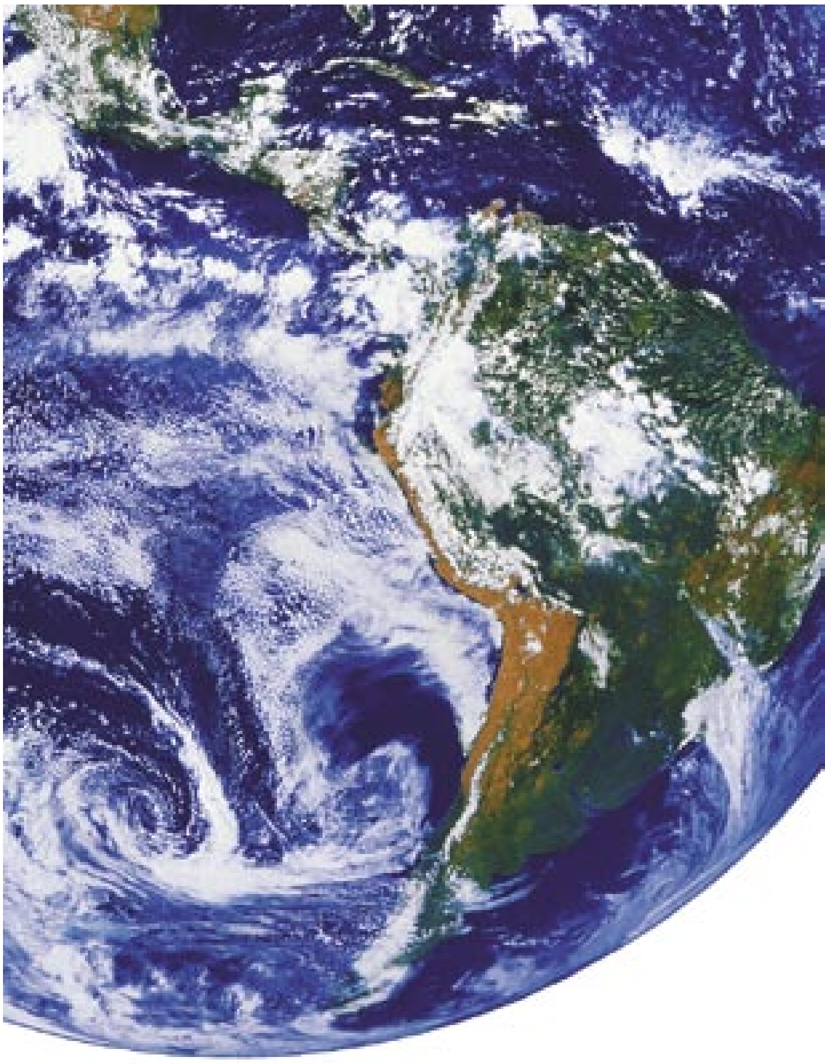
**Norway**
Gjøvik
Kristiansand
Oslo
Trondheim

**Sweden**
Boras
Lund
Sundsvall
Umeå

**Switzerland**
Aarau
Basel*
Cham
Fribourg
Männedorf
Nottwil
Rheinfelden
St. Gallen
Locarno
Samedan
St. Urban
Zihlschlacht
Zürich*

**Spanien**
Cordoba

**USA**
Atlanta
Birmingham
Brooklyn
Greenwood
New York*
Phoenix
Scottsdale
Seattle



* Several installations per city

# Consolidated Financ
2004

## Consolidated Balance Sheet of December 31, 2003 and 2004
## ASSETS

| | | 2003 | 2004 |
|---|---|---|---|
| **Long term capital** | **Notes** | **KEUR** | **KEUR** |
| Intangible assets: | ( 3 ) ( 6 ) | | |
| Concessions, industrial property rights, and rights and assets as well as licenses for such rights and assets | | 875 | 439 |
| Goodwill | | 67 | 5,221 |
| Development costs | | 5,872 | 7,296 |
| Customer Base / Technology | ( 2 ) | | 2,169 |
| | | **6,814** | **15,125** |
| Property, plant and equipment: | ( 4 ) ( 6 ) | | |
| Tenant installations | | | |
| Other equipment, factory and office equipment | | 405 | 451 |
| | | **405** | **451** |
| Financial assets: | ( 5 ) ( 6 ) | | |
| Investments in associates | | 809 | 62 |
| Other | | 40 | 43 |
| | | **849** | **105** |
| | | | |
| Deferred taxes | ( 7 ) ( 22 ) | **4,929** | **4,281** |
| | | **12,997** | **19,962** |
| | | | |
| **Short-term capital** | | | |
| Inventories | | **528** | **680** |
| | | | |
| Receivables and other assets: | | | |
| Trade receivables | ( 8 ) | 6,269 | 6,052 |
| Receivables from associated companies | | 10 | 24 |
| Other assets | ( 8 ) | 1,956 | 3,909 |
| Tax refund claims | | 554 | 383 |
| | | **8,789** | **10,368** |
| | | | |
| Securities | ( 9 ) | 12,666 | 13,925 |
| Cash and cash equivalents | | 3,238 | 2,769 |
| Prepaid expenses | | 26 | 78 |
| | | **15,930** | **16,772** |
| | | **25,247** | **27,820** |
| | | **38,244** | **47,782** |

# ial Statements

## Consolidated Balance Sheet of December 31, 2003 and 2004
## EQUITY AND LIABILITIES

| | | 2003 | 2004 |
|---|---|---|---|
| **Equity** | **Notes** | **KEUR** | **KEUR** |
| Subscribed capital | ( 10a ) | 10,292 | 13,720 |
| Capital reserve | ( 10b ) | 35,025 | 38,898 |
| Other reserves | ( 10c ) | 1 | 1 |
| Equity capital difference from currency translation | ( 10d ) | -1 | 3 |
| Valution reserve for financial instruments | ( 10e ) | 24 | 75 |
| Consolidated loss carry-forward | | -10,107 | -11,199 |
| Group loss | | -1,092 | -473 |
| | | **34,142** | **41,025** |
| | | | |
| **Minority interest** | | **588** | **440** |
| | | | |
| **Long term liabilities** | | | |
| Pension provisions | ( 11 ) | **373** | **405** |
| | | | |
| **Short-term liabilities** | | | |
| Tax provisions | ( 12 ) | 0 | 6 |
| Other provisions | ( 13 ) | 700 | 1,595 |
| Bank loans | ( 14 ) | 169 | 184 |
| Received payments on orders | | 102 | 998 |
| Trade accounts payable | | 1,073 | 1,874 |
| Liabilities with associated companies | ( 14 ) | 12 | 47 |
| Other liabilities | ( 14 ) | 743 | 1,085 |
| Deferred income | | 342 | 123 |
| | | **3,141** | **5,912** |
| | | **38,244** | **47,782** |

## Consolidated Profit and Loss Account for the Fiscal Years 2003 and 2004

| | | 2003 | 2004 |
|---|---|---|---|
| | **Notes** | **KEUR** | **KEUR** |
| Revenue | ( 17 ) | 13,862 | 16,395 |
| Increase / decrease in finished goods and work in progress | | 219 | 9 |
| Other capitalized company work | | 2,715 | 3,394 |
| Other operating income | ( 18 ) | 612 | 1,358 |
| Cost of materials | ( 19 ) | 4,162 | 4,430 |
| Personnel expenses | ( 20 ) | 8,740 | 10,642 |
| Depreciation and amortisation of fixed intangible and tangible assets | ( 6 ) | 2,513 | 3,082 |
| Other operating expenses | ( 21 ) | 3,390 | 2,813 |
| Other taxes | | 13 | 10 |
| **Operating results** | | **-1,410** | **179** |
| | | | |
| Other interest and similar income | | 711 | 548 |
| Revenue from associated companies | | 5 | 6 |
| Profits from loans of financial assets | ( 22 ) | 1 | 1 |
| Depreciation of financial assets | ( 5 ) | 13 | 797 |
| Interest payable and other similar charges | | 36 | 61 |
| **Profit before tax** | | **-742** | **-124** |
| | | | |
| Income taxes | ( 23 ) | -450 | -535 |
| **Profit after tax** | | **-1,192** | **-659** |
| | | | |
| Minority interest | | 100 | 186 |
| **Group loss** | | **-1,092** | **-473** |
| | | | |
| **Earnings per share** | ( 24 ) | | |
| Weighted average of issued shares (in thousands) | | 10,288 | 12,292 |
| Result per share in EUR (diluted and undiluted) | | -0.11 | -0.04 |

## Consolidated Cash Flow Statements for the Fiscal Years 2003 and 2004

| | | 2003 | 2004 |
|---|---|---|---|
| **1. Cash Flow from operating activities** | | **TEUR** | **TEUR** |
| Results of the year, before deduction of profit payable to other shareholders, income taxes, interest and finance income / expenditure | | -1,410 | 179 |
| Depreciation and amortization of intangible assets and plant, equipment and other fixed assets | | 2,513 | 3,082 |
| Other expenses / income with no impact on cash | | 56 | -666 |
| Depreciation of financial assets | | 0 | 797 |
| Profit / loss from disposal of long term capital | | 0 | 15 |
| Profit / loss from disposal of securities | | -100 | -9 |
| Increase / decrease in inventories | | -220 | -19 |
| Increase / decrease in trade receivables and other assets that cannot be allocated to investing or financing activities | | -430 | 3,994 |
| Changes in provision | | -63 | -1,866 |
| Increase / decrease in trade accounts payable and other liabilities that cannot be allocated to investing or financing activities | | 336 | -1,793 |
| Interest paid | | -36 | -61 |
| Interest payments received | | 819 | 486 |
| Income taxes paid | | -231 | -154 |
| Income taxes received | | 9 | 325 |
| | | **1,243** | **4,310** |
| | | | |
| **2. Cash Flow from financing activities** | | | |
| Cash paid for investments in property, plant and equipment / intangible assets | | -2,801 | -3,562 |
| Cash paid for investments in financial assets | | -52 | -13 |
| Cash received from disposal of securities | | 10,150 | 5,154 |
| Cash paid for investments in scurities | | -8,711 | -6,405 |
| | | **-1,414** | **-4,826** |
| | | | |
| **3. Cash Flow from financing activities** | | | |
| Purchase of own shares | | 27 | 0 |
| | | **27** | **0** |
| | | | |
| **4. Cash and cash equivalents at end of fiscal year** | | | |
| Cash-relevant changes in cash and cash equivalents (sum of 1 + 2 + 3) | | -144 | -516 |
| Change in currency translation adjustment | | -5 | 4 |
| Change of cash and cash equivalents according to scope of consolidation | ( 2 ) | | 29 |
| Cash and cash equivalents at beginning of fiscal year | | 3,217 | 3,068 |
| | | **3,068** | **2,585** |
| | | | |
| **5. Composition of cash and cash equivalents** | | | |
| Cash on hand | | 3,238 | 2,769 |
| Bank liabilities due on demand | | -170 | -184 |
| | | **3,068** | **2,585** |

## Development of Group Equity for the Fiscal Years 2003 and 2004

| | Subscribed capital | Capital reserves | Other provisions |
|---|---|---|---|
| | KEUR | KEUR | KEUR |
| Consolidated equity on 01/01/2003 | 10,276 | 35,014 | 1 |
| Transfer of 2002 consolidated loss to consolidated loss carry-forward | | | |
| Own shares | 16 | 11 | |
| Equity difference from currency conversion with NEXUS Medizinsoftware and Systeme AG | | | |
| Valuation of financial instruments at Fair Value | | | |
| Belated cost of IPO | | | |
| Consolidated deficit 2003 | | | |
| **Consolidated equity on December 31, 2003** | **10,292** | **35,025** | **1** |
| | | | |
| Transfer of 2003 consolidated loss to consolidated loss carry-forward | | | |
| Equity difference from currency conversion with NEXUS Medizinsoftware and Systeme AG | | | |
| Valuation of financial instruments at Fair Value | | | |
| Capital increase due to investment in kind | 3,428 | 3,873 | |
| Consolidated deficit 2004 | | | |
| **Consolidated equity on December 31, 2004** | **13,720** | **38,898** | **1** |

| Equity difference from currency conversion | Valuation reserve for financial instruments | Consolidated loss carry forward | Consolidated deficit | Equity | Authorized capital |
|---|---|---|---|---|---|
| **KEUR** | **KEUR** | **KEUR** | **KEUR** | **KEUR** | **KEUR** |
| 3 | -72 | -9,735 | -372 | 35,115 | 2,608 |
| | | -372 | 372 | 0 | |
| | | | | 27 | |
| -4 | | | | -4 | |
| | 96 | | | 96 | |
| | | | | 0 | |
| | | | -1,092 | -1,092 | – |
| **-1** | **24** | **-10,107** | **-1,092** | **34,142** | **5,146** |
| | | | | | |
| | | -1,092 | | 0 | |
| 4 | | | | 4 | |
| | 51 | | | 51 | |
| | | | | 7,301 | |
| | | | -473 | -473 | – |
| **3** | **75** | **-11,199** | **-473** | **41,025** | **5,146** |

# Notes to the Consolidated Financial Statements (IAS) for the fiscal year 2004

## 1. General Information

In its "Healthcare Software" and "Healthcare Service" divisions NEXUS develops and sells soft- and hardware solutions and services for the medical sector. In its "Healthcare Software Division" the company concentrates on medical information systems for hospitals, rehabilitation centers and social care centers.
The "Healthcare Service Division" sells IT service for the health care sector. They cover consultancy in the area of hardware equipment, security systems and intranet and internet solutions up to the complete management of IT-services for hospitals.

The registered address of NEXUS is:
Auf der Steig 6, Villingen Schwenningen (Germany).

NEXUS is registered in the commercial register of the district court of Villingen-Schwenningen, Number HRB 2434. NEXUS AG is a company listed in the new Primary Segment of Frankfurt Stock Exchange.

## 2. Summary of significant accounting policies

The compatibility between group accounting and the 7th EU Directive necessary for exemption from the commercial law reporting requirements was established based on the interpretation of the directive through DRS1 (German Accounting Standards) "Exempting Consolidated Financial Statements according to §292a HGB.

### Effects of new accounting standards

The International Accounting Standards Board (IASB) published modified standards within the framework of its projects for revising the IFRS (inter alia, IAS 1, IAS 2, IAS 8, IAS 10, IAS 17, etc.), which are to be applied for the business year that begins on or after January 1, 2005. In addition, IAS 32 and 39 were revised. They replace the old standards effective January 1, 2005. In 2004 IFRS 2 (Share-based Payment) and further standards (IFRS 4,5) were published. These standards are effective January 1,2005. Changes of individual standards due to the improvement projects of IASB and the revised IAS 32 and IAS 39, which all must only be applied compulsorily starting January 1, 2005, were not applied ahead of time in the current Group Annual Report. None of the IFRS standards specified in the business year 2004

- IFRS 2: Share-based payments
- IFRS 4: Insurance contracts
- IFRS 5: Non-current assets held for sale and discontinued operations were applied by NEXUS until December 31, 2004 ahead of time.

On the other hand, IFRS 3 (Business Combinations) as successor to IAS 22 should already be applied to company acquisitions, which were agreed upon on or before March 31, 2004. All identifiable assets, liabilities and contingent liabilities are to be included in balance sheets at their market value at the time of purchase. A business or company value is no longer written off according to a schedule, but instead should be checked for its value once per year. In connection with the publication of IFRS 3, the revised standards IAS 36 and 38 were also published. They are to be applied for company acquisitions, which were agreed upon on or after March 31, 2004.

**List of subsidiaries consolidated**

| | 12/31/2003 | 12/31/2004 |
|---|---|---|
| **Full consolidation** | **Shares of Capital in %** | |
| NEXUS Digitale Dokumentationssysteme Projektentwicklungsges.mbH, Wien (A) | 100.00 | 100.00 |
| NEXUS.IT GmbH SÜDWEST, Villingen-Schwenningen | 100.00 | 100.00 |
| NEXUS.IT GmbH SÜDOST, Villingen-Schwenningen | 50.20 | 50.20 |
| NEXUS.IT GmbH NORD, Villingen-Schwenningen | 100.00 | 100.00 |
| NEXUS Medizinsoftware und Systeme AG, Kreuzlingen (CH) | 99.98 | 99.98 |
| NEXUS Italia S.r.l., Bologna (I) | 80.00 | 80.00 |
| INOVIT Radiology Software GmbH, Ismaning | 62.85 | 62.85 |
| Micom Gesellschaft für Organisationsberatung und Computersoftware mbH, München | – | 100.00 |
| Micom Gesellschaft für Organisationsberatung und Computersoftware mbH, Wien (A) | – | 100.00 |
| **Equity-consolidation** | | |
| G.I.T.S Gesundheitswesen IT-Service GmbH, Fürstenfeldbruck | 49.00 | 49.00 |
| SRH Kliniken Dienstleistungs GmbH, Heidelberg | 24.00 | 24.00 |
| Medidata GmbH, Berlin | – | 25.00 |
| VEGA Software GmbH, Aachen | – | 30.00 |
| Medizin Forum AG, Ober-Mörlen | 31.25 | 31.25 |

## Structure
Asset and debt items in the balance sheet are classified according to their time to maturity. The Profit and Loss account was drawn up according to the total expenditure format.

The shares of results, which other stockholders are entitled to, are shown within the Profit and Loss Account as expense or earnings items or their shares are shown as a separate item according to equity capital in the balance sheet.

## Foundation
The consolidated financial report was prepared in conformity with the International Financial Reporting Standards (IFRS). The accounting methods used are in line with the European Union guidelines for preparation on consolidated financial statements and comply with the requirements stipulated by § 292a HGB (German Commercial Code).

After preparation, the financial statement was released for publication by the Management Board on March 22, 2005. The statement was discussed at the Supervisory Board meeting on March 23, 2005 with the auditors and the Executive Board. The annual financial statements have been adopted by a resolution on March 23, 2005.

The Profit and Loss account was drawn up according to the total expenditure format.

The financial statement was prepared using the historical acquisition costs or costs of production; with the exception of marketable financial assets which are stated at the current value after first-time valuation.

## Reporting currency
The consolidated financial statements are prepared in thousands of EURO (KEUR) unless stated otherwise.

## Scope of consolidation
In addition to NEXUS AG as the parent company, the consolidated financial statements include all subsidiaries operating in Germany and abroad for which NEXUS AG directly or indirectly holds the majority of voting rights.

The balance sheet for five associated companies was prepared according to the equity method. (See page 34)

NEXUS Beteiligungs GmbH, Villingen-Schwenningen was absorbed by NEXUS AG, Villingen-Schwenningen on August 30, 2004 effective on January 1, 2004. The assets and debts were acquired at book values. Profits resulted from the merge, which are shown in other operating income.

The participatory share of Medizin Forum AG, Ober-Mörlen was written down completely as of December 31, 2004. A claim for adjustment against the tbg Technologie-Beteiligungs-Gesellschaft mbH of the Deutsche Ausgleichsbank (DtA) was capitalized for the other assets in connection with this participation.
Medidata GmbH, Berlin was founded with nominal capital of EUR 50,000.00 with the contract of November 18, 2004. NEXUS AG acquired a participating share of EUR 12,500.00. This newly founded company opened for business on December 1, 2004. The shares in this company are carried in the balance sheet in the reporting year for the first time according to the equity method. The equity of the SRH Kliniken Dienstleistungs GmbH, Heidelberg was also consolidated.
VEGA Software GmbH is an associated company of micom GmbH and has become a member of the Group with purchase of micom GmbH.

NEXUS AG acquired 100% of the shares of micom GmbH, Jena, with signing of the contract on June 8, 2004. A purchase price was agreed upon in NEXUS stock for capital subscribed in kind. The tentative accounting par value of the net purchase price was KEUR 7,301. The final purchase price will only be determined after March 31, 2005 when the target values of the performance clause are set finally. NEXUS AG acquired the following assets and debts with takeover of micom GmbH with the following assumed current market value: see table Assets / Depts.

On the basis of a tentative split, the following assets were identified and capitalized as follows: KEUR 400 was capitalized as customer relations (customer base), KEUR 1,875 as intellectual property rights (technology) and KEUR 5,173 as goodwill. The final distribution will be made after adaption of the purchase price in line with the performance clause.

### Assets / Depts in KEUR

| **Positions Assets / Depts** | **Total** |
|---|---|
| Cash on hand | 153,763.28 |
| Long Term Capital | 442,268.67 |
| Financial Assets | 10,632.91 |
| Inventories | 132,978.83 |
| Receivables | 5,832,921.61 |
| Prepaid expenses | 83,236.70 |
| Prepaid Taxes | -86,142.00 |
| Provisions | -2,861,401.54 |
| Liabilities | -3,347,077.76 |
| Deferred income | -384,663.45 |
| **Equity as of 05/31/2004** | **-23,482.75** |
| Customer Base / Technology | 2,275,000.00 |
| Goodwill | 5,173,788.66 |
| **Total purchase price** | **7,425,305.91** |
| The purchace price is composed of the following: | |
| Issued shares at market value | 7,300,998.87 |
| Incidental procurement expenses | 124,307.04 |
| **Total purchase price** | **7,425,305.91** |
| Means of payment from this acquisition development as follows: | |
| Minus purchased means of payment | 153,763.28 |
| Purchase price paid in cash | 124,307.04 |
| **Inflow of means of payment** | **29,456.24** |

The purchased business or company value was allocated for checking the value to the Healthcare Software Division as unit generating means of payment. The achievable amount of the unit Healthcare Software was determined on the basis of calculating utilization value. This calculation was made on the basis of cash flow forecasts, which in turn are based on the financial plans approved by management for a time period of five years. The discount rate used for the cash flow forecasts is 9%. Cash flows after a period of five years are extrapolated without growth rates.
A central factor influencing the company plan is the increase of sales revenues via growth of the company itself as well as via acquisitions. The growth expectations are based on past experiences and external sources of information.

micom GmbH, Munich, was consolidated on June 1, 2004 and had profits of KEUR 310 and a consolidated sales contribution of KEUR 3,580 in the past year. If the merger had taken place at the beginning of the year, Group sales would have increased by KEUR 1,205 and the Group result would have been reduced by KEUR -772. Immaterial assets are contained in the goodwill, which can neither be identified nor measured reliably. These especially refer to new possibilities of accessing the market.

## Consolidation principles

The Consolidated Financial Statements are based on the annual financial statements as attested by independent auditors. The attested annual financial statements are reconciled into uniform statements ready for consolidation according to International Accounting Standards (IFRS). All of the companies included on December 31, 2004 use the calendar year as their business year.

The purchase method was used for company acquisitions. Consolidation of capital occurs at the time at which control is acquired. The reported equity capitals of the included companies are offset against the book value of participations. The assets and liabilities are shown at their current values.

For companies, which were purchased after March 31, 2004 IFRS 3 (Business Combinations) must be applied. Within the framework of an identification process immaterial assets previously not reported in the balance sheet but with the possibility of being reported are capitalized analog to the regulations of IAS 22 after IFRS 3. In addition, contingent depts are considered. Remaining positive differences were capitalized according to IFRS 3 as goodwill.

The shares of results, which other stockholders are entitled to, are shown within the Profit and Loss Account as expense or earnings items or their shares are shown as a separate item after the equity capital in the balance sheet.

A company on which Nexus AG can exercise substantial influence is included in the consolidated financial statements „at equity". An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

Receivables and liabilities between the consolidated companies have been offset against one another. Internal sales were eliminated within the framework of the expense and earnings consolidation. An elimination of the interim results was not to be undertaken.

The consolidated profit and loss account has been prepared as a fully consolidated profit and loss account according to the total expenditure format, in which all earnings and expenses between the companies included have been offset against each other.

The conversion of international annual financial statements in foreign currency is undertaken according to IAS 21 in keeping with the concept of functional currency. The balance sheets from the foreign consolidated companies are thus converted using the exchange rates valid on the key balance sheet date, the profit and loss statement with the annual average exchange rates and the equity capital at the historical exchange rates. The functional currency is the respective national currency for all companies. The resulting conversion differences are recorded in equity capital with no impact on earnings.

## The main differences to German accounting principles according to HGB exist with the following items

• Under IAS 2 inventories are measured principally at the lower of production or purchase cost and net realizable value. The lower value at the balance sheet date pursuant to Sec. 253 (3) HGB may differ from this net realizable value in certain circumstances.
• Certain financial assets which are aimed for sale are measured at their fair values after initial recognition under IAS 39. Gains and losses on remeasurement to fair value of these financial instruments are posted directly in equity capital neutral in their effects on profits. Pursuant to HGB these financial assets are measured at cost of their lower fair value.
• According to IFRS the costs directly attributable to a cash capital increase are accounted for as a deduction from equity, net of related income tax benefit. Under HGB these costs have to be recognized as an expense.
• Provisions for pension fund liabilities are calculated in accordance with the usual, internationally applied "projected unit credit method". HGB grants the discretion to chose the method from a range of methods including the tax projected unit credit method. This produces differences in pension provisions. In addition, there are different regulations concerning the treatment of actuarial profits and losses, budget changes, working hours spent in previous periods and budget assets.
• Under IAS 37 provisions are recognised for uncertain liabilities and onerous contracts. Expenditure reserves must not be recognized. The amount recognized as a provision is the best estimate that does not always correspond with the most prudent measurement.

• Receivables and liabilities in foreign currencies are to be translated at the reporting date exchange rate as per IFRS. According to HGB, the imparity principle applies.
• Development costs are capitalized under the conditions stipulated by IAS 38 and amortized over the typical useful operating life. Self-produced intangible assets cannot be capitalized under HGB. The costs of production of all non-capitalized, internally developed software are taken into account in the respective period.
• According to the German Commercial Code, deferred taxes are created only on timing differences in principle. According to IFRS on the other hand, latent taxes are to be calculated for almost all timing differences between the valuations in the tax balance sheet, consequently in principle even on those with a neutral result.
• According to IFRS 3, the goodwill may no longer be written off according to a schedule. Instead, it should be checked for value once per year. To do this, the utilization value of the unit generating payment means is calculated, which is allocated to the goodwill. If the book value is greater than the utilization value, the goodwill should be written off unbudgeted.
• Adjustments for shares of external stockholders are to be shown between equity capital and bonded capital in an independent item according to IFRS, while on the other hand it is shown in a separate item in equity capital according to the German Commercial Code.
• The structure of the balance sheets is made to maturity. According to HGB the structure follows the schema of § 266.

## Financial instruments

Financial instruments (financial assets and financial liabilities) carried on the balance sheet in the sense of IAS 32 und IAS 39 include certain financial assets, trade accounts receivable, investments, securities, cash and cash equivalents, short term dept, trade accounts receivable and certain other assets and payables based on agreements.

In accordance with IAS 39, financial assets and liabilities are divided into the following categories: a) financial investments to be held until bullet maturity, b) assets or liabilities held for trading purposes, c) financial assets available for sale and d) loans and receivables issued by the NEXUS Group.

When a financial asset or financial liability is recognized initially, it is measured at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in the case of liability) for it. Transaction costs are included in the initial measurement of all financial assets and liabilities. Costs are generally reported as of the trading day. Measurement after initial recognition is different for the various categories of financial assets and financial liabilities The accounting policies on subsequent measurement of these items are disclosed in the respective accounting policies found in this Note. Gains and losses arising from changes in the fair value of those available-for-sale financial assets are posted directly in equity capital neutral in their effects on profits.

The group operates internationally, however mainly in Europe. Therefore there is no significant exposure to market risks from changes in foreign exchange rates. The Group uses derivative financial instruments in a limited scope.

## Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed annually at reach financial year-end.

The intangible assets include service contracts/customer base, software, goodwill as well as development costs and technologies.

### a) Service contracts / customer base

In previous years, the company assumed service contracts as part of an asset deal. These were capitalized at their cost of purchase and amortized on a straight-line basis over a five-year period. The company acquired software maintenance contracts in 2004, which were capitalized as immaterial assets according to fair value in line with IFRS 3 and which will be written off linearly corresponding to their utilization period over the next seven years.

### b) Software

Software is capitalised and treated as an intangible asset, if these costs are not an integral part of the related hardware. Software is amortised on a straight-line basis over four years.

### c) Technologies

Technology-related assets refer to process and development know-how, which NEXUS AG acquired within the framework of a share deal and were valued according to fair value in line with IFRS 3. Technologies are available to the Group in the long term and will be written off linearly over a period of 15 years.

### d) Goodwill

The excess of the cost of an acquisition over the respective Group company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over its useful life. The amortisation of goodwill is shown under amortisation of intangible assets and depreciation of property, plant and equipment in the profit and loss account.

The amortisation period of five years is determined at the time of the acquisition based upon the particular circumstances. The unamortised balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognized.

For companies, which were purchased after March 31, 2004, company values (goodwill) appraised according to IFRS will no longer be amortized but instead their value will be checked and adjusted if necessary according to IAS 36 (rev. 2004) annually. Goodwill evaluations, which were conducted before March 31, 2004, were amortized in 2004 for the last time. In the subsequent periods, the remaining value will be used as a basis for the annual value tests. Impairments on goodwill will not be accredited.

## e) Development costs

Development costs are capitalized as intangible assets at their cost of  production, provided that the following conditions apply:
• Completion of the intangible asset is technically feasible;
• Completion and the use or sale of the intangible asset is intended;
• The intangible asset is suitable for use or sale;
• The intangible asset is expected to generate future commercial benefit;
• Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset;
• A reliable assessment of the expenditure relating to the intangible asset and generated during its development is possible.
• If these prerequisites are not given, development costs are expensed in the year in which they are incurred.

The cost of production includes all costs directly attributable to the development process and appropriate parts pf the development-specific overhead costs. Financing costs are not capitalized. Amortization is performed on a straight-line basis over a four-year period. In the profit and loss account, amortization on the development costs is included in the amortization on intangible and tangible assets.

## Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition. The manufacturing cost of property, plant and equipment comprise expenditure for the use of assets, services for their manufacture. These include not only individual expense but an appropriate share of overhead. External funds costs are reported as expenditure in the period in which they occur.

Depreciation is computed on a straight-line basis over the estimated useful lives which are as follows:
1. tenant installations: 5 years
2. other equipment, factory and office equipment: 3 to 8 years

## Financial investments

Investments in associates are accounted for under the equity method pursuant IAS 28. Other financial investments are accounted according to ITAS 39 at their continued purchase cost.

## Deferred taxes

The company employs the balance-oriented Liability Method prescribed according to IAS 12. According to this method, deferred taxes are always reported in case there are limited accounting and valuation differences between the tax income statement and the IFRS values. (Exceptions refer especially to business or company values from consolidation, which cannot be written down.)
Furthermore, deferred taxes on the asset side are to be reported for tax losses brought forward, as long as the realization of the losses brought forward can be expected. The valuation of deferred tax claims and obligations is based on the income tax rates applicable in the various countries.

## Inventories

Inventories including raw materials and supplies, goods for resale and incomplete projects are valued at the lower of cost and net realizable value. In addition to the individual costs, the cost of production includes appropriate parts of the necessary material and production overheads and production-related amortization that is directly attributable to the project completion process. Administration costs are taken into account if they are attributable to the project completion process. Interests for borrowed capital  are not capitalized. Inventories not available for sale are amortized in full.

## Receivables and other assets

Receivables and other assets are valued at historic cost of purchase. Identifiable default risks were taken account of with appropriate individual value adjustments. In the accounts receivable from deliveries and services, an amount of KEUR 71 (2003: KEUR 0) is contained with a remaining time to maturity of more than one year.

## Securities

Securities were classified as “financial assets available for sale”. When being reported for the first time, they are posted at the cost of purchase, which corresponds to the legitimate current value of the return service. Transaction costs are included in the first-time valuation. After the first-time valuation, securities are valued at their legitimate current value without deduction of any transaction costs that may be incurred on the sale of the securities. The legitimate current value is calculated on the basis of the prices publicly listed on a securities stock exchange.

Profits or losses are posted directly under equity capital in the equity schedule, until the financial asset is sold, withdrawn or otherwise disposed of, or until a reduction of the value for the financial asset has been determined. This means that the cumulated profit or loss previously posted under equity capital is included in the net result for the period at this point.

## Cash and cash equivalents
Cash includes cash on hand and cash with banks.

## Prepaid expenses
Prepaid expenses are initially measured at their nominal value and subsequently recognized as an expense according to the consumption of services received.

## Stock options
The company's stock options are not reported in the balance sheet at the time when they are granted to employees. At the time when the stock options are exercised, the payments received are reported under shareholders' equity.

## Pension provisions
Provisions for pension fund liabilities are calculated according to actuarial basics in accordance with the usual, internationally applied "projected unit credit method". The 1998 guideline tables from Heubeck-Richttafeln-GmbH were used as the biometric calculation basis (likelihood of death, likelihood of invalidity, likelihood of being married at time of death). Actuarial profits and losses are immediately credited to earnings or charged to expenditures.

## Other provisions
Other provisions were formed in case that a present obligation exists as a result of a past event and will probably lead to an outflow of resources the amount of which can be estimated reliably. Provisions for operating expenditure are not posted. If the timing of the fulfillment of the obligation produces a material interest effect, the provision is reported at cash value.

## Liabilities
After initial recognition, all financial liabilities, other than derivatives that are liabilities, are measured at amortised cost.

## Contingent liabilities
Contingent assets are not shown as liabilities in the consolidated financial statement until utilization is probable. They are disclosed in the Notes to the consolidated financial statements as long as utilization is not improbable.

## Deferred income
Deferred income is recognized for considerations received before the balance sheet date representing revenues or other income for a specified period after the balance sheet date. Deferred income is measured at the amortised nominal amount of the consideration received. Subsequently, it is deferred and recognized a revenue over the period during which the service is performed.

## Revenue recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery has taken place and transfer of significant risks and rewards of ownership has been completed. Service revenues are recognized over the period during which the service is performed.

## Foreign currencies
In the individual financial statements of the subsidiaries all accounts receivable and liabilities are rated in foreign currencies using the exchange rate on the balance sheet date.

Exchange rate differences arising on the settlement of monetary items and from measurement at the balance sheet date at rates different from those at which they were initially recorded during the periods are recognized in the income statement in the period in which they arise.

## Operating lease
Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments within an operating lease contract are posted as expenditure in the profit and loss account on a straight-line basis over the term of the lease contract.

## Long-term reduction of value of assets
Tangible and intangible assets are always checked with a view to a possible value reduction if events or changes in external circumstances give cause to suspect that the legitimate value for the asset on the settlement day will remain below its book value on a long-term basis. If the book value of an asset exceeds the lower of legitimate values, a value reduction is calculated for tangible assets and intangible assets that are posted at cost of purchase or production. The legitimate value is the higher of net sale price or user value. The net sale price is the sum attainable through a sale of the asset in a transaction under market conditions between responsible parties. The user value represents the cash value of the estimated future cash flows that are expected from the long-term use of an asset and its sale at the end of its useful life. The attainable sum is to be estimated for each individual asset or, if this is not possible, for the smallest identifiable unit generating cash.

If there is an indication that the reduction in value no longer exists or no longer exists in the same magnitude, this added value is recorded as yield in the Profit and Loss Account.

The value of the goodwill is checked regularly; insofar as required, the values are correctly appropriated. In accordance with IAS 36, these are determined based on comparisons with discounted, expected future cash flows, which are created through the use of those assets, which are to be allocated to the corresponding goodwill amounts. If the book value exceeds their attainable amount, the goodwill is impaired. Impairments on goodwill will not be accredited.

## Subsequent events

Post-year events that provide additional information about the Group's position at the balance sheet date are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes.

## 3. Intangible assets

Intangible assets comprise service contracts/customer base, concessions, industrial property rights and similar rights and assets as well as licenses for such rights, goodwill and development costs. The concessions, industrial property rights and similar rights and assets comprise mainly software and service contracts acquired in former years.

On the balance sheet dates, balance of the individual items was as follows:

| | 12/31/2003 | 12/31/2004 |
|---|---|---|
| | KEUR | KEUR |
| Concessions, industrial property rights and similar rights and assets as well as licenses for such rights and assets | 875 | 439 |
| Goodwill | 67 | 5,221 |
| Development costs | 5,872 | 7,296 |
| Customer Base / Technology | | 2,169 |
| | **6,814** | **15,125** |

The decrease in „Licenses, industrial property rights and similar rights and assets as well as licenses for such rights and assets" can, for the most part, be attributed to the write-off of maintenance contracts within NEXUS.IT GmbH SÜDWEST, NORD and SÜDOST.

The capitalized company value is tentative and created mainly by the acquisition of the shares of micom Gesellschaft für Organisationsberatung und Computersoftware mbH, GmbH, Munich (hereafter referred to as micom GmbH). The purchase price was split in accordance with IFRS 3 / IAS 38 (revised 2004). On the basis of a tentative split, KEUR 5,173 was capitalized as goodwill. The goodwill will be checked annually according to the regulations of IAS 36 (rev. 2004) and no longer amortized.

Within the framework of the split of the purchased assets from micom GmbH, KEUR 400 was capitalized as customer relations (regular customers), which will be written off linearly over seven years, and KEUR 1,875 as intellectual property rights (technology), which will be written off over 15 years. KEUR 106 was written off for customer base and technology in the reporting period.

Development costs have been reported in as much as they fulfill the criteria stipulated in the accounting and valuation principles. They are capitalized within the actual year, provided they are not related to orders or basic research. All in all, development costs totaling KEUR 3,393 (previous year KEUR 2,715) were capitalized in 2004. The development costs are shown separately in the Profit and Loss Account as "Other capitalized services rendered for own account" for the first time in the reporting year and no longer settled as personnel expenses or other operational expenses as previously. The numbers of 2003 were adjusted accordingly. The development costs will be written off according to schedule over a utilization period of four years. The remaining utilization period of the development costs capitalized in the previous years is for a time period of from one to three years. KEUR 2,169 was written off in the reporting year.

Please refer to the schedule of fixed assets in section 6 for the development of the individual items.

## 4. Tangible assets

Please refer to the schedule of group assets in section 6 for the development of the individual items.

## 5. Financial assets

The additions of KEUR 13 (previous year: KEUR 57) are attributed to the newly founded Medidata GmbH, Berlin. The company is carried in the balance sheet according to the equity method in the Group Annual Report. The company opened for business on December 1, 2004. No result was to be considered in the reporting year. The company GFN Projektentwicklung GmbH, Berlin, was granted a loan in the amount of KEUR 40 in 2003. The reduction of the financial assets resulted essentially from the complete writing off of the participatory share in the company Medizin Forum AG, Ober-Mörlen, in the amount of KEUR 766. The contractual claim for adjustment, which exists against the cooperation partner, was capitalized with the expected value under the miscellaneous assets. It is shown in the Profit and Loss Account under write-offs of immaterial assets or other operating profits (Healthcare Software segment).

Please refer to the schedule of group assets in section 6 for the development of the individual items.

## 6. Development of Group Assets

See pages 42 / 43

## 7. Deferred taxes

A netting of deferred taxes on the assets and liabilities side was undertaken in accordance with IAS 12. The breakdown of deferred taxes on assets and liabilities according to origin is as follows:

| | 12/31/2003 | 12/31/2004 |
|---|---|---|
| **Deferred tax receivable** | **KEUR** | **KEUR** |
| Tax carry forward | 9,569 | 10,364 |
| Valuation differences in securities | 0 | |
| Others | 28 | 30 |
| | **9,597** | **10,394** |
| | | |
| **Deferred tax payable** | | |
| Development costs | 2,222 | 2,782 |
| Technology / Know How | 0 | 857 |
| Elimination of individual value adjustments in connection with debt consolidation | 2,431 | 2,429 |
| Valuation differences in securities | 15 | 45 |
| | **4,668** | **6,113** |
| **Balance** | **4,929** | **4,281** |

Deferred taxes changed as follows:

| | 12/31/2003 | 12/31/2004 |
|---|---|---|
| Change in deferred taxes affecting profits | -448 | -532 |
| Adjustment of deferred taxes on valuation reserve through financial instruments, neutral in its effects of profits | -58 | -30 |
| Change in the scope of consolidation | 0 | -86 |
| **Change in deferred taxes affecting profits** | **-506** | **-648** |

Within the framework of initial consolidation of micom GmbH, deferred tax liabilities were formed on technologies/know-how, and deferred tax advantages were recorded on losses carried forward in the same amount.

## 8. Receivables and other assets

Receivables and other assets are composed as follows: See bottom left

| | 12/31/2003 | 12/31/2004 |
|---|---|---|
| Trade accounts receivable | 6,448 | 6,323 |
| . /. Provisions for losses on individual accounts | 179 | 271 |
| | **6,269** | **6,052** |
| Other assets | 3,056 | 5,014 |
| . /. Provisions for losses on individual accounts | 1,100 | 1,100 |
| | **1,956** | **3,914** |

The addition of provisions for losses on trade accounts receivable in the amount of KEUR 92 (previous year reduction KEUR 170) was recorded in other operating expenses.

In the trade accounts receivable, an amount of KEUR 71 is contained with a remaining time to maturity of more than one year.

This increase of miscellaneous assets is mainly due to the claim of adjustment against the DEWB AG, which arose after setting the individual accounts of micom GmbH, Munich (see Investments). Contractually agreed-upon claims were capitalized herein for compensation payments of DEWB. This is de facto a question of a purchase price reduction.

The other assets also contain accrued interest for securities and short-term loans.

## 9. Securities

As per the balance sheet date, securities comprised fixed-income mortgage bonds of KEUR 5,087 (interest rate: 3.25% to 5.5%) (2003: KEUR 5,119;3.25% to 5.5%), participation certificates of KEUR 5,250 (interest rate: 2.5% to 6.6%) (2003: KEUR 5,117;2.4% to 6.1%), bearer shares of KEUR 1,039 (2003: KEUR 0) and money market bonds of KEUR 2,549 (2003: KEUR 2,430). The bullet maturities of the individual securities range from 2005 to 2011.

No value reductions were posted in the net result for the period in the reporting year and previous year.

A valuation reserve for financial instruments was formed in equity capital, comprising the cumulated profits or losses from the financial assets available for sale minus applicable deferred taxes. Securities with a current market value of KEUR 184 (previous year: KEUR 0) are pledged to banks as accounts payable of a subsidiary.

## 10. Equity

On the cutoff date, equity totaled KEUR 41,025 (2003: KEUR 34,142). Please see development of group equity on pages 32 / 33.

### a) Subscribed capital

Subscribed capital is divided into 13,720,000 individual no-par share certificates made out to the bearer, with a theoretical share of EUR 1.00 in the capital stock.Capital was increased from 10,292,301 by 3,427,699 shares of bearer stock under partial use of the authorization of the general stockholders meeting of July 15, 2003 for increasing the capital stock on July 13, 2004, the number of shares not having changed since January 1, 2003. (see Investments).

## Own Shares

At the general shareholders‘ meeting on June 28, 2004 Nexus AG was authorized to acquire company shares by November 30, 2005 up to a total value of 10% of the capital stock, i.e. up to 1,029,230 no-par shares at a nominal value of EUR 1.00. This authorization may not be used by the company to deal in own shares.

This authorization can be exercised by the company in full or in partial sums, once or on several occasions, and also for the account of a third party.

## Authorized capital

In the general stockholder' meeting on July 15,2003, the Management Board was authorized to increase the share capital of the company, subject to the approval of the Supervisory Board, on one or several occasions by a total of EUR 5,146,150 by June 30, 2008, through issue of new no-par bearer-share in return for cash contributions and/or contributions in kind. Capital was increased by 3,427,699 shares of bearer stock against capital subscribed in kind by a resolution of the Supervisory Board on May 4, 2004 under partial use of the authorization of the general stockholders meeting of July 15, 2003 for increasing the capital stock on July 13, 2004.

The authorization for increasing the capital stock by EUR 5,146,150 granted in the general stockholders meeting of July 15, 2003 and not used in the amount of EUR 1,718,451 was rescinded. In the general stockholders meeting of June 28, 2004, the Executive Board was empowered to increase the capital stock of the company with approval of the Supervisory Board one time or several times up to a total of EUR 5,146,150 via issue of new no-par bearer stocks (individual share certificates) against cash and/or capital subscribed in kind.

## Development of Group Assets of December 31, 2004

| | Cost of purchase and production | | | | |
|---|---|---|---|---|---|
| | 01/01/2004 | Additions | Disposals due to change of scope of consolidation 05/31/04 | Disposals | 12/31/2004 |
| **A. Fixed assets** | **KEUR** | **KEUR** | **KEUR** | **KEUR** | **KEUR** |
| **I. Immaterial assets** | | | | | |
| 1. Concessions, industrial property rights, and similar rights and assets as well as licenses for such rights and assets | 2,510 | 54 | 18 | 0 | 2,582 |
| 2. Goodwill | 177 | 0 | 5,173 | 0 | 5,350 |
| 3. Development costs | 10,349 | 3,393 | 200 | 0 | 13,942 |
| 4. Customer Base / Technology | 0 | 0 | 2,275 | 0 | 2,275 |
| | **13,036** | **3,447** | **7,666** | **0** | **24,149** |
| **II. Tangible assets** | | | | | |
| 1. Lands and buildings | 17 | 0 | 36 | 0 | 53 |
| 2. Other equipment, factory and office equipment | 1,755 | 115 | 189 | 27 | 2,031 |
| | **1,772** | **115** | **225** | **27** | **2,084** |
| **III. Financial assets** | | | | | |
| 1. Shares in affiliated companies | 808 | 13 | 8 | 0 | 828 |
| 2. Others | 280 | 0 | 3 | 0 | 283 |
| 3. Other lendings | 40 | 0 | 0 | 0 | 40 |
| | **1,128** | **13** | **11** | **0** | **1,151** |
| **Total** | **15,936** | **3,575** | **7,902** | **27** | **27,384** |

## Conditional capital II

Conditional capital of KEUR 462 was resolved in the general shareholders' meeting on June 30, 2000 an July 10, 2000. The Management Board was authorized, subject to the approval of the Supervisory Board, to issue up to 462,000 stock options as part of a stock option program I and Ia. Conditional capital II of KEUR 514,615 was resolved in the general shareholders' meeting on June 28, 2004. The Management Board was authorized, subject to the approval of the Supervisory Board, to issue up to 514,615 stock options with subscription rights to company shares with a maximum exercise period extending June 30, 2009.

The stock options are only intended for purchase by members of the Management Board and employees of the company, as well as by management members and employees of group companies in line with Article 15 of the Stock Corporation Law.

Please refer to the stock option plans in section 16.

## b) Capital reserve

The capital reserve primarily comprises premiums from the capital increase implemented in 2000 in connection with the IPO of NEXUS as well as the increase of the capital reserves in the amount of KEUR 3,873 from the issue of new shares against a noncash capital contribution in connection with the purchase of micom GmbH, Munich in 2004.

| Accumulated depreciations | | | | Book values | |
|---|---|---|---|---|---|
| 01/01/2004 | Additions | Disposals | 12/31/2004 | 12/31/2003 | 12/31/2004 |
| KEUR | KEUR | KEUR | KEUR | KEUR | KEUR |
| 1,635 | 508 | 0 | 2,143 | 875 | 439 |
| 110 | 20 | 0 | 130 | 67 | 5,221 |
| 4,477 | 2,169 | 0 | 6,646 | 5,872 | 7,296 |
| 0 | 106 | 0 | 106 | 0 | 2,169 |
| **6,222** | **2,803** | **0** | **9,025** | **6,814** | **15,125** |
| 17 | 3 | 0 | 20 | 0 | 33 |
| 1,350 | 276 | 12 | 1,614 | 405 | 418 |
| **1,367** | **279** | **12** | **1,634** | **405** | **451** |
| 0 | 766 | 0 | 766 | 809 | 62 |
| 280 | 0 | 0 | 280 | 0 | 3 |
| 0 | 0 | 0 | 0 | 40 | 40 |
| **280** | **766** | **0** | **1,046** | **849** | **105** |
| **7,869** | **3,848** | **12** | **11,705** | **8,068** | **15,681** |

The directly allocable expenses generated as a result of the cash capital increases were offset against the capital reserve in 2000.

In keeping with § 150 AktG (German Stock Corporation Act), the statutory reserve and the capital reserves must exceed one-tenth of the share capital before they can be used to compensate for losses or fas a capital increase from company funds. As long as the statutory reserve and the capital reserve together do not exceed one-tenth of the share capital, they may not be used to compensate for losses in as far as the loss is not covered by accumulated earnings or the annual net profit and cannot be compensate for though withdrawal of other retained earnings.

### c) Other earnings reserves

Other earnings reserves comprised a free reserve of KEUR 1 formed in 2002 by NEXUS Digitale Dokumentationssysteme Projektentwicklungsges. m.b.H.,Vienna.

### d) ) Equity capital difference from currency translation

The equity capital difference from currency translation is produced from differences in currency translation that arise as a result of the consolidation of the annual financial statement of one foreign subsidiary.

### e) Valuation reserve for financial instruments

The valuation reserve for financial instruments comprises the cumulated profits and losses from the valuation of the legitimate current values of the financial assets intended for sale after offsetting of deferred taxes.

| | 12/31/2003 | 12/31/2004 |
|---|---|---|
| | **KEUR** | **KEUR** |
| Accumulated profits or losses | 39 | 120 |
| Deferred taxes neutral in effects on profits | -15 | -45 |
| **Valuation reserve for financial instruments** | **24** | **75** |

## 11. Pension Provisions

Company pension plans are shown oriented both to contributions and performance in the Group. In the pension systems oriented to contributions, the company makes contributions to public or private pension insurance plans according to legal stipulations. With the payment of the contributions, the company has no further performance obligations.

The provisions for performance-related pensions were set up at NEXUS.IT GmbH SÜDOST, NEXUS.IT GmbH SÜDWEST and NEXUS.IT GmbH NORD for the direct pension liabilities taken on by Forest Gesellschaft für Products & Services mbH as of September 30, 2000 (direct commitments). The extent of the payments of the pension commitments taken on depends on the service time and the respective salary of each beneficiary. The provisions are set up for payable benefits in the form of old age and disability pensions and for surviving dependents‘ benefits. It is a question of unforfeitable expectancy of future benefits.

Evaluation according to the “projected unit credit method“ uses the following parameters:

| | 2003 | 2004 |
|---|---|---|
| Average annual fluctuation rate | 5.0% | 5.0% |
| Interest rate calculated | 5.5% | 5.5% |
| Annual increase of current pensions | 1.5% | 1.5% |

The breakdown for pension provisions costs in 2004 is as follows:

| | 12/31/03 | Addition | 12/31/04 |
|---|---|---|---|
| | **KEUR** | **KEUR** | **KEUR** |
| Pension liabilities | 373 | 32 | 405 |
| Previous year | 309 | 64 | 373 |

The expenses included in personnel expenses for old age pension provision consist of the following components:

| | 2003 | 2004 |
|---|---|---|
| | **KEUR** | **KEUR** |
| Service time expenses | 7 | 6 |
| Interest charges | 17 | 20 |
| Actuarial losses | 40 | 6 |
| | **64** | **32** |

## 12. Tax reserves

Tax reserves are as follows:

| | 12/31/03 | Use 2004 | Disso-lution 2004 | Addition 2004 | 12/31/04 |
|---|---|---|---|---|---|
| | KEUR | KEUR | KEUR | KEUR | KEUR |
| Tax reserves | 3 | 0 | 0 | 3 | 6 |

The tax reserve concerns micom Austria.

## 13. Other provisions

Other provisions are as follows: see below

Provisions are set up in respect of probable guarantee obligations in the amount of guarantee expenses that are anticipated in 2005.

Other provisions which will be presumably accure in 2005 relate, inter alia, to provisions for payments to be effected, employee remunerations and boni, trade association contributions and countervailing duties. Provisions for litigation costs were liquidated because the pending proceedings have been concluded.

## 14. Liabilities

Liabilities towards banks of KEUR 184 (2003: KEUR 169) were used in the context of financing INOVIT GmbH‘s orders. Long-term outside resources were not used.

Liabilities towards associated companies take into account an outstanding capital contribution undertaking of NEXUS. IT GmbH SÜDOST for G.I.T.S, Gesellschaft für IT Service Gesundheitswesen, Fürstenfeldbruck, NEXUS AG for Medidata GmbH, Berlin, and micom for VEGA Software GmbH, Aachen.

Other liabilities primarily include commitments for salary liabilities as well as sales tax payments.

## 15. Contingent liabilities and other obligations

(1) Various legal actions and claims are pending or may be asserted in the future against Group companies from litigation and claims incident to the ordinary course of business. Related risks have been analysed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, Management believes that no material liabilities are likely to result.

(2) Contingent liabilities furthermore result out of the rent of offices as well as from the operating lease of cars. In accordance with the commercial content of leasing contracts, the leasing conditions are to be classified as operating leasing conditions.

The contingent liabilities split up as follows: see page 46

Rental and leasing agreements contain neither extension nor purchase options according to price adjustment clauses.

### Other provisions

| | Balance on 12/31/03 | Use 2004 | Dissolution 2004 | Addition 2004 | Balance on 12/31/04 |
|---|---|---|---|---|---|
| | KEUR | KEUR | KEUR | KEUR | KEUR |
| Vacation provisions | 210 | 174 | 0 | 247 | 283 |
| Legal costs | 5 | 0 | 2 | 0 | 3 |
| Accounts payable | 98 | 95 | 7 | 228 | 224 |
| Reporting and auditing charges | 77 | 68 | 0 | 124 | 133 |
| Supervisory Board emoluments | 13 | 24 | 0 | 49 | 38 |
| Guarantees | 23 | 0 | 0 | 42 | 65 |
| Misc. other provisions | 274 | 179 | 79 | 833 | 849 |
| | **700** | **540** | **88** | **1,523** | **1,595** |

| | 2004 | 2005 | 2006 to 2008 | from 2009 |
|---|---|---|---|---|
| | KEUR | KEUR | KEUR | KEUR |
| Rent | 553 | 547 | 1,088 | 121 |
| Lease | 379 | 396 | 195 | 3 |
| | **932** | **943** | **1,283** | **124** |

In 2003, the contingent liabilities split up as follows:

| | 2003 | 2004 | 2005 to 2007 | from 2008 |
|---|---|---|---|---|
| | KEUR | KEUR | KEUR | KEUR |
| Rent | 432 | 480 | 1,108 | 122 |
| Lease | 353 | 186 | 202 | 12 |
| | **785** | **666** | **1,310** | **134** |

## 16. Stock option plan

### Stock option program I, Ia

The Stock option program I for 2000 (SOP 2000) and 2002 (SOP 2002), 2003 (SOP 2003) and 2004 (SOP 2004) granted options on ordinary shares to staff and the Management Board of the NEXUS Group.

Here, the strike price per share corresponds to the placing price (SOP 2000) and the market price of these shares during a period of four weeks before the granting of the options on the Frankfurt stock exchange in XETRA trading (SOP 2002, SOP 2003 and SOP 2004). The maximum term of the options is five years (SOP 2000), three years (SOP 2002), two years (SOP 2003) and 1 year (SOP 2004).
Exercising of the options is subject to the following conditions:

A: Subscription rights arising from stock options can only be exercised following the expiry of a blocking period of two years (30%), three years (30%), four years (40%), or on June 30, 2005 at the latest.

B: The performance of the NEXUS share in the period between abandonment of the stock options and the last day of trading on the Frankfurt stock exchange prior to exercising of the subscription right arising from the stock option must surpass the performance of the reference index (TecDAX). The average index level on the basis of the closing price in XETRA trading in the last four weeks before exercising of the respective stock options or the last four weeks before maturity of the options is used for the calculation of the reference index.

C: After expiry of the respective blocking period, exercising of the option rights is only permissible three times per year, in each instance within four weeks after the ordinary annual general shareholders‘ meeting, the publication of the results for the second quarter and the publication for the third quarter as well as on the latest possible date June 30, 2005.

D: A maximum of 330,000 subscription rights can be issued during the five-year term of the stock option plans. 132,000 subscription rights were issued in SOP 2000, and 50,000 in SOP 2002 , 108,000 in SOP 2003 and 50.000 in SOP 2004.

E: All options from the SOP I expire on July 1, 2005 or when leaving the company.

The following valid stock options were issued on December 31, 2004:

| Year of issue | Option price EUR | Number of options | 2003 (number) |
|---|---|---|---|
| 2000 | 10.00 | 52,000 | 72,900 |
| 2002 | 1.95 | 50,000 | 50,000 |
| 2003 | 1.65 | 108,000 | 108,000 |
| 2004 | 2.00 | 40,000 | 0 |

The expiration of the options is attributable to the fluctuation in the workforce.

### Stock option plan II (SOP II)

The Stock option program II for 2004 (SOP 2004 I) granted options on ordinary shares to staff and the Management Board of the NEXUS Group. Here, the strike price per share corresponds to the placing price and the market price of these shares during a period of four weeks before the granting of the options on the Frankfurt stock exchange in XETRA trading.

Exercising of the options is subject to the following conditions:

A: Subscription rights arising from stock options can only be exercised following the expiry of a blocking period of two years (40%), three years (40%) four years (20%), or on June 30, 2009 at the latest.

B: The performance of the NEXUS share in the period between abandonment of the stock options and the last day of trading on the Frankfurt stock exchange prior to exercising of the subscription right arising from the stock option must surpass the performance of the reference index (TecDAX). The average index level on the basis of the closing price in XETRA trading in the last four weeks before exercising of the respective stock options or the last four weeks before maturity of the options is used for the calculation of the reference index.

C: After expiry of the respective blocking period, exercising of the option rights is only permissible three times per year, in each instance within four weeks after the ordinary annual general shareholders‘ meeting, the publication of the results for the second quarter and the publication for the third quarter as well as on the latest possible date June 30, 2009.

D: A maximum of 514.615 subscription rights can be issued during the five-year term of the stock option plans. 308,000 subscription rights were issued in SOP 2004I.

E: All options from the SOP I expire on July 1, 2009 or when leaving the company.

The following valid stock options were issued on December 31, 2004:

| Year of issue | Option price in EUR | Number of options | 2003 (number) |
|---|---|---|---|
| 2004 (I) | 1.95 | 308,000 | 0 |

## 17. Sales revenues

Revenues including internal sales are broken down according to region and division as follows: see below

From these values the following amounts account for:
Deliveries: KEUR 3,176
Services: KEUR 6,190
Licenses: KEUR 7,029

## 18. Other operating income

The other operating revenues essentially concern the capitalization of a claim for adjustment in connection with the share of Medizin Forum AG and the tbg Beteiligungsgesellschaft and revenues from the resale of securities as well as the passing on of the costs for trade fairs. Foreign currency profits in the amount of KEUR 12 (previous year: KEUR 18) were recorded successfully in the reporting year.

## 19. Cost of raw materials, supplies and purchased services

Cost of raw materials and purchased services developed as follows:

| | 2003 | 2004 |
|---|---|---|
| | KEUR | KEUR |
| Raw materials and supplies | 3,416 | 3,614 |
| Purchased services | 746 | 816 |
| | **4,162** | **4,430** |

## 20. Number of employees and personnel expenses

Personnel expenses are distributed among employees and trainees. The following number of employees and trainees were employed in the respective business year on the end-of-year date:

| | 2003 | 2004 |
|---|---|---|
| Employees | 138 | 193 |
| Trainees | 6 | 4 |
| | **144** | **197** |

The increased number is due to the integration of the personnel of micom GmbH, Munich.

**Sales revenues**

| | Healthcare Software | | | | Healthcare Service | | | |
|---|---|---|---|---|---|---|---|---|
| | 2004 | | 2003 | | 2004 | | 2003 | |
| | KEUR | % | KEUR | % | KEUR | % | KEUR | % |
| Germany | 7,347 | 66.8 | 6,227 | 66.9 | 5,319 | 98.5 | 4,478 | 98.3 |
| Austria | 683 | 6.2 | 521 | 5.6 | 54 | 1.0 | 57 | 1.3 |
| Switzerland | 1,966 | 17.9 | 2,075 | 22.3 | 16 | 0.3 | 2 | 0.0 |
| Italy | 115 | 1.0 | 143 | 1.5 | 2 | 0.0 | 0 | 0.0 |
| USA, other regions | 886 | 8.1 | 342 | 3.7 | 7 | 0.1 | 17 | 0.4 |
| **Total** | **10,997** | **100,0** | **9,308** | **100.0** | **5,398** | **100.0** | **4,554** | **100.0** |

In the period under review, the development of personnel costs was as follows:

| | 2003 | 2004 |
|---|---|---|
| | **KEUR** | **KEUR** |
| Wages and salaries | 7,290 | 9,017 |
| Trainees | 1,450 | 1,625 |
| | **8,740** | **10,642** |

The personnel costs in connection with development of the software are contained in the capitalized company work. In the previous year, they were allocated to personnel expenses. The figures from the previous year are adjusted accordingly. Additional personnel costs in the amount of KEUR 3,010 resulted from the integration of micom.

## 21. Other operating expenses

Other operating expenses are as follows:

| | 2003 | 2004 |
|---|---|---|
| | **KEUR** | **KEUR** |
| Operating costs | 623 | 653 |
| Distribution costs | 884 | 738 |
| Administrative costs | 1,208 | 1,158 |
| Other operating expenses | 675 | 264 |
| | **3,390** | **2,813** |

No additional, other operating expenses were incurred from the consolidation of micom GmbH, Munich, in the reporting period.

## 22. Profits from long-term financial investments

In the previous year, profits in the amount of KEUR 1 were shown in the item profits from associated companies. There were reclassified in the business year 2004.

## 23. Income taxes

Income taxes comprise actual and deferred tax expenses. Current tax liabilities for the current and prior years are measured at the amount expected to be paid to the tax authorities, using the tax rate and the tax laws that have been enacted or substantively enacted by balance sheet date. Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Starting in 2003, no further capitalization of deferred taxes from unused losses carried forward will be undertaken. Liability-side deferred taxes, especially those created through the capitalization of development costs, will be recorded as deferred tax expenses with the capitalized deferred taxes.

Taxes relating to the result before income taxes are broken down into actual and deferred income taxes as follows:

| | 2003 | 2004 |
|---|---|---|
| | **KEUR** | **KEUR** |
| Actual tax expenditure | -2 | -3 |
| Deferred tax income | -448 | -532 |
| **Taxes on income and profits** | **-450** | **-535** |

In Germany, corporation tax, including the solidarity surcharge, and trade earnings tax are posted as taxes on income and profits, and comparable earnings-dependent taxes are posted as the same position outside Germany. In addition, this item includes deferred taxation on all material differences between the commercial balance sheet and the tax balance sheet, and on consolidation measures if applicable.

Furthermore, until  2002, deferred taxes on unused tax loss carryforwards are capitalized by the extent to which it is likely that they can be realized through income that will be taxable in future. Conversely, deferred taxes on the asset side on unused tax loss carryforwards were reduced by the extent to which it is unlikely that sufficient income taxable in future will be available. The company assesses the value of the deferred tax positions on losses carried forward on the basis of a five-year plan as well as against the background of existing deferred tax liabilities.

Essential indications for the realization of the deferred tax claims on unused tax loss carryforwards that exceed the earnings effects from the reversal of existing taxable temporary differences result from:

- The continued improved earnings from core business
- The increasing maintenance volumes
- The planning of the individual companies belonging to the NEXUS group.

A combined average rate of 37.7% is used for calculating the latent taxes for corporate income tax and trade tax. This rate as 38.6% in the previous year due to the solidarity law for flood victims.

The relation of the expected tax rate to the tax rate, which results from the Group Profit and Loss Account, shows the following transitional calculation:

| | 2003 | 2004 |
|---|---|---|
| | % | % |
| Expected tax rate | **37.7** | **37.7** |
| Tax rate difference of results abroad | -0.3 | 6.2 |
| Non-capitalized losses carried forward | -70.2 | -500.8 |
| Tax increase / -reduction due to nondeductible expenses | -11.6 | -7.0 |
| Tax free earnings | 0 | 85.3 |
| Amortization of goodwill | -0.8 | -6.2 |
| Other tax effects | 15.5 | -30.2 |
| **Tax rate on profits according to profit and loss statement** | **-67.4** | **-415.0** |

As at the balance sheet date, there are corporation tax loss carryforwards of KEUR 4,019 (2002: KEUR 3,451) and trade tax loss carryforwards of KEUR 3,821 (2001: KEUR 3,309) for which no deferred tax claim is capitalized in the balance sheet.

## 24. Earnings per share

The undiluted earnings per share are calculated by dividing the net earnings/loss for the period to which the sharehol-ders are entitled by the average weighted number of the shares in circulation during the period. To calculate diluted earnings per share, the earnings for the period allocable to the shareholders as well as the weighted average of the shares in circulation would have to adjusted for the impacts of all diluting potential shares that arise as a result of exerci-sing of the options extended.

As not all of the options extended can be exercised yet, and the target agreed in the corresponding stock option plans (performance of the NEXUS share compared to the perfor-mance of a reference index) was not achieved in the fiscal year or the previous year, there is no dilution effect for the fiscal year of the previous year.

| | 2003 | 2004 |
|---|---|---|
| Consolidated loss (group share) in KEUR | 1.092 | 473 |
| Average of shares issued (in thousands) | 10.288 | 12.292 |
| Earnings per share in EUR (diluted and undiluted) | -0,11 | -0,04 |

## 25. Cash flow statement

The cash flow statement shows how NEXUS AG group's funds have changed over the year under review with inflow and outflow of funds. In the cash flow statement, the flow of funds is structured according to current operations, investment activity and financial activity. The cash flow from current operations is posted in line with the indirect method. micom GmbH, Munich, was integrated with balancing of its book value changes only with its items connected with payments.

## 26. Cash flow from operating activities

The cash flow from operating avtivities could again be in-creased in 2004. With a value of KEUR 4,310, the previous year's value (KEUR 1,243) could be exceeded by KEUR 3,067. These are on one hand the slight losses and on the other hand contributions from the substantial write-offs and the development of receivables.

## 27. Cash flow from investing activities

The cash flow from investing activities is negative at KEUR 4,826 (previous year: -1,414) Matured securities were rein-vested. The investments in immaterial assets, especially in development services, were the focus of investing activities.

## 28. Cash flow from financing activities

Thanks to the sufficient financial basis of NEXUS AG, no measures were taken for financing business in the business year 2004.

## 29. Cash funds

Cash funds consist of liquid funds (cash in hand, deposits at banks) and the current account liabilities to banks.

## 30. Divisional reporting

### Healthcare Software

In the Healthcare Software division, NEXUS develops and sells software solutions for the medical field. The electronic patient record NEXUS.MedFolio®, the hospital information system micom Medicare.Plus and the Radiology Management System INORIS of our subsidiary INOVIT GmbH, Ismaning, represents our core business. Oncentra IM, a product that has been developed together with our Dutch partner Nucletron B.V. is also part of the Healthcare Software division.

### Healthcare Service

The Healthcare Service division comprises services provided by the NEXUS.IT companies. Consultancy for hospital-IT-departments, the configuration of networks-, intranet and internet solutions and security concepts are included in the service portfolio. The management of IT services is provided by the service companies G.I.T.S. Gesundheitswesen IT-Service GmbH, Fürstenfeldbruck (Germany) and SRH Kliniken Dienstleistungs GmbH, Heidelberg (Germany).

We have the following data on the segments of the divisions:

| | | Health-care Software | Health-care Service | Consoli-dation | Group |
|---|---|---|---|---|---|
| **Revenues** | | **KEUR** | **KEUR** | **KEUR** | **KEUR** |
| External sales | 2004<br>2003 | 10,997<br>9,308 | 5,398<br>4,554 | 0<br>0 | 16,395<br>13,862 |
| Intersegment sales | 2004<br>2003 | 20<br>1,309 | 423<br>832 | -443<br>-2,141 | 0<br>0 |
| Segment sales | 2004<br>2003 | 11,017<br>10,617 | 5,821<br>5,386 | -443<br>-2,141 | 16,395<br>13,862 |
| Divisional operating result | 2004<br>2003 | 729<br>-245 | -555<br>-1,165 | 0<br>0 | 179<br>-1,410 |
| Plus financial result | 2004<br>2003 | | | | -303<br>668 |
| Plus income tax | 2004<br>2003 | | | | -535<br>-450 |
| Plus result belonging to other companies | 2004<br>2003 | | | | -186<br>-100 |
| **Consolidated profit / loss** | 2004<br>2003 | | | | **-473**<br>**-1,092** |
| Segment net assets | 2004<br>2003 | 41,652<br>29,923 | 1,361<br>1,989 | 0<br>0 | 43,013<br>31,912 |
| Financial investments | 2004<br>2003 | | | | 105<br>849 |
| Plus deferred tax refund claims | 2004<br>2003 | | | | 4,281<br>4,929 |
| Plus tax refund claims | 2004<br>2003 | | | | 383<br>554 |
| **Total assets** | 2004<br>2003 | | | | **47,782**<br>**38,244** |
| Segment debt | 2004<br>2003 | 4,432<br>1,779 | 1,695<br>1,566 | 0<br>0 | 6,127<br>3,345 |
| Plus finance liabilities | 2004<br>2003 | | | | 184<br>169 |
| Plus tax accruals | 2004<br>2003 | | | | 6<br>0 |
| Plus adjustment for minority interest | 2004<br>2003 | | | | 440<br>588 |
| **Total liabilities** | 2004<br>2003 | | | | **6,757**<br>**4,102** |
| Investments | 2004<br>2003 | 4,164<br>2,819 | 9<br>39 | 0<br>0 | 4,173<br>2,858 |
| Amortisation | 2004<br>2003 | 2,707<br>2,119 | 375<br>394 | 0<br>0 | 3,082<br>2,513 |
| Other non-cash expenses | 2004<br>2003 | -118<br>56 | 0<br>0 | 0<br>0 | -118<br>56 |
| Net result from associated companies | 2004<br>2003 | 0<br>5 | 6<br>0 | 0<br>0 | 6<br>5 |
| Shares in affiliated companies | 2004<br>2003 | 20<br>767 | 42<br>42 | 0<br>0 | 62<br>809 |

On behalf of the prospect and risk structure the company is mainly managed by divisions. Therefore the segmentation by divisions represents the primary segmentation level.

Transactions between the segments were mainly debited as procurement or manufacturing costs.

We have the following data on the geographic segments:

| | 2003 | 2004 |
|---|---|---|
| **Sales** | **KEUR** | **KEUR** |
| Germany | 10,705 | 12,666 |
| Austria | 578 | 737 |
| Switzerland | 2,077 | 1,982 |
| Italy | 143 | 117 |
| Rest of Europe, USA | 359 | 893 |
| | **13,862** | **16,395** |
| **Segment assets** | | |
| Germany | 30,070 | 40,735 |
| Austria | 519 | 580 |
| Switzerland | 1,227 | 1,597 |
| Italy | 96 | 106 |
| | **31,912** | **43,018** |
| **Investments** | | |
| Germany | 2,856 | 3,391 |
| Austria | 2 | 782 |
| Switzerland | 0 | 0 |
| Italy | 0 | 0 |
| | **2,858** | **4,173** |

## 31. Financial instruments

### Financial risk management

Some of the Group's activities are on an international scale, exposing it to market risks from exchange rate fluctuations. In addition, the company partly gets finance from bank loans, resulting in interest-rate risks. It is assumed that these risks will have an essential impact on the GroupÅfs profits and financial situations. No hedging transactions were therefore entered into.

### Liquidity risks

In order to meet commitments in the next few years, the Group's policy is one of securing sufficient amounts of cas/cash equivalents or comparable irrevocable credit lines. In addition, the company has authorized capital worth KEUR 5,146 (2003: KEUR 5,146) for further capital increases.

### Default risks

Default risks and risks that a contracting party may not fulfill its payment obligations are managed by means of loan commitments, credit lines and other checks in the context of debt management (e.g. credit investigations).

The maximum amount results from capitalized financial instruments.

### Currency risks

They derive from sales in Switzerland and Great Britain and resulting receivables which are subject to exchange rate fluctuations until payment is made.

### Interest risks

NEXUS AG does not have long-term bank loans. The securities mainly concern fixed-interest loans and bearing bonds. Due to the fixed-interest rate, the investments are subject to interest or market value risks in principle. Therefore these risks are not considered essential.

### Current value

Financial instruments of the Group whose current value is not shown in the balance sheet include primarily trade accounts receivable, trade accounts payable and other liabilities.

Due to the short terms of these financing instruments, the accounting value of currencies and their equivalents, and of overdrafts is quite close to their current value.

In the case of receivables and debts deriving from normal commercial credits, the accounting value which is based on historical initial costs is also very close to the current value.

## 32. Liability risks

There were no liability risks as of December 31, 2004.

## 33. Relationship to closely associated persons

As part of a leasing contract for office space and parking places (Auf der Steig 6, 78052 VS-Villingen), there is a business relationship to the former Chairman of the Executive Board of NEXUS AG, Ralf Gropengießer. Gropengießer leases the property to NEXUS AG at conditions which are typical for the local area and appropriate for the market, for a total of KEUR 151 per year (2003: KEUR 151 p.a.). Mr. Gropengießer's liabilities to NEXUS AG on the end-year date are KEUR 1,450 (2003: KEUR 1,358) the costs of servicing totaling KEUR 62 (2003: KEUR 58) which have regularly been paid.

Ralf Gropengießer's activities as a consultant totaling KEUR 179 (2003: KEUR 173) were payed via RG Consulting GmbH.

## 34. Executive bodies

At the General Stockholders meeting on 28 June 2004, § 8 clause 1 of the bylaws was changed and the number of members on the Supervisory Board was increased from three to six.

The following persons are now members of the Supervisory Board:

Chairman
Dr. jur. Hans-Joachim König, Singen

Deputy Chairman
Dr. Herwig Freiherr von Nettelhorst, Berlin

Diplom-Betriebswirt (FH) Wolfgang Dörflinger, Konstanz

Ronny Dransfeld, Michelbach

Prof. Dr. Ulrich Krystek, Hofheim

Dr. Dietmar Kubis, Jena

The stock corporation's Executive Board

Chairman
Dr. Ingo Behrendt, Konstanz

Dipl.-Betriebswirt (FH) Stefan Burkart, Stockach

The overall remuneration of the Executive Board of the parent company was KEUR 287 in the reporting year (previous year: KEUR 316), which was paid as a fixed remuneration sum. Severance payments were not made. The overall remuneration of the Supervisory Board amounted to KEUR 49 (previous year: KEUR 31). This increase is due to the increase of the number of members on the Supervisory Board from three to six approved at the General Stockholders meeting on 28 June 2004.

## 35. Directors Holdings

In 2004, the number of shares held by the supervisory board did not change. The number of shares of the former Chairman of the Executive Board, Ralf Gropengießer are 1,596,874 (in 20032: 1,596,874).

| | Number of shares | Number of options |
|---|---|---|
| **Supervisory Board** | | |
| Dr. jur. Hans-Joachim König | 81,099<br>in 2003 (81,099) | 0<br>in 2003 (0) |
| Dr. Herwig Freiherr von Nettelhorst | 0<br>in 2003 (0) | 0<br>in 2003 (0) |
| Ronny Dransfeld | 0<br>in 2003 (0) | 0<br>in 2003 (0) |
| Prof. Dr. Ulrich Krystek | 0<br>in 2003 (0) | 0<br>in 2003 (0) |
| Diplom-Betriebswirt (FH) Wolfgang Dörflinger | 0<br>in 2003 (6,880) | 0<br>in 2003 (0) |
| Dr. Dietmar Kubis | 0<br>in 2003 (0) | 0<br>in 2003 (0) |
| **Executive Board** | | |
| Dr. Ingo Behrendt (MBA) | 40,000<br>in 2003 (40,000) | 210,000<br>in 2003 (60,000) |
| Diplom-Betriebswirt (FH) Stefan Burkart | 76,147<br>in 2003 (76,147) | 0<br>in 2003 (0) |

In 2004 Dr. Dietmar Kubis was speaker of the executive board of DEWB AG, which holds 25.17% of the shares of NEXUS AG, Ronny Dransfeld is General Manger of Jupiter Technologie GmbH & Co. KGaA, which holds 19.9% of the shares of NEXUS AG.

## 36. Explanation in accordance with § 161 AktG (Corporation Law) on the Corporate Governance Codex

As the only listed company in the Group, the NEXUS AG has submitted the explanation for 2004 in accordance with § 161 AktG and made it available to the stockholders.

Villingen-Schwenningen, March 23rd, 2005
NEXUS AG

Dr. Ingo Behrendt

Stefan Burkart

# Auditors Report

We have audited the consolidated financial statements, including balance sheets, statements on income, changes in equity and cash flow, and notes to the financial statements of NEXUS AG for the business year from January 1 to December 31, 2004. The preparation and the contents of the consolidated financial statements are the responsibility of the company's Executive Board. Our responsibility is to perform an audit in order to assess whether the consolidated financial statements are in accordance with the International Accounting Standards (IAS).

We conducted our audit of the consolidated financial statements in accordance with German statutory auditing provisions and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftspr_fer (IDW). Those standards require that we plan and perform the audit such that significant misstatements in the consolidated financial statements can be excluded with sufficient reliability. In the course of the audit the proof for valuations and statements in the consolidated financial statements are examined by random sampling. The audit includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a sufficiently firm basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial and earnings situation of the group in accordance with IAS, as well as of the cash flows within the business year.

Our audit, which included the business review prepared by the company's Executive Board for the business year from January 1 to December 31, 2004, has not led to any reservations. In our opinion, the business review in combination with the information presented in the consolidated financial statements, provides an accurate summary of the group's net assets, financial and earnings situation and correctly presents the risks associated with future developments. Moreover, we confirm that the consolidated financial statements, and the group's business review report for the business year from January 1 to December 31, 2004 fulfill the prerequisites for exemption from preparing consolidated financial statements and a consolidated business review report in accordance with German law".

Villingen-Schwenningen, March 24, 2005

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Dr. Eckart Wetzel | Andreas Nietzer |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

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