Nexus

Financial statement
January - December 2005

October – December 2005

- Net sales totalled SEK 51.4 million (48.1).
- Operating profit (EBIT) before non-recurring items amounted to SEK 1.8 million (-4.0). Recalculated to include these adjusting entries, operating loss (EBIT) totalled SEK 16.4 million (-38.3).
- Loss after tax was SEK 35.0 million (-59.6).

January – December 2005

- Net sales totalled SEK 181.9 million (235.8).
- Operating loss (EBIT) before non-recurring items amounted to SEK 24.5 million (-35.5). Recalculated to include these adjusting entries, operating loss (EBIT) totalled SEK 41.0 million (-62.5).
- Loss after tax was SEK 63.9 million (-70.8).
- Earnings per share stood at SEK -1.28 (-2.19) after full dilution.

Events after the close of the period

- Nexus strengthens its position in the e-Security segment through the strategic acquisition of ArmourSoft Ltd
- Technology Nexus AB's Extraordinary General Meeting held on 30 January 2006 decided on a
    - Non-cash issue to the owners of ArmourSoft Ltd in payment for all shares in ArmourSoft Ltd
    - New shares issue which will provide the company with SEK 67 million before issue costs

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The CEO's comments on developments

We have throughout 2005 worked to adjust the scope of our business to suit our core operations. The first half of the year entailed major changes including a new managing director, the appointment of new management, the shutting down of operations in Denmark and Benelux as well as personnel cutbacks in Sweden. The start of the year resulted in initially sluggish workload for consulting operations and low sales figures for new licenses in product operations, which in the short term generated a loss. The transformation of Nexus into a company focusing its core operations on information security continued also during the fourth quarter by selling off our operations in Borlänge and part of our operations in France. While some segments of our business have been cutback, discontinued or sold, our sales organisation has been reinforced and new partners recruited to expand Nexus' sales channels.

During the second half of the year, the workload within consulting gradually increased and so did revenue from product license and the restructuring measures generated lower costs.

The Group reported an operating profit excluding one-off items (see table below) for the fourth quarter. In conjunction with our annual accounts we revaluated assets in the balance sheet which were written down, entailing a negative impact of SEK -46.4 million.

Nexus' strategic direction means that we are now broadening our range within the product operations segment (see also under *Events after the close of the period*), imperative if we are to address a larger market. The market for information security is relatively unconsolidated and growing rapidly. Customers are demanding solutions and applications to supplement infrastructure (PKI). We are now focusing on creating an efficient sales and marketing process to realise our goal of profitable growth.

OPERATING PROFIT/LOSS (EBIT) BEFORE REVALUATION OF ASSETS AND OTHER NON-RECURRING ADJUSTMENTS

Amounts in SEK 000	**1 Jan 2005- 31 Dec 2005**	**1 Jan 2004- 31 Dec 2004**	**1 Oct 2005 - 31 Dec 2005**	**1 Oct 2004 - 31 Dec 2004**
Loss before depreciation (EBIT)	-41 034	-62 470	-16 395	-38 284
Write-downs of intangible assets	15 197	13 142	15 197	13 142
Restructuring provisions	0	5 483	0	5 483
Other one-off items	1 351	8 342	3 000	15 679
Operating profit/loss (EBIT) before revaluation of assets and other non-recurring adjustments	**-24 486**	**-35 503**	**1 802**	**-3 980**
Capitalised expenditure for development	3 970	18 129	0	775
Average number of employees	184	262	154	203

Sales and results

Net sales for the fourth quarter totalled SEK 51.4 million (48.1). Operating profit (EBIT) before non-recurring items amounted to SEK 1.8 million (-4.0).

The Group's net sales for 2005 totalled SEK 181.9 million (235.8), constituting a 23 per cent drop. Subcontractor and merchandise costs fell to SEK 25.3 million (49.8), primarily due to the sale of operations that sold third-party products. Personnel costs reached SEK 132.6 million (181.5). Adjusted for capitalised development expenditure, this is a 32 per cent reduction in total personnel costs compared with 2004. The average number of employees was reduced by 30 per cent.

Operating loss after depreciation (EBIT) for the year was SEK 41.0 million (-62.5). Operating loss (EBIT) was negatively influenced by write-downs of intangible fixed assets in both 2005 and the comparative year 2004.

Financial income, net totalled SEK 4.8 million (12.6), which includes SEK 7.9 million in capital gain from the sale of operations in Borlänge. Loss after tax was SEK 63.9 million (-70.8). Earnings in 2005 were negatively impacted by write-downs of SEK -46.4 million, of which SEK -28.3 million refers to write-down of deferred tax receivables. For further information, see under *Valuation of balance sheet items*.

Business area Secured Business Solutions (SBS)

Nexus signed the year's most substantial contract for PKI-based systems in Europe during the fourth quarter. The contract covers products within the field of digital identities. The end customer is the German Armed Forces and deliveries will be carried out in collaboration with Nexus' German partner, T-Systems. The order is valued at SEK 18 million spread over a two-year period. The contract primarily concerns the delivery of Nexus Certificate Manager, a system for issuing and handling electronic certificates in large organisations with high demands on reliability, scalability and security.

The first deliveries were completed at the end of the year with good results. We consider this order a fine reference for our products since the German market is not only one of the leading users of digital identities, it also places rigorous demands on product quality, functionality and the internal processes of its suppliers.

The market for digital identities is gradually gaining momentum. We now see several major infrastructure projects on the market, which allows more opportunities than previously.

As indicated earlier, the organisation's focus on sales had effect at the close of the year. During the fourth quarter, orders were signed with the Egyptian and Greek exchanges, new end customers via Nexus' partners Thales e-Security and Mellon Technologies. Furthermore, in December Digicert signed a new contract with Nexus for a larger volume certificate. Digicert is Malaysia's appointed body which oversees and issues certificates to the inhabitants of Malaysia.

The restructuring measures implemented during the year have streamlined the organisation and lowered costs. The focus for the first six months of 2006 will be on recruitments for our sales organisation.

Compared with 2004, SBS's net sales rose to SEK 74.6 million (66.8). The Messaging product line saw a reduction in income due to lower sales of new licences and fewer maintenance contracts compared with 2004. SBS's total license income rose however for the year to SEK 21.8 million (18.7) due to good sales of new licenses within the PKI product area at the close of the year. Maintenance income for 2005 totalled SEK 29.6 million (35.0). The reduction in income is mainly attributable to product area Messaging. Operating loss after depreciation (EBIT) was SEK 21.7 million (-32.4) for the period, and SEK 8.8 million (-28.7) for the fourth quarter.

Capitalised development expenses for 2005 reached SEK 4.0 million (18.1), and SEK 0 million (0.8) for Q4. The lower capitalisation level for 2005 is attributed to a lower level of direct development expenses during the second half of the year since our resources have primarily been occupied with customer-specific adaptations and installations.

Business area Security Consultants (SEC)

Our consulting operation in Borlänge was sold to Know IT AB as of 1 November 2005. The business consisted of 19 employees who mainly operated on the local market in Borlänge. In compensation, Nexus will receive a cash purchase price and if relevant, an additional purchase price which will fall due during the first quarter 2007 at the earliest. The sale influenced quarter four earnings by SEK 7.9 million. The reason for the divestment is to focus on the core areas of consulting: Business Assurance, Identity Management and Regulation & Legislation Compliance as well as services associated with our own product operations. The transfer means this focus can be heightened since the principal orientation of the Borlänge operation does not coincide with any of these fields.

In the fourth quarter, Nexus strengthened its position in the Regulation & Legislation Compliance segment by becoming the first Swedish company licensed by Visa/MasterCard to perform tests and risk assesment of systems and networks. The objective of this is to ensure that security in respect to credit card information complies with the requirements placed on payment agents and Swedish businesses that use credit card payment over the Internet. The insecurity coupled with credit card management is a trade issue that affects everyone. When consumers are afraid to make credit card purchases over the internet, commerce is affected putting the possibility of income via credit cards at risk. This licensing is confirmation of the work and range of services Nexus provides in this segment.

The deal with the German Armed Forces is also a substantial strategic deal for our consulting operations. A team of our consultants has been involved in customising and delivering Nexus' digital identity products throughout the fourth quarter.

As a whole, the year was distinguished by the high personnel turnover rate, which had a negative impact on the workload. Our Stockholm operation burdened earnings the first nine months, while our other units reported good profitability. During the fourth quarter however, Stockholm consulting operations reached the year's highest workload levels, resulting in an extension of the third quarter's positive earnings trend. The number of employees within our consulting operations dropped to 72 at the close of the year, compared with 126 at the close of 2004, including the sale of our Borlänge operations and the shut down of operations in Denmark. The lower employee figures affected net sales for the whole year, which dropped to SEK 101.9 million (117.2).

Net sales for the fourth quarter dropped by SEK 9.9 million to SEK 23.8 million (33.7). Operating profit after depreciation (EBITDA) for 2005 was SEK 0.5 million (-2.1). Operating profit after depreciation (EBIT) for the fourth quarter was SEK 0.8 million (1.5).

Valuation of balance sheet items

Intangible fixed assets

Nexus has since 2003 capitalised development expenses related to those products the company markets and sells. In 2005, the business was restructured and focus directed to the company's core business. In connection with the annual accounts, the company has examined which products have retained their market value and will be financially beneficial for the company in future. An assessment of the expected recovered value of intangible assets indicated that the declared value in total exceeded the recovered value by SEK 15.2 million. Consequently, the assets have been written-down to SEK 9.7 million in the financial statement for 2005.

Accounts receivable Senea

According to the agreement signed in July 2004 between Senea and Nexus, on 1 December 2005 Senea was to buy out Nexus' surplus stock of components and products purchased by Nexus in compliance with the material authorisation issued by Senea. To date, Senea has not fulfilled its obligation which means there is an ongoing dispute between the parties. Furthermore, Senea and Nexus are in dispute concerning certain intellectual property rights. According to Nexus, Senea has improperly used software belonging to Nexus, and is thereby guilty of infringement of intellectual property rights. The disputed accounts receivable concerning Nexus and Senea are valued at about SEK 7.4 million, including VAT.

Considering Senea's losses and week financial position, Nexus has decided to set aside the sum of SEK 3 million for doubtful debts, which does not however alter Nexus' intention of demanding payment in full.

Deferred tax recoverables

The Group's total tax-related deduction for loss totalled about SEK 200 million at the close of the period. In the annual accounts for 2005, Nexus has assessed the value of the deferred tax recoverables reported in the balance sheet and found that it surpasses the tax on the expected taxable profit which will probably be accessible for the foreseeable future. In calculating and forecasting the Group's expected earning trend for the next few years, it is probable that there will be future taxable profits to motivate a deferred tax recoverable of just over SEK 5 million.

It is Nexus understanding that the basis for motivating the deferred tax receivables reported in the balance sheet is the Group's earning trend in 2005, which indicates a growth from loss to taxable profit in the fourth quarter. This shows that the Group now has a streamlined organisation that generates revenue that surpass a more adjusted cost base.

Financial position

Cash flow from current activities in the fourth quarter was SEK 5.8 million (-2.9).

Nexus' cash flow from current activities in 2005 was SEK -21.4 (-80.7). The change in working capital had a positive impact on cash flow for the whole year, despite outstanding payment from Senea which according to the terms of the agreement should have be made 30 November 2005.

Cash flow from investment activities generated a positive surplus of SEK 15.8 million (1.0), which includes final payment of an interest-bearing loan of SEK 16.4 million related to the sale of NPS in 2004. Nexus' shareholding in Senea was sold off in full in 2005.The sale of these shares had an impact on the year's earnings of SEK -0.7 million and on cash flow from investment activities of SEK 4.4 million.

Investments in tangible and intangible fixed assets amounted to SEK 4.2 million (22.3) in 2005. Of this amount, SEK 0.2 million (0.7) was for machinery and equipment and SEK 4.0 million (18.1) for capitalised product development. Depreciation according to plan of intangible fixed assets totalled SEK 10.5 million (8.9). In conjunction with the annual accounts, the value of booked intangible fixed assets was examined which resulted in SEK 15.2 million write down.

Nexus carried out a new share issue with preferential rights for shareholders during the year. After deductions for issue costs, the issue provided a capital injection of SEK 46.4 million. Issue liquidity is reported under cash flow for financing activities minus paid credits.

Cash flow for the year including the new issue amounted to SEK 25.2 million (8.0). The Group's liquid funds totalled SEK 38.8 million (13.6) at the close of the period.

Equity/assets ration at the close of the period was 59 per cent (51).

Remaining effects on cash flow 2006 stemming from restructuring measures during the year are estimated at SEK 1.7 million. These will affect cash flow for the first six months of 2006.

Parent company

Sales for the period amounted to SEK 23.5 million (22.2). Loss before tax was SEK -30.4 million (-45.1). Liquid funds at the close of the year totalled SEK 13.1 million (5.4).

Employees

At the end of the period, the company employed 133 (217) people. The average number of employees for the period was 184 (262). Personnel turnover for the period was 31 per cent (15), excluding operations sold and restructuring measures.

Accounting principles

As of 1 January 2005, Nexus prepares its consolidated accounts in accordance with the EU-approved IFRS (International Financial Reporting Standards). The interim report has been prepared according to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The date for the transition to IFRS is 1 January 2004, so comparative figures for 2004 have been restated in accordance with IFRS, see Appendix 1. The interim report has otherwise been prepared in accordance with the same accounting principles and calculation methods as presented in the annual report for 2004. Any exceptions are presented in Appendix 1. The Parent Company applies RR32, Accounting for Legal Entities.

Other information

The Board of Technology Nexus AB appointed Christina Detlefsen Managing Director and CEO. Christina has served as acting Managing Director since her appointment in January 2005.

No dividends were paid during the year.

There have been no changes in contingent assets or contingent liabilities since the latest closing day. These are at SEK 0.

During the year, remuneration has been made to companies where board member Jan Rynning is partner. The remuneration refers to invoicing of legal services rendered and amount to SEK 618 thousand. Services have been invoiced at the going rate.

Events after the end of the period

Acquisition of ArmourSoft Limited

Nexus announced on 2 January 2006 its acquisition of the UK product company ArmorSoft Ltd. The acquisition gives Nexus access to competitive software environments for central needs such as reliable access and encryption. ArmourSoft's software combined with Nexus' cutting edge digital identity products are expected to satisfy most large companies' requirements for information security. The acquisition also backs Nexus' growth strategy through expanding its partnership network and intensifying growth on the European market where the UK market is one of the fastest growing. The agreement entered into between the parties means that Technology Nexus AB acquires all shares in the UK company ArmourSoft Ltd. Payment for the acquired shares in ArmourSoft Ltd consists of 2,089,020 shares in Nexus. Should sales from ArmourSoft's products in 2006 and 2007 surpass certain fixed targets, an additional purchase price of an additional maximum 4,178,040 shares in Nexus will be paid. The Extraordinary General Meeting of Technology Nexus AB decided on 30 January 2006 in accordance with the Board's proposal to increase the company's share capital by SEK 104,451 through the new share issue of 2,089,020 shares. Shareholders in ArmourSoft Limited are expected to subscribe for the new shares in February 2006. Payment for the new shares will be made through the contribution of a total of 2,961,114 shares in ArmourSoft Limited.

New share issue

The Extraordinary General Meeting held on 30 January 2005 decided in accordance with the Board's proposal to increase the company's share capital by a maximum SEK 1,913,629.20 through the new issue of maximum 38,272,584 shares at a subscription price of SEK 1.75 per share. The company's shareholders will have preferential rights to subscribe for the new shares in relation to the number of shares they already hold, whereby three (3) existing shares entitles the holder to subscribe for two (2) new shares. The Board shall determine the allocation of shares not subscribed for, whereby shares firstly shall be allocated to underwriters of the issue and secondly between investors who have exercised subscription rights in the rights issue. The subscription of new shares by exercising subscription rights will be effective through cash payment of the subscription amount during the period 13-28 April 2006. The Board is entitled to extend the subscription period. Record date for the rights issue is 10 April 2006.

The purpose of the rights issue is to strengthen Nexus' position within the e-Security segment by creating opportunities to participate in an anticipated consolidation of the business sector.

Two of the company's majority shareholders, Aktiefonden Pecunia and Catella Investments AB, have undertaken to subscribe for new shares through exercising their subscription rights and also undertake to subscribe for additional shares. This means that 100 per cent of the rights issue is guaranteed. The underwriters receive remuneration for the guarantees amounting to three per cent of the guaranteed amount, corresponding to a cost of about SEK 1.7 million. The total cost for the new share issue is estimated at about SEK 3.5 million.

Preliminary time schedule for the new issue

- First trading day in the Nexus share excluding subscription rights, 6 April 2006
- Invitation to participate in the new issue to be published, 10 April 2006
- Record date for the subscription rights, 10 April 2006
- Trading in subscription rights, 13-25 April 2006
- Subscription period, 13-28 April 2006

Annual General Meeting

Nexus' AGM will be held in Stockholm, Sweden on Friday, 31 March 2006 at 3 p.m. The invitation to attend the AGM will be issued through advertisements in the press, published no later than 3 March 2006.

Shareholders wishing to make suggestions to the Nominations Committee can do so to the Committee's chairman Peter Edwall at peter.edwall@pecunia.com.

Other matters should be sent to Chairman of the Board Peter Markborn at peter@markborn.com.

Nexus' Annual Report is expected to be complete in March 2005 and will be available on the company's website and at the Swedish offices.

Dividends

The Board proposes that no dividends be paid to the shareholders.

Dates of future financial reports

27 April	Interim Report January-March
14 July	Interim Report January – June
23 October	Interim Report January – September
7 February	Financial Statement 2006

This report has not been subject to review by the Company's auditors.

Linköping, Sweden 17 February 2006

Technology Nexus AB (publ)

Board of Directors

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CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousands	1 Jan 2005-31 Dec 2005	1 Jan 2004-31 Dec 2004	1 Oct 2005-31 Dec 2005	1 Oct 2004-31 Dec 2004
Net sales	**181 901**	**235 800**	**51 400**	**48 109**
Other operating income	0	171	0	49
Total income	**181 901**	**235 971**	**51 400**	**48 158**
Costs for external consultants and goods for resale	-25 335	-49 766	-6 774	-11 048
Personnel costs (1)	-132 635	-181 543	-30 626	-46 701
Costs for premises	-17 150	-17 922	-3 483	-5 217
Other costs	-20 566	-28 304	-8 802	-10 488
Depreciation – tangible fixed assets	-1 545	-3 556	-251	-693
Depreciation and write-downs – intangible fixed assets	-25 704	-17 349	-17 859	-12 294
Operating loss after depreciation (EBIT)	**-41 034**	**-62 470**	**-16 395**	**-38 284**
Financial items, net (2)	4 830	12 628	9 079	-373
Result after financial items (EBT)	**-36 204**	**-49 842**	**-7 316**	**-38 657**
Tax	-27 730	-20 953	-27 730	-20 907
Profit/loss for the year	**-63 934**	**-70 795**	**-35 046**	**-59 564**
Of which attributable to shareholders in	**-63 934**	**-70 795**	**-35 046**	**-59 564**
Margin before depreciation (EBIT) %	**-22.6**	**-26.5**	**-31.9**	**-79.6**
Earnings per share, SEK	**-1,28**	**-2,19**	**-0,63**	**-1,65**
Earnings per share after dilution, SEK	**-1,28**	**-2,19**	**-0,63**	**-1,65**

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousands	31 Dec 2005	31 Dec 20041
ASSETS		
Goodwill	39 979	49 321
Other intangible assets	9 667	31 401
Tangible fixed assets	1 226	2 763
Financial fixed assets*	8 455	56 651
Other current assets	69 145	75 515
Liquid funds	38 821	13 612
Total assets	**167 293**	**229 263**
* Including interest-bearing assets	0	16 427
EQUITY AND LIABILITIES		
Equity	99 307	116 820
Long-term liabilities	1 641	954
Current liabilities **	66 345	111 489
Total equity and liabilities	**167 293**	**229 263**
** Including interest-bearing assets	0	15 603

CHANGE IN EQUITY

	31 Dec 2005	31 Dec 2004	31 Dec 2003
Opening balance	116 820	90 000	121 041
New share issues	46 386	97 982	32 802
Pension accounting according to IAS 19	-395	-371	
Exchange rate differences	-7	4	0
Other items*	437		
Loss for the year	-63 934	-70 795	-63 843
Closing balance	**99 307**	**116 820**	**90 000**

* Refers to repayment from the tax athority concerning VAT on former acquisitions

CASH FLOW STATEMENT

Amounts in SEK thousands	1 Jan 2005 31 Dec 2005	1 Jan 2004 - 31 Dec 2004	1 Oct 2005-31 Dec 2005	1 Oct 2004-31 Dec 2004
Cash flow from current operations before changes in working capital	-6 107	-29 373	17 603	-20 133
Changes in working capital	-15 279	-51 376	-11 826	17 224
Cash flow from current operations	**-21 386**	**-80 749**	**5 777**	**-2 909**
Cash flow from investment activities	15 811	1 028	-55	12 752
Cash flow from financing activities	30 784	87 722	0	-6 323
Changes in liquid funds	**25 209**	**8 000**	**5 722**	**3 520**

NET SALE PER SEGMENT

Amounts in SEK thousands

	1 Jan 2005- 31 Dec 2005	1 Jan 2004- 31 Dec 2004	1 Oct 2005- 31 Dec 2005	1 Oct 2004- 31 Dec 2004
Business Area SBS	74 628	66 771	26 932	13 403
Business Area SEC	101 862	117 151	23 830	33 703
Business Area NPS	0	48 603	0	0
Group-wide and eliminations	5 411	3 275	638	1 003
Total	**181 901**	**235 800**	**51 400**	**48 109**

OPERATING PROFIT/LOSS PER SEGMENT (EBIT)

Amounts in SEK thousands

	1 Jan 2005- 31 Dec 2005	1 Jan 2004- 31 Dec 2004	1 Oct 2005- 31 Dec 2005	1 Oct 2004- 31 Dec 2004
Business Area SBS	-21 661	-32 450	-8 837	-28 669
Business Area SEC	531	-2 149	764	1 522
Business Area NPS	0	-8 708	0	0
Group-wide and eliminations	-19 904	-19 163	-8 322	-11 137
Total	**-41 034**	**-62 470**	**-16 395**	**-38 284**

NET SALES PER GEOGRAPHIC MARKET

Amounts in SEK thousands

	1 Jan 2005- 31 Dec 2005	1 Jan 2004- 31 Dec 2004	1 Oct 2005- 31 Dec 2005	1 Oct 2004- 31 Dec 2004
Sweden	119 737	165 621	28 857	33 791
Europe, excluding Sweden	52 841	64 220	17 248	13 102
USA	980	2 741	0	559
Rest of the world	8 343	3 218	5 295	657
Total	**181 901**	**235 800**	**51 400**	**48 109**

KEY RATIOS

	Dec 2005	Dec 2004	1 Oct 2005- 31 Dec 2005	1 Oct 2004- 31 Dec 2004
Number of shares	55 319 856	39 514 184	55 319 856	36 010 214
Number of shares incl. outstanding warrants	55 319 856	39 514 184	55 319 856	40 883 862
Average number of shares	50 051 299	32 386 199	55 319 856	36 010 214
Average number of shares incl. outstanding warrants	50 051 299	33 610 199	55 319 856	40 883 862
Equity per share, SEK	1,80	2,97		
Profit margin (EBT), %	Neg	Neg		
Return on equity, %	Neg	Neg		
Return on capital employed, %	Neg	Neg		
Equity ratio, %	59	52		
Net debt	-38 821	-14 436		
Number of employees on balance sheet date	133	217		
Average number of employees	184	262		
Net sales per average number of employees	989	900		

NOTES

	1 Jan 2005- 31 Dec 2005	1 Jan 2004- 31 Dec 2004	1 Oct 2005- 31 Dec 2005	1 Oct 2004- 31 Dec 2004
1) Personnel costs				
Personnel costs	136 605	199 672	-30 625	-47 476
Capitalised expenditure for development	-3 970	-18 129	0	775
	132 635	**181 543**	**-30 625**	**-46 701**
2) Financial items, net				
Interest income	402	1028	148	572
Interest expense	-959	-6 233	441	-1 143
Other financial items	-117	-534	615	-294
Loss incurred in sale of holdings in Senea	-711	-831	0	-831
Divested operations	6 215	19 198	7875	1 323
	4 830	**12 628**	**9 079**	**-373**

APPENDIX 1

Nexus' financial reports have always been prepared in accordance with the Swedish Annual Accounting Act and the Swedish Financial Accounting Standards Council's recommendations. As of 1 January 2005, Nexus prepares its consolidated accounts in accordance with the International Financial Reporting Standards (IFRS) approved by the EU. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounting Act. The time of Nexus' transition to IFRS is 1 January 2004, as IFRS requires the restatement of at least one comparative year. Nexus' 2004 financial data has therefore been restated in accordance with IFRS. Presented below is an account of the transition to IFRS together with the effects of the transition on equity, the balance statement and profit/loss. Below are the most important presented changes regarding Nexus' accounting principles in conjunction with the transition to IFRS:

IAS 1

In previous interim reports up until and including the first six months 2005, Nexus has reported capitalised development expenses and income from divested operations as other income. In an attempt to adapt to IFRS, as of interim report for the period January to September 2005, capitalised development expenses will be reported as a cost reduction under personnel costs and income from divested operations will be reported as a financial item. See notes 1 and 2.

Furthermore, Nexus previously divided the Group's liabilities into interest-bearing and non-interest bearing. According to IAS 1, the division of liabilities is to take the shape of current and long-term. Subsequently, Nexus has divided the Group's liabilities into current and long-term liabilities. Moreover, provisions are classified as long-term or current liabilities.

The changes have not had an effect on the Group's reported profit/loss or consolidated balance sheet total.

IFRS 3 Company acquisitions and goodwill

Depreciation of goodwill according to plan ceases as of 1 January 2005, which is why goodwill depreciation reported as a cost in 2004 – in accordance with Nexus' previous accounting principles – is cancelled when 2004 is restated as a comparative year alongside 2005. Goodwill depreciation according to plan is replaced by an annual examination of the need to write down each individual goodwill item, whether or not there is any indication that the goodwill value needs to be written down. This means that Nexus cancels goodwill depreciation in the amount of SEK 5.7 million for all of 2004, which improved operating profit by the corresponding amount for the period.

IFRS 1 Application of transition regulations

The transition to IFRS is reported in accordance with IFRS 1 First-time adoption of IFRS. The principal rule of IFRS 1 requires that the company applies all IFRS recommendations retroactively when establishing the opening balance in accordance with IFRS. Certain exceptions from this retroactive application are however permitted. Nexus has elected to adopt the following:

IFRS 3 Company acquisition

Nexus applies the transition regulations described in IFRS 1 and will therefore no apply IFRS 3 retroactively, but only for acquisitions as of and including 1 January 2004.

IAS 19 Remuneration to employees

Nexus introduced RR29 Remuneration to employees in January 2004. RR29 coincides to all extents and purpose with IAS 19. However, in December 2004 an supplement to IAS 19 were published, which enables to disclose actuarial profit and losses direct to equity. Nexus has chosen to apply this alternative. The transition to IFRS hereby resulting in a actuarial loss of SEK 0.4 million, which has been recorded towards equity as per 31 of December 2004.

IAS 39 Financial instrument

Nexus applies IAS 39 as of 1 January 2005. According to IAS 39, financial assets are to be valuated at their actual value. For comparative year 2004, Nexus applies the Swedish Accounting Rules and reports financial assets at their actual value in the income statement. There is subsequently no difference between previously adopted principles and IFRS, making the exception permitted in IFRS 1 redundant.

Effects on cash flow

The transition to IFRS has not entailed any effects on Nexus' cash flow statement.

Other matters and effects as of1 January 2005

Other IFRS recommendations have not entailed any significant changes or effect compared with previous accounting principles adopted by the Group. The interim report has been prepared in accordance with the same accounting principles and calculation methods as presented in the annual report for 2004.

Adjustments for the transition to IFRS 2005

The tables below present the effects arising from the transition to IFRS.

Consolidated Balance Sheet	Acc to Swedish accounting principles 1 Jan 2004	Effect of transition to IFRS	IFRS 31 Dec 2004
ASSETS			
Goodwill	43 614	5 707	49 321
Other intangible assets	31 401	0	31 401
Tangible fixed assets	2 763	0	2 763
Financial fixed assets	56 651	0	56 651
Other current assets	75 515	0	75 515
Cash and bank balance	13 612	0	13 612
Total assets	**223 556**	**5 707**	**229 263**
EQUITY AND LIABILITIES			
Equity	111 484	5 336	116 820
Long-term liabilities	583	371	954
Current liabilities	111 489	0	111 489
Total equity and liabilities	**223 556**	**5 707**	**229 263**

Consolidated Income Statement			
Net sales	235 800	0	235 800
Other operating income	**171**	0	171
Total income	**235 971**		**235 971**
Costs for external consultants and goods for resale	-49 766	0	-49 766
Personnel costs	-181 543	0	-181 543
Costs for premises	-17 922	0	-17 922
Other costs	-28 304	0	-28 304
Depreciation tangible	-3 556	0	-3 556
Depreciation goodwill	-8 043	**5 707**	-2 336
Depreciation intangible	-15 014	0	-15 014
Operating profit/loss after depreciation (EBITDA)	**-68 177**	**5 707**	**-62 470**
Financial items, net	12 628	0	12 628
Result after financial items (EBT)	**-55 549**	**5 707**	**-49 842**
Tax	-20 953	0	-20 953
Profit/loss of the period	**-76 502**	**5 707**	**-70 795**

Review of equity:	31 Dec 2004	1 Jan 2004
Equity according to Swedish accounting principles	111 484	90 000
Depreciation of goodwill	5 707	0
Pension accounting according to IAS 19	-371	0
Equity according to IFRS	**116 820**	**90 000**

Review of profit/loss for the year:	31 Dec 2004
Loss for the year according to Swedish accounting principles	-76 502
Depreciation of goodwill	5 707
Profit/loss for the year according to IFRS	**-70 795**