

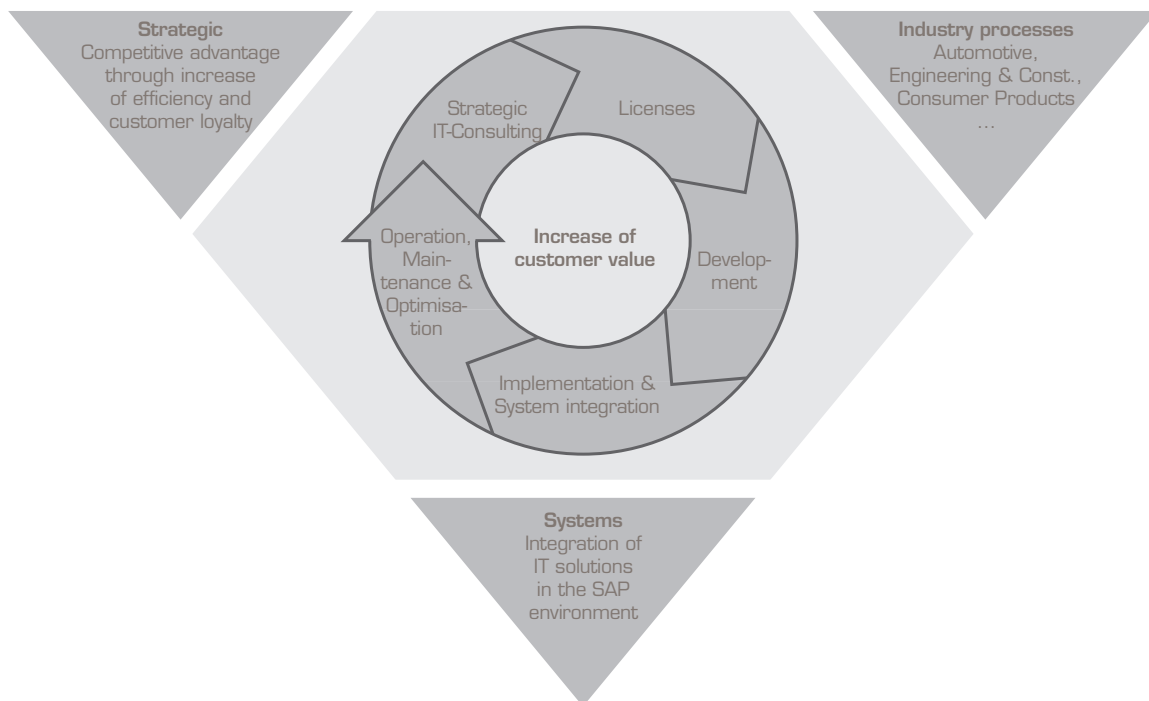
Annual Report 2003

itelligence

Brief description

itelligence AG is a leading international full-service provider for solutions in the SAP environment employing some 1,000 highly qualified employees at 34 branches in 15 countries. As a mySAP.com Channel, Service, Support Alliance, Hosting and Global Services Partner, itelligence carries out complex projects in the SAP environ-

ment for over 1,200 customers worldwide. The Company's services range from SAP consulting, licensing, outsourcing and services through to internally developed SAP industry solutions. In 2003, itelligence generated total sales of MEUR 145.6 (including discontinued operations: MEUR 150.8) (ISIN DE 000 730 040 2).

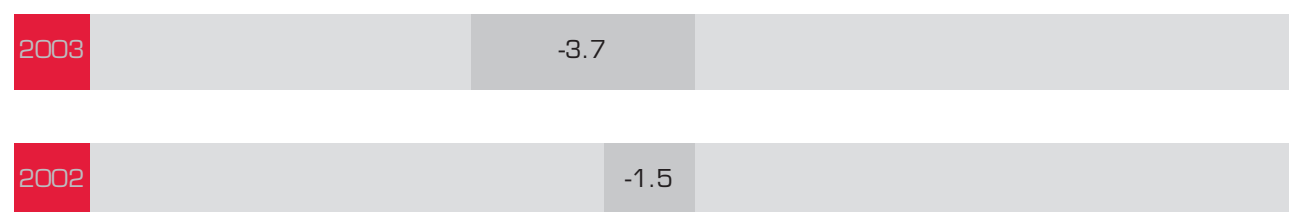


itelligence positioned as a full-service provider for solutions in the SAP environment

Sales



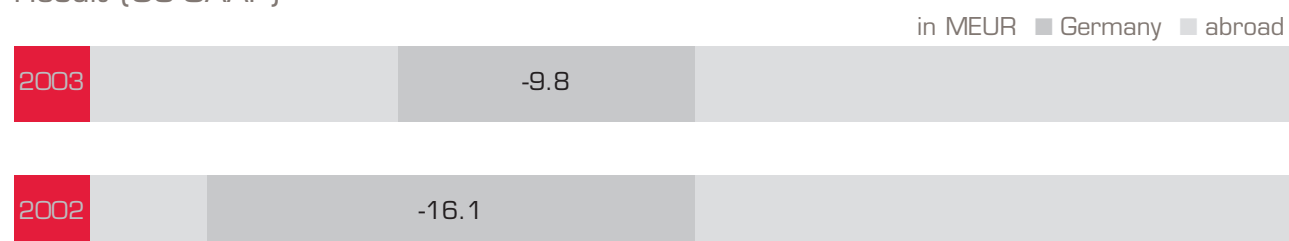
EBIT



EBITA



Result (US-GAAP)



Employees



itelligence Key Figures

	2003	2003*	2002	2002*	2001*
Sales in MEUR	145.6	150.8	159.5	168.5	182.9
Germany	72.6	76.0	86.1	90.2	95.3
Abroad	73.0	74.8	73.4	78.3	87.6
EBIT in MEUR	-3.7	-7.5	-1.5	-3.5	-7.9
EBIT margin	-2.5%	-5.0%	-0.9%	-2.1%	-4.3%
Discontinued operations	-3.5	0	-2.0	0	0
EBITA in MEUR	-2.2	-6.0	-1.0	-3.0	-4.6
EBITA margin	-1.5%	-3.98%	-0.6%	-1.8%	-2.5%
Result (US GAAP) in MEUR	-9.8	-9.8	-16.1	-16.1	-5.7
Return on sales	-6.7%	-6.5%	-10.1%	-9.6%	-3.1%
Cash flow in MEUR	1.5	1.5	-1.1	-1.1	-0.3
Balance sheet total in MEUR	61.6	61.6	76.7	76.7	98.5
Equity in MEUR	10.6	10.6	19.7	19.7	33.3
Investments in MEUR	3.5	3.5	3.8	3.8	8.5
Employees as of Dec. 31	1,068	1,068	1,465	1,465	1,486
Average	1,232	1,232	1,460	1,460	1,541
Germany	593	593	762	762	819
Abroad	475	475	703	703	667
Earnings per share	-0.59	-0.59	-0.96	-0.96	-0.34
DVFA/SG earnings per share**	-0.59	-0.59	-0.96	-0.96	-0.34
Cash flow per share in EUR	0.09	0.09	-0.07	-0.07	-0.02

* Including discontinued operations

** German Society of Investment Analysts (DVFA)/Schmalenbach-Gesellschaft (SG)

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“Efficiency counts – itelligence successfully demonstrated this in 2003: increased efficiency, sustainable improvements in cost structures and the reorientation of the operating business.”

Herbert Vogel, CEO

Ladies and Gentlemen,
Shareholders and Business Partners,

Letter to the shareholders

The past fiscal year brought with it major changes for itelligence AG. The persistently difficult economic situation at the beginning of 2003 which was accompanied by low investments in IT projects resulted in a considerable decrease in sales. As a result, we analyzed our business and the organization in the first and second quarters in detail and resolved to make extensive changes. These changes were implemented in a clearly focused restructuring project with the aim of strengthening itelligence AG's substance and structures for the future.

The Year of Restructuring and Turnaround

In 2003, itelligence AG was restructured and a clear focus was placed on IT services in the SAP environment. As part of our restructuring, we separated ourselves from the loss-making foreign subsidiaries and investments and from the loss-making non-SAP areas. In this connection, management structures were created with a clear focus on the profitable development of the restructured areas. In addition to this organizational restructuring, we established transparent processes and management instruments as part of the operational restructuring which significantly enhance our ability to plan business development and generate higher profits. In view of orders on hand and in the pipeline and the issue of increasing efficiency, we reduced our headcount across the entire Group. The number of persons employed at the end of the year was around 400 less than at the end of 2002.

The first tangible results from all the measures implemented were reflected in earnings at the end of the third quarter and in particular at the close of the fourth quarter. This development was supported by a noticeable increase in investments by the market in IT projects in the SAP environment during the course of the third quarter. Thus, following a weak first six months, our business enjoyed positive performance during the second half of the year.

With total sales of MEUR 145.6 (including discontinued operations: MEUR 150.8), we surpassed the sales target set in the second quarterly report in 2003. Despite higher restructuring expenses in the fourth quarter, the EBITA margin was slightly above plan.

With the conclusion of the operational restructuring at the end of 2003, we believe that itelligence AG is structurally well positioned with a clear focus to allow us to develop the core business profitably.

Owing to our exceptionally good positioning as one of the most important SAP partners in one of the most important growth fields in the market segment for the traditional and high-end mid-market, we are confident that itelligence AG will spring back after a difficult year of restructuring and reorientation and yield considerably higher profits.

Business stabilized noticeably at the end of 2003

Greater profitability thanks to optimized corporate structures

Focusing on our core competencies in the SAP environment



“Efficiency counts – itelligence will demonstrate this again in 2004 both to customers and within its own organization.”

Jörg Vandreier, CFO

“With IT solutions in tune with market demands, we are developing tangible savings and optimization potential for our customers.”

Herbert Vogel, CEO

The success of our customer projects will largely be determined by the quality and expertise of our employees. Their knowledge, creativity and commitment are successfully driving customer projects at itelligence AG. We wish to thank our employees for their outstanding commitment, especially for their commitment during the restructuring phase.

Increased Efficiency

The motto for this year's annual report is “efficiency counts”.

Increasing efficiency for our customers is the primary goal of our projects. With a market-oriented product and service portfolio, profound industry expertise and industry-specific IT solutions, we offer optimized coordination of company processes and intercompany business processes. itelligence consultants implement tailor-made solutions for customers in a flexible SAP system landscape, adapted to the respective company-specific and market-specific environments.

In 2003, itelligence AG's internal activities were also carried out under the motto “efficiency counts”. The increased efficiency, sustainable improvements in cost structures and the reorientation of the operating business started to bear fruit in the second half of 2003. We will press ahead with these efforts in 2004 and make the Company even more efficient.

Increased Profitability and Positive Outlook for 2004

The restructuring process and strategic reorientation were completed in 2003. We have taken the necessary steps for a return to sustainable profitability. Having won numerous new customers and orders in the past few weeks, we believe that we are on the right track in the operating business. We have met with a positive response from the market which considers us a reliable IT partner.

itelligence AG is well positioned for the future. We predict a slight upturn in the IT market during fiscal year 2004. We see particular growth potential in the midmarket. We want to expand our position in this market. Assuming these developments, we expect sales for the entire year of between MEUR 125 and MEUR 135. In this regard, we project an EBIT margin of between 4 percent and 7 percent.

Leading international SAP partner for midmarket companies

Well positioned with a clearly defined, profitable business model for 2004



Herbert Vogel
CEO



Jörg Vandreiер
CFO

“Here at DEUTZ, we have successfully carried out a highly demanding project in technical and organizational terms. During the project, we were always able to benefit from the high level of SAP expertise and profound knowledge of itelligence SAP consultants on the structuring processes for a company of our size. A strong and experienced partner is required to go live on such a scale. With the new IT structure, we are equipped for the future.”

Lothar Grapatin, Head of Organizational and Information Systems, DEUTZ AG



Seamless Cooperation on Company-Wide Processes

Integrated systems, perfect processes, maximum efficiency – as a mid-sized enterprise, we know what midmarket companies expect from a collaboration with itelligence AG. With individually adapted efficiency-increasing measures based on a corresponding market-oriented product portfolio, we help our customers to generate a high return on investment using our services.

With the increased complexity of production and logistics processes, demand for efficient IT landscapes which support the coordination and administration of data flows is growing. These system landscapes therefore have to grow in line with a company's requirements without becoming inefficient and inflexible.

An IT system landscape which can seamlessly coordinate and operate the internal and company-wide processes in the areas of development, sales, installation and assembly, logistics, service and accounting, was also requested by DEUTZ AG.

As one of the world's largest independent producers of diesel and gas engines, it is important for DEUTZ to be able to react quickly and flexibly. DEUTZ operates globally in six state-of-the-art assembly plants. The Cologne-Porz plant alone produces around 120,000 engines per year, most of which are specially configured for the customer. An external logistics provider handles materials, procurement, inventory management and the shipping of finished engines for the company. The internal and external business processes at DEUTZ are connected via branched logistical structures. In the past, this complexity was

With the increased complexity of production and logistics processes, demand for efficient IT landscapes is growing

mirrored in heterogeneous and in some cases specifically programmed IT structures.

At DEUTZ AG, one of our tasks was to migrate this system landscape with its very different interfaces into an integrated SAP R/3 landscape with the DEUTZ team. This went hand in hand with the aim of harmonizing and adapting the various business processes, master data and system platforms of the company's six production facilities and six service centers in relation to the new SAP R/3 system. Another challenge was the launch of the entire application on the set date. In very close cooperation with DEUTZ, we developed an optimally adapted integration solution. The fast and targeted implementation within the complex system was primarily thanks to our profound expertise in automotive technology and mechanical engineering.

A central instrument, SAP Exchange Infrastructure (SAP XI), is used to control the entire complex system landscape at DEUTZ. These SAP Net Weaver components provide DEUTZ AG with an efficient and fast connection between the SAP and non-SAP landscapes due to the standardization of the various interfaces. Today the engine manufacturer handles all incoming and outbound processes with external systems such as with the external logistics provider via the SAP XI platform. This standardized IT platform enables complex processes and data transfers to be executed and controlled in a fast, simple and transparent fashion.

The introduction and implementation phase was facilitated by the use of the SAP Solution Manager. DEUTZ AG is one of the first SAP customers worldwide to successfully use this process documentation. DEUTZ AG also uses

the latest technology for the dealer portal, processing warranties (SAP Warranty), customer relationship management (CRM) and document administration.

Based on past positive experience, DEUTZ AG performs rollouts at the European subsidiaries with itelligence AG. In the medium term, DEUTZ AG plans to equip its key locations with SAP software.

NetWeaver – a standardized IT platform for complex processes and interfaces

Company/country	DEUTZ AG, Germany
itelligence services	Preliminary studies, SAP R/3 implementation and development, system integration of SAP and non-SAP software in SAP XI
Software used	SAP R/3 with industry features for discrete industries, mySAP Customer Relationship Management and individual programming, SAP XI 2.0, SAP Solution Manager
Number of users	1,800 and 400 dealers
Duration of project	Implementation project from mid-2001 to January 1, 2004
Overview	

Optimal integration through close cooperation with customers

“We view itelligence USA as our strategic SAP Business Partner. Their continued support and attention to the SUMCO USA project has helped us improve efficiencies and achieve our business objectives.”

Dan Moore, Director, Information Technology-ERP Systems, SUMCO USA



Pooled Performance through System Integration

Leading SAP partner in the US midmarket

For itelligence AG, one of the largest SAP partners to small and medium sized businesses, the US market is of particular importance in the context of its partnership with SAP AG. In 2003 alone, itelligence's USA sales increased by approximately 20 percent. At the beginning of 2004, SAP America Inc. recognized itelligence USA as the "Top Producing" Partner in the US small and medium-sized business market. This award, which was given on the basis of 2003 sales figures, was given to the US branch of itelligence AG in recognition of its excellent performance and achievement of objectives in 2003. As the top-producing partner in the SMB market and in the mySAP All-in-One initiative, itelligence continues its success story as one of the largest

SAP partners to small and medium sized businesses in the USA and worldwide.

Local SMB's rely on the IT services provided by our US subsidiary. One of them is Sumitomo Mitsubishi Silicon Group (SUMCO USA), a leading manufacturer of silicon wafers. Thanks to its outstanding technological precision, the company operates successfully in the international semiconductor market. The result of a merger between two global wafer manufacturers' silicon operations, Sumitomo Sitix and Mitsubishi Silicon America, SUMCO USA aims to expand its global market position through quality leadership and consistent customer orientation. Considering the company's capabilities and profound technological experience, chances are excellent that this goal will be achieved. The IT environment that enables the

US wafer manufacturer to act fast and flexibly has been designed by our US team.

To increase the efficiency of SUMCO USA's business processes, the US intelligence team had to integrate the existing heterogeneous systems environments of the two pre-merger companies into a standardized IT system. The intelligence team faced the great challenge of migrating the old SAP and non-SAP environments of five different production facilities with different structures to a new homogeneous information system. In close cooperation with the company, intelligence managed to isolate the central business processes of the three first plants from the old systems, to compare and standardize them and replace them with specifically adapted SAP solutions. As a result, accounting, controlling, asset management, purchasing and sales, inventory management, production and marketing for all locations can today be managed centrally using SAP.

During the last 90 days of the project, another two production plants were integrated into the standardized IT platform, highlighting the flexibility of the customized SAP solution. The old software of the two plants was successfully integrated into the new SAP system within a very short period of time, primarily thanks to the forward-looking customization of the SAP solution to SUMCO USA's specific requirements. In the context of SUMCO USA's planned expansion, additional plants can easily be integrated into the new IT system.

Thanks to the homogeneous group-wide IT environment, SUMCO USA has reduced the number of interfaces significantly, even though processes are becoming increasingly complex. All divisions can now access all company data simultaneously, which means that the new SAP software has clearly centralized, standardized and optimized the company's processes and facilitated its control-

ling and decision-making lines. In our capacity, as SUMCO USA's IT partners, we have laid the foundation on which the company will exploit the concentrated power and performance of its merged divisions.

The optimized business processes and data flows will enable SUMCO USA to reduce costs while improving services provided to its customers. The company already benefited during the project from a clear added value - we not only implemented all project phases within the minimum period of 14 months but also completed the project at a lower cost than originally planned. Overall, intelligence ensured a very smooth and successful completion of this major IT project.

Integrating heterogeneous system landscapes into one standardized IT system

Optimizing business processes and increasing competitiveness

Company/country	Sumitomo Mitsubishi Silicon Group (SUMCO USA)
intelligence services	SAP introduction
Software used	SAP General Ledger, Finance (FI), Enterprise Controlling (CO), Materials Management (MM), Warehouse Management (WM), Accounts Payable (AP), Accounts Receivable (AR), Plant Maintenance (PM), Sales and Distribution (SD), Enterprise Consolidations (EC-CS)
Number of users	500
Duration of the project	July 2002 – January 2004

Overview

“Employees have been relieved of much routine work and can now concentrate fully on cultivating customer relationships. Working with real-time data enhances the quality of our relationships with suppliers, partners and customers.”

Artur Kolakowski, General Manager, Libella Sp. z o.o.



Building on Our Competitive Edge Through Forward-Looking IT Solutions

EU enlargement is planned for May 2004. The economies of the ten new member states will increasingly become the focus of the European economy. itelligence AG began tapping these new growth markets at an early stage. We are present as a major SAP AG partner in Poland, for example, the largest economy of the ten new member states. In addition to implementing SAP software systems and complementary IT solutions in the traditional and high-end midmarket, we are maintaining our excellent market position in Poland in IT rollout projects for Polish branches of international companies. Our fastest growing business division, Outsourcing & Services, also works on IT projects at international level. itelli-

gence's branch in Poland and the computer center in Poznan play an important role in this connection.

Poland's accession to the EU is of prime significance for the country's economic growth. Not only will new sales markets be opened up to Polish companies but competition will stiffen in the form of new competitors from western Europe.

Like other midmarket companies in Poland, the management of LIBELLA Sp. z o.o. in Warsaw therefore sees the need to improve its competitiveness. Companies must be cost effective, flexible in relation to the market and they must secure or expand market shares.

Greater efficiency and flexibility through IT solutions in tune with market demands

The consumer goods manufacturer, LIBELLA, produces and distributes a wide range of brands from food articles to chemical cleaning substances. Over 100 products are produced in three company plants and distributed to the various sales markets, which include wholesalers, supermarkets and even kiosks, via LIBELLA'S own distribution system. The products are sold in Poland and the neighboring Baltic states.

With continually growing selling expenses and the increasing need to improve cooperation between business divisions, LIBELLA decided to engage itelligence to implement an SAP solution. Our aim as LIBELLA's IT partner was to improve profitability and create a clear market advantage by making operations more seamless. The implementation phase was characterized by efficiency: our teams of consultants reacted swiftly to LIBELLA's requirements, and made a rapid and timely adjustment in view of the forecast budget.

In close cooperation with the customer and using mySAP, our experts integrated the company's processes, from production, logistics and distribution, as well as the various processing, accounting and warehousing systems into a seamless IT system.

Through the restructuring of the company which went hand in hand with the system implementation, LIBELLA was able to optimize its business processes and realize extensive cost savings – of up to 20 percent in administration alone – and therefore significantly bolster its ROI.

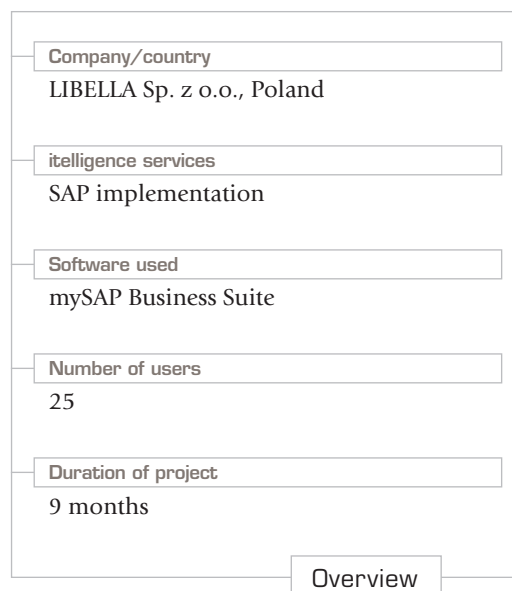
LIBELLA significantly increased performance and quality by optimizing data management. The permanent access for all areas to the summarized data on the individual business divisions – on inventories, sales, orders and current production – enables decisions to be made more rapidly and

tasks performed more effectively. The integrated work flow allows the current business situation to be viewed and future business development simulated. Trend analyses and simulations of market development are also performed in the new IT landscape using historical data, hence customer behavior is included specifically in planning. Our customer LIBELLA also achieves more efficiency in particular from the seamless integration of sales and distribution processes: linking logistics, production management and finance optimizes planning and permits ongoing monitoring of the sales process. With a view to profitability, sales results can be analyzed by market segment, product, customer and region. At the same time, the direct cost of sales of products can be calculated accurately.

The new structure enables LIBELLA to react more swiftly and flexibly to changed market conditions and exploit new business opportunities.

Timely and cost conscious system implementation

Increased functionality and transparency of business processes



“Our high project requirements combined with high system standards call for a competent partner for efficient system implementation and management. Our IT partner, itelligence, meets these requirements.”

Olaf Hahn, General Manager, E.Mobile Technologies GmbH



Increasing Profitability by Outsourcing

For itelligence, efficiency does not stop at the implementation of IT solutions: itelligence AG is focused on the SAP field as a full-service provider for IT solutions. Complementing our complete service offering, we also offer our customers efficiency-increasing IT services through our hosting and IT administration services in the area of Outsourcing & Services. This sets itelligence well apart from the competition. In comparison with the prior year, sales in the Outsourcing & Services division are now up from 16.6 percent (16.3 percent*) of total sales in 2002 to 20 percent (19.8 percent*). With year-on-year growth of 10.2 percent (8.7 percent*), Outsourcing & Services has lived up to the positive expectations and is now our fastest growing division.

In outsourcing, we support the SAP system landscapes of companies that expect reasonably-priced

but at the same time rapid and seamless processing from their IT systems. From our four computer centers at present in Bielefeld, Bautzen, Poznan (Poland) and Cincinnati (USA), we offer our customers around the world complete support in the entire IT environment. We take on all-round support of servers and customer systems.

E.Mobile Technologies GmbH has also opted for comprehensive cooperation in outsourcing and services with itelligence AG. The decisive factors in this were our solid SAP expertise in the midmarket and automotive industry and our all-round support skills. The manufacturer of innovative electric vehicles for leisure and industrial use from Einbeck (south Lower Saxony) was looking for seamless integration of its central operating areas in order to ensure profitable operations across all internal and company-wide processes. The IT solution was intended to carry the company's innovation-driven growth, i.e. accompany the heavily de-

Outsourcing as a response to demand for IT services that enhance efficiency

Outsourcing & Services has been our fastest growing business division over the last few years

* including discontinued operations, see page 21

velopment-oriented processes from production to the distribution of products ready for the market.

Following successful implementation of mySAP Business Suite modules and our it.automotive-supplier solution, we are now supporting the young midmarket company in the operation and servicing of the new IT landscape. itelligence AG operates the SAP system for E.Mobile Technologies GmbH from the itelligence computer center in Bautzen. The system there works on an Intel/Linux basis with an SAP DB database for some 50 users. itelligence offers expert one-stop support – our customers can contact us 24 hours/7 days via our help desk, by phone, fax or e-mail.

We offer customers maximum efficiency in using their SAP infrastructure through expert all-round service in the implementation and operation of applications. By outsourcing the administration

of its IT systems to itelligence, the company is able to concentrate on its core business.

Flexible IT solutions as a basis for innovation-driven and expansion-driven corporate processes

Company/country	E.Mobile Technologies GmbH/ Germany
itelligence services	Outsourcing & Services
Software used	mySAP Business Suite
Number of users	50
Duration of project	December 2003 – March 2004

[Overview](#)

itelligence worldwide

Germany

- Berlin
- Bielefeld
- Dortmund
- Bautzen
- Frankfurt
- Hamburg
- Cologne
- Munich
- Stuttgart
- Walldorf

Europe

- Belgium
 - Brussels
- United Kingdom
 - London
- Netherlands
 - Eindhoven
- Austria
 - Vienna
- Poland
 - Warsaw
 - Poznan
 - Katowice

- Slovakia
 - Bratislava

- Slovenia
 - Ljubljana

- Spain
 - Barcelona
 - Bilbao
 - Madrid
 - Saragossa

- Czech Republic
 - Prague

- Ukraine
 - Kiew

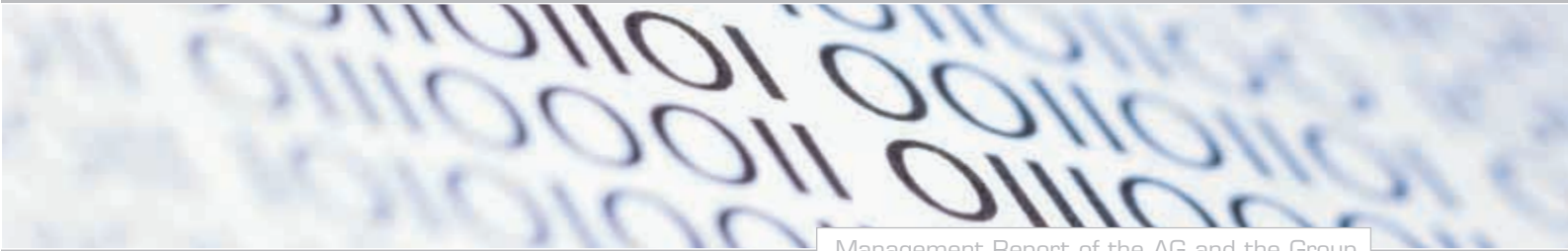
- Hungaria
 - Budapest

USA

- Russia
 - Moscow
- Switzerland
 - Bern
 - Zurich
- Atlanta (GA)
- Chicago (IL)
- Cincinnati (OH)
- Dallas (TX)
- Minneapolis (MN)







Management Report of the AG and the Group

The Year 2003 – Summary of Major Points

- In the first half of the year, the market environment was dogged by a strong reluctance to invest; the market stabilized in the third quarter and improved further in the fourth quarter of 2003
- Clear focus on the core business as a full-service provider for solutions in the SAP environment: discontinuation of loss-making non-SAP complementary areas and investments
- Restructuring of operations successfully implemented: basis for sustainable profitability created
- At MEUR 145.6, sales were above target for 2003 (including discontinued operations*: MEUR 150.8), at -1.5 percent, EBITA** (including discontinued operations*): -3.98 percent) was better than expected
- Net loss according to US GAAP is MEUR -9.8 including all restructuring expenses (MEUR 5.4, including discontinued operations*: MEUR 5.6) (2002: MEUR -16.1).

itelligence's Performance in the General Economic Situation

As a leading international full-service provider for solutions in the SAP environment, itelligence AG offers its customers in the traditional and high-end midmarket services along the entire IT value chain including outsourcing services. itelligence has positioned itself in the market for large customers through its industry and specialist competency in areas such as NetWeaver technology, CRM, SCM and portals. As an SAP Global Services Partner, itelligence belongs to a select group of 12 international partners which collaborate closely with SAP AG on sales and marketing activities. itelligence sets itself apart from the competition as a full-service provider in the SAP environment with its industry-specific solutions and outsourcing and services.

On the whole, the general economic situation and the markets relevant to itelligence AG were soft at the beginning of 2003. As a result, consultants throughout Europe, especially in Germany, were working considerably below capacity during the second quarter. The non-SAP area and the investments in Germany suffered a particularly strong fall in sales and the number of orders on hand and in the pipeline deteriorated. An increase in our sales activities and the use of an enhanced sales control system coupled with a stabilization of the market in Europe in the third quarter led to a significant improvement in orders on hand and in the pipeline in the SAP environment. This trend continued in the fourth quarter.

The successful restructuring activities implemented in the US in 2002 and the earlier than forecast economic upswing paved the way for a strong recovery in business in the US in the second quarter of 2003. The positive trend in the US which continued through the third and fourth quarters is not fully reflected in the consolidated financial statements of itelligence prepared in euros due to the strong devaluation of the US dollar.

The economic environment in which itelligence AG operates can be considered as very positive on the whole. Economic institutes predict a sustained global economic recovery in 2004 on the basis of current economic data. It is expected that customers will commission more projects in 2004 which combine the updating of their current SAP system with the optimization of their IT systems. The market research institution, Gartner, predicts that around 3,800 companies worldwide will update their old SAP software in 2004 because SAP will stop upgrading some of its older releases. In light of this, Gartner expects IT budgets to increase in the second half of 2004. The main reasons for customers investing in IT are to optimize and expand internal system landscapes in efficient projects in order to

generate a rapid return on investment (ROI), make them more competitive and cut costs.

IDC expects the German IT services market to grow by an annual average of 3.8 percent by 2007. By this time, the German share in the overall western European market for IT services is expected to be at around 19 percent. In comparison to the German IT services market, the western European market as a whole is growing at a considerably faster pace (IDC 2003). The market research company, PAC, expects IT services in the US to grow by an average of around 8 percent over the coming five years (PAC 2003). The findings of the most recent study conducted by the Meta Group in January 2004 confirm that solid growth in IT can be expected from German midmarket companies over the next few years. The Meta Group anticipates that the IT midmarket in Germany will grow by 6 percent in 2004 and expects IT services to becoming increasingly important.

Course of Business and the Group's Situation

Discontinued Operations

In accordance with SFAS 144, the companies sold or earmarked for sale were disclosed as discontinued operations in the consolidated financial statements. These companies are: itelligence Financial Solutions GmbH, it-WPS Workplace Solutions Gesellschaft für DV-Beratung mbH, Honico Systems GmbH and the companies sold in Italy. The companies and operations discontinued within itelligence AG (Brazil, Norway, France and the discontinued non-SAP areas) are not disclosed under discontinued operations in 2002 and 2003.

The effective statement of sales and earnings will change with the netting of the sales and cost portions of the discontinued operations. Here

the sales and cost portions are netted and their contribution to the result of MEUR -3.5 (2002: MEUR -2.0) is disclosed in one amount below the EBIT*** line. This disclosure improves the result considerably at EBIT level.

Sales and Sales Structure

The fourth quarter, traditionally the quarter with the strongest sales, was positive for itelligence AG, reflecting the upward trend in the market and industry. At MEUR 38.2, sales in this quarter of 2003 (MEUR 39.2*) (prior-year quarter: MEUR 38.5, MEUR 40.4*) exceeded those generated in the previous third quarter of 2003. The stabilization of the SAP market which commenced at the beginning of the third quarter continued through to the fourth quarter. During the second half of the year, the market was more willing to invest and prices stabilized.

Sales of MEUR 145.6 (MEUR 150.8*) surpassed the sales target set for 2003 (of between MEUR 140 and MEUR 145) (2002: MEUR 159.5, MEUR 168.5*). Adjusted for exchange rate differences, the downturn in sales over 2002 comes to around 3.2 percent (5.3 percent*).

The following explanations on the sales development include the sales portions of the discontinued operations.

In Germany, sales decreased by MEUR 13.5 mainly due to the loss-making non-SAP areas and non-SAP investments. Sales in the core business in Germany were only down 3.7 percent on the prior year. In Outsourcing & Services, sales increased in 2003, up 10.2 percent (8.7 percent*) worldwide and 20.8 percent in Germany.

Sales in eastern Europe developed in sync with the SAP consulting business in Germany and were 11.7 percent down on the prior year (adjusted for exchange rate effects: 5.0 percent). Sales

* including discontinued operations

** EBITA: Earnings before Interest, Taxes and Amortisation

*** EBIT: Earnings before Interest and Taxes

in western Europe slumped, falling 23.3 percent year-on-year (adjusted for exchange rate effects: 21.7 percent). The most important changes in the restructuring program in relation to regional positioning and employee capacities were implemented in western Europe in 2003.

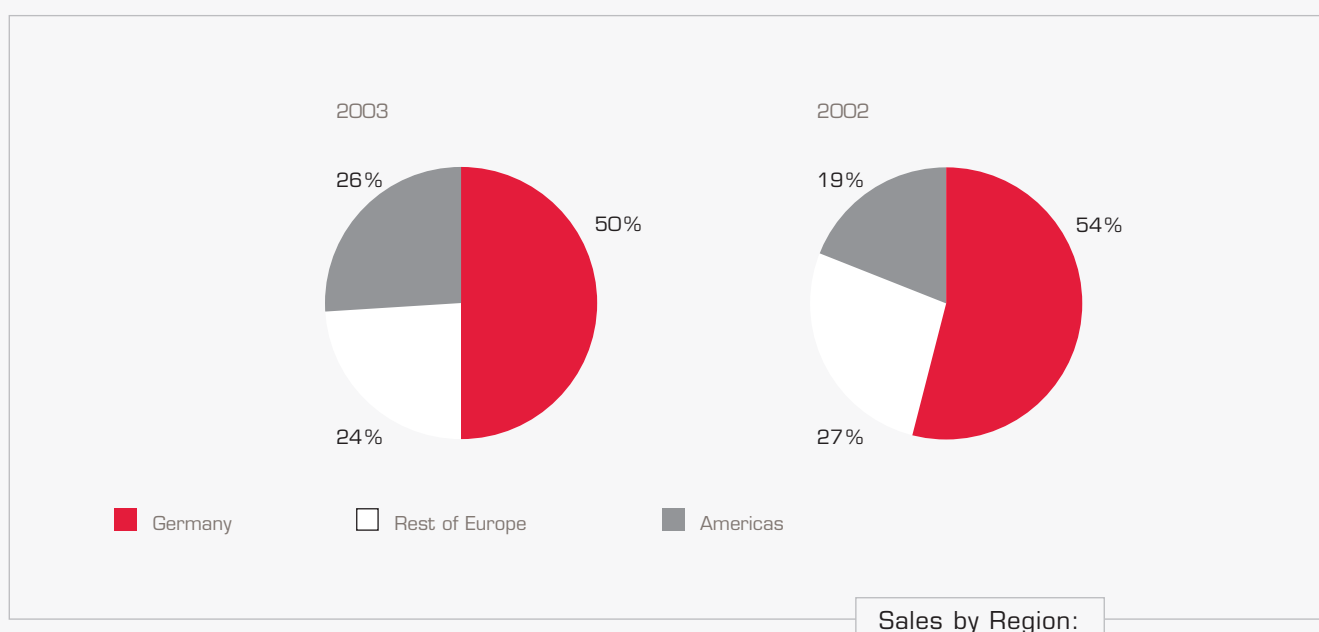
In the US, itelligence continued to enjoy positive performance in the first three quarters and achieved an increase of some 20 percent in sales (adjusted for exchange rate effects: 48.3 percent).

MEUR 72.6 of total sales was generated in Germany, MEUR 73.0 abroad. This puts foreign sales at 50 percent of total sales (2002: 46 percent). The top sales performer abroad is the US with 25 percent of total sales (2002: 18 percent). Sales were down from MEUR 42.5 in the prior year to MEUR 35.8 due to the cost-cutting measures implemented in 2003, market adjustments and closures of individual companies in the rest of Europe.

The consulting business accounts for 68.3 percent (68.4 percent*) of total sales and continues to be our traditionally strongest division. At MEUR 99.5 (MEUR 103.2*), consulting sales in 2003 are lower than in the prior year (2002: MEUR 115.1, MEUR 121.4*). The 13.6 percent decrease in sales (15 percent*) is principally due to the poor economic conditions in Germany, in particular in the non-SAP market, but can also be attributed to the effects of restructuring and market adjustments in Italy, Spain, the UK, Norway and Brazil.

Adjusted for discontinued operations, license sales come to MEUR 15.6 (MEUR 16.4*) and are slightly up on the prior year (2002: MEUR 15.3, MEUR 17.0*).

Sales from Outsourcing & Services were on target, increasing by 10.2 percent year-on-year (8.7 percent*) to MEUR 29.2 (MEUR 29.9*). In comparison with the prior year (2002: MEUR 26.5,



MEUR 27.5*), sales in this division are now up from 16.6 percent (16.3 percent*) of total sales in 2002 to 20 percent (19.8 percent*). The positive development in Outsourcing & Services is reflected in the increasing capacity utilization of all the computer centers and the steady increase in services. itelligence is further expanding its leading role as a reliable outsourcing and services partner in the midmarket.

Group-wide, itelligence AG has orders on hand worth some MEUR 75 as of December 31, 2003.

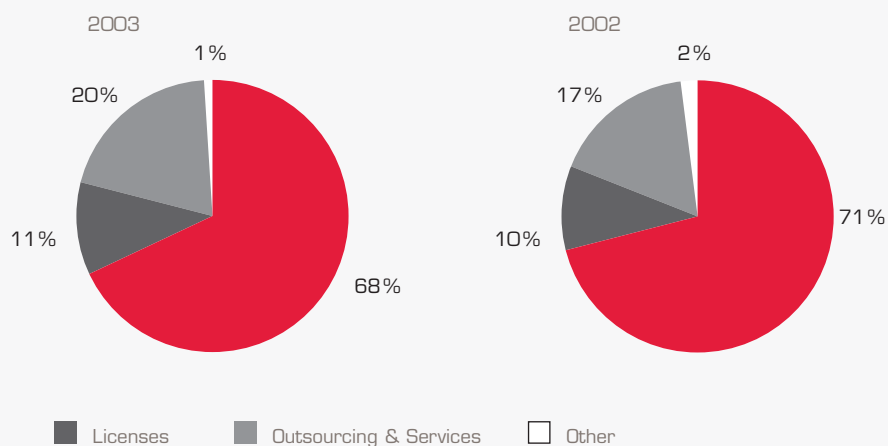
Overview of Results

The average daily rates for consultants stabilized at the level attained in the third quarter of 2003 after being down slightly in the first nine months. The daily rates in the first quarter of 2004 were the same as those in the fourth quarter of 2003. The percentage of fixed price projects has not changed since fiscal year 2002 and accounts for some 20 percent of consulting business.

In fiscal year 2003, we continued to work on improving cost structures group-wide. In this connection, we refer to the explanations on the restructuring of the organization and operations within the itelligence Group in this report.

The first tangible results of the successful implementation of the restructuring measures were reflected in the development of EBIT as of the third quarter of 2003.

General and administrative expenses rose from MEUR 26.9 in 2002 to MEUR 27.4 in 2003. Net of the restructuring expenses, which were borne by this division (MEUR 4.0), general and administrative expenses dropped 13 percent compared with the same period last year. Marketing and selling expenses also fell by 13 percent from MEUR 13.8 in 2002 to MEUR 12.0 in 2003. Research and development expenses were marginally below those in the prior year.



Sales by Division:

* including discontinued operations, see page 21

As a partner of SAP AG, itelligence is industry focused. Promising technologies and services such as the development of industry solutions are only performed in close cooperation with customers and in the form of projects based at the customer's company.

Restructuring expenses totaled MEUR 5.4 (MEUR 5.6*) in fiscal year 2003 and are thus around MEUR 1 above the original expenses forecast at the beginning of the restructuring phase. Most of these expenses result from consulting services (MEUR 3.1), severance payments (MEUR 2.1, MEUR 2.3*) and accruals for vacant offices (MEUR 0.2). General administration accounted for MEUR 4.0 of restructuring expenses. The cost savings from the restructuring project started to take effect from the third quarter of 2003. The full effect of these savings is expected to be felt in the result for fiscal year 2004. This positive effect from the cost savings will be dampened by a decline in sales due to the abandonment of business areas, investments and foreign subsidiaries.

The gross profit margin rose from 26 percent to 26.2 percent in the fiscal year. Comparing the fourth quarter of 2002 with the fourth quarter of 2003, however, the gross profit margin has increased from 23 percent to 30 percent. This is a clear indication of the successful restructuring.

In fiscal year 2003, itelligence achieved EBITA of MEUR -2.2 (MEUR -6.0*) compared with MEUR -1.0 (MEUR -3.0*) in the prior year. With an EBITA margin of -1.5 percent (-3.98 percent*) for the fiscal year, itelligence's EBITA margin was not as low as the published prognosis for 2003 of between -4 percent and -6 percent. Net of restructuring expenses, EBITA was MEUR +3.2 (MEUR -0.4*).

Restructuring expenses in the fourth quarter came to MEUR 1.8. Additional accruals were also re-

cognized for special effects and valuation adjustments which had a one-off negative effect of MEUR 0.8 on the result in the fourth quarter.

In terms of earnings, itelligence achieved an EBITA margin of 2.6 percent (0.6 percent*), a considerable improvement on the prior-year quarter (fourth quarter in 2002: -7.3 percent, -10.4 percent*). In the fourth quarter of 2003, itelligence achieved EBITA of MEUR +1.0 (MEUR +0.2*) (fourth quarter of 2002: MEUR -2.8, MEUR -4.2*). Net of restructuring expenses in the fourth quarter of 2003 (MEUR 1.8), positive EBITA of MEUR 2.8 was achieved (MEUR 2.0*) (EBITA margin: 7.3 percent, 5.1 percent*).

In the third quarter of 2003, itelligence performed an impairment test on goodwill in accordance with the provisions of the Financial Accounting Standards Board. The annual impairment testing of goodwill led to a write-down requirement of MEUR 1.5. This was disclosed under the operating result. The operating result (EBIT) for 2003 is MEUR -3.7 (MEUR -7.5*) compared to MEUR -1.5 (MEUR -3.5) in 2002. Net of restructuring expenses, itelligence achieved EBIT of MEUR 1.7 (MEUR -1.9*). These financial statements contain one-time effects of around MEUR 0.8 which mainly relate to the accrual recognized and write-downs on current assets.

The result according to US GAAP is MEUR 0.1 in the fourth quarter of 2003 (fourth quarter of 2002: MEUR -9.6). In spite of restructuring expenses, the result according to US GAAP has improved from MEUR -16.1 in 2002 to MEUR -9.8 in 2003. Earnings per share are disclosed at EUR -0.59 compared to EUR -0.96 in the prior year.

Balance Sheet Structure,
Investments and Liquidity

The balance sheet total of itelligence in fiscal year 2003 is down by MEUR 15.1 to MEUR 61.6. On

in MEUR	Jan. 1 to Dec. 31, 2003	Jan. 1 to Dec. 31, 2003*	Jan. 1 to Dec. 31, 2002	Jan. 1 to Dec. 31, 2002*	Oct. 1 to Dec. 31, 2003	Oct. 1 to Dec. 31, 2002
Total sales	145.6	150.8	159.5	168.5	38.2	38.5
Consulting	99.5	103.2	115.1	121.4	24.2	26.4
Licenses	15.6	16.4	15.3	17.0	5.5	4.5
Outsourcing & services	29.2	29.9	26.5	27.5	8.1	7.0
Other	1.3	1.4	2.6	2.6	0.4	0.6
Germany	72.6	76.0	86.1	90.2	19.1	20.0
Rest of Europe	35.8	37.6	42.5	47.4	9.9	11.0
Americas	37.2	37.2	30.9	30.9	9.2	7.5
EBIT	-3.7	-7.5	-1.5	-3.5	1.0	-3.4
EBIT margin	-2.5%	-5.0%	-0.9%	-2.1%	2.6%	-8.8%
Discontinued operations	-3.5	0	-2.0	0	-0.8	-1.3
EBITA	-2.2	-6.0	-1.0	-3.0	1.0	-2.8
EBITA margin	-1.5%	-3.98%	-0.6%	-1.8%	2.6%	-7.3%
EBITDA**	1.0	-2.8	3.2	1.4	1.9	-1.7
EBITDA margin	0.7%	-1.9%	2.0%	0.8%	5.0%	-4.4%
Impairment test Loss	1.5	1.5	0.9	0.9	0	0.6
Amortization of financial assets	0	0	0	3.6	0	3.6
Result (US GAAP)	-9.8	-9.8	-16.1	-16.1	0.1	-9.6
Earnings per share	-0.59	-0.59	-0.96	-0.96	0.01	-0.57

itelligence at a Glance: January 1 to December 31, 2003

the liabilities side of the balance sheet, current liabilities decreased by MEUR -6.0 (-12.5 percent). Long-term debt remains almost unchanged against the prior year at MEUR 8.8 (+4.6 percent). Equity decreased to MEUR 10.6 as a result of losses and exchange rate effects. This led to a drop in the equity ratio from around 25.7 percent to around 17.2 percent in fiscal year 2003.

On the assets side of the balance sheet, current assets were down MEUR -11.6 (24.4 percent). Trade accounts receivable were reduced by MEUR -9.5 through strict accounts receivable manage-

ment. In comparison with the prior year, the ratio of days sales outstanding (DSO) was reduced by 17 days to 55 days. Current assets also decreased as a result of write-downs on inventories. By contrast, the item other assets increased by MEUR 1.4. This increase is mainly attributable to tax refund claims and investment allowances. Bank balances and cash on hand rose by MEUR 1.5.

The decrease in fixed assets is chiefly due to amortization of goodwill on the basis of an impairment test and exchange rate differences.

* including discontinued operations, see page 21

** EBITDA: Earnings before Interest, Taxes, Depreciation and Amortisation

The cash flow for fiscal year 2003 comes to MEUR +1.5 compared to a cash flow of MEUR -1.1 in the prior year. Operating activities generated cash and cash equivalents of MEUR +9.5 compared to MEUR +7.3 in the prior year. Investing activities resulted in a cash outflow of MEUR -7.2 compared to MEUR -6.5 in the prior year. In relation to financing activities, cash and cash equivalents were used to repay liabilities to banks by way of raising additional equity. Overall, the cash flow from financing activities is MEUR -1.2 compared to MEUR -2.7 in the prior year. Effects from exchange rate differences brought about an increase of around MEUR 0.4 in cash and cash equivalents.

Investments in 2003 amounted to MEUR 3.5 (2002: MEUR 3.8). Investments were made in the usual replacements and in the Outsourcing & Services division in 2003.

Financing

The liquidity situation was strained in the first half of 2003. A considerable improvement in the liquidity situation was reported in the second half of 2003 as a result of restructuring. An additional credit line of MEUR 2 was provided by the banks in Germany to support the restructuring process. Due to the provision of the base credit lines in Germany of MEUR 7.1 for 2004, the additional credit line was reduced by MEUR 1 in March 2004 and remains effective until October 2004. The additional credit line was able to be reduced thanks to the introduction of a stricter and optimized group-wide cash management system as part of the restructuring process and to the targeted discontinuation of loss-making areas, subsidiaries and investments as well as to the successful placement of a capital increase of up to 10 percent of the capital stock in December 2003.

Owing to the positive business development in the US, the Management Board assumes that the US dollar credit lines worth US-\$ 2.5 will be extended by mid-2004.

The Group decreased the use of the credit lines during the second half of 2003. According to the budgetary planning, the Company has adequate financing for 2004.

Special Aspects of Business Development

Tangible Results From the Restructuring Measures Implemented in 2003

The continued losses generated by some foreign subsidiaries and the noticeably weaker market environment in Europe, especially in Germany, led to a comprehensive restructuring program being implemented within the itelligence Group. Since the beginning of 2003, emphasis has been placed on the effective and timely implementation of structural optimization measures, an improvement in cost structures and focus on SAP core competencies. In the second and third quarters, we implemented all of the operational elements of our restructuring program and we completed most of the restructuring measures in the fourth quarter of 2003. Significant cost savings are expected as a result of targeted capacity adjustments for consultants and head office, increased capacity utilization, introduction of part-time work models and the closure of loss-making areas and will show full effects in the result for 2004.

Organizational Restructuring of the itelligence Group

The main focus of the organizational restructuring within the itelligence Group was on the

targeted abandonment of loss-making areas, subsidiaries and investments. In this connection, management structures were created with a clear focus on the profitable development of the restructured areas.

The Italian subsidiary, itelligence S.r.L., was sold in July 2003 to Pericle Tangerine S.p.A. As part of an asset deal, the north Italian activities were transferred to a new subsidiary, itelligence Italia S.r.L. The aim of this transaction was to re-enter the north Italian market on a profitable basis with considerably less employees. Exact costs and sales analyses in December 2003 indicated that this plan cannot be implemented in the medium term without additional investments such that the new Italian company was sold on January 8, 2004 to prevent a further outflow of cash and cash equivalents.

In the third and fourth quarters of 2003, our operations in Brazil and Norway were shut down during the course of the organizational restructuring. It was also decided to discontinue the operating activities in France by the end of the first quarter in 2004. The business of it-go GmbH was also discontinued at the end of January 2004. The shares in it-WPS Workplace Solutions Gesellschaft für DV-Beratung mbH and itelligence Financial Solutions GmbH were sold in the fourth quarter of 2003.

The loss-making non-SAP areas of itelligence AG were discontinued at the end of 2003 as part of the strategic redirection and the related content orientation on the core SAP business with a clear focus on the traditional and high-end midmarket. The low appeal of this market, which is dominated by plunging prices and excess capacities, coupled with the continuing erosion of the sales and earnings situation brought about the need to close these areas.

In tune with the focus on our business activities, the "Service" business (in the context of service agreements) was sold to a wholly owned subsidiary, Apcon Nielsen GmbH (in future itelligence Services GmbH). Through this sale, itelligence AG was able to use accumulated loss carryforwards through the recognition of hidden reserves in the individual financial statements of the AG. This relates to the planned introduction of minimum taxation as of 2004 which limits the use of loss carryforwards.

We plan to sell our shares in the loss-making Honico Systems GmbH in the first quarter of 2004.

The measures implemented within the scope of the organizational restructuring will provide a significantly clearer organization and management structure in the itelligence Group and thus form a solid basis with clear management focus for driving the profitability of the restructured areas.

Operational Restructuring of the itelligence Group

In addition to the organizational restructuring, the focus of the restructuring of operations was to establish transparent processes and management instruments. This will allow the structurally optimized areas of the itelligence Group to plan their business operations better and increase their profitability. In addition, processes and controlling instruments were established which will enhance the Group's control measures and cash management system. The resolute use of these instruments led to a cut in headcount in the second quarter, in particular in Germany, Spain and the UK, with a view to the future capacity utilization based on orders on hand and in the pipeline until the end of the year. This quick response to market conditions increased capacity utilization in the third quarter and especially in the fourth quarter.

* including discontinued operations, see page 21

With the introduction of tighter sales controls, we were able to fortify the structure of our sales activities making them more internationally focused.

Germany

The restructuring program started to yield positive results for itelligence in the third quarter of 2003. From this point on, a considerable upturn in the market environment was also felt in Germany.

itelligence's motto at CeBIT 2003 and Systems 2003 was "Time for the Future". In addition to itelligence's traditional services and solutions such as mySAP All-in-One-based industry solutions and the service portfolio of Outsourcing & Services, itelligence demonstrated the new SAP technology, NetWeaver, the Solution Manager and showed industry examples for the successful use of CRM and SCM solutions as well as portal technology. itelligence AG sets itself apart from the competition with its mySAP All-in-One industry solutions for the automotive supplier industry, the consumer goods industry, the wood and furniture industry, the high-tech industry, the construction engineering industry, the steel and metal industry, the processing industry and trade, including services. Two of these industry solutions were qualified by SAP AG alone in 2003. SAP Deutschland AG & Co. KG qualified the new industry solution mySAP All-in-One it.hightronics in October. With this solution, itelligence has successfully positioned itself in the high-growth market of the high-tech and electronics industry. Another double success was SAP's qualification of itelligence's industry solutions for the automotive industry for the German and US market. SAP AG approved the industry solutions it.automotive supplier in Germany and it.auto in the US once again confirming the complete compatibility of these industry solutions with the latest SAP technology as well as itelligence's auto-

motive industry expertise. This underpins itelligence AG's competency in international projects and customer-orientation as an SAP Global Services Partner.

itelligence AG is one of the first system houses to have been awarded the status of "Special Expertise Partner for mySAP Enterprise Portal" by SAP Germany in May 2003. In October 2003, itelligence became a Special Expertise mySAP Supplier Relationship Management (SRM) partner of SAP Germany. These awards are once again testimony to itelligence's leadership in expertise and technology as an SAP partner. The successful implementation of complex mySAP Enterprise portal projects and SRM projects paved the way for nomination. itelligence joined the SAP NetWeaver Partner Initiative in February 2004. itelligence is thus one of the first IT consultancies worldwide to be part of SAP's new NetWeaver initiative. This innovative initiative involves close cooperation and joint market and marketing campaigns with SAP. itelligence is demonstrating its proven technological competency in innovative themes by introducing numerous NetWeaver components at customers' premises.

The Outsourcing & Services division also reported above-average growth in 2003. As an SAP Support and SAP Hosting Partner, itelligence built on its competitive advantage and enhanced the capacity utilization of computing capacities. As part of a smaller asset deal, itelligence Outsourcing & Services GmbH, Bautzen, assumed the "Outsourcing" business of LOT Consulting GmbH, a subsidiary of Softlab GmbH, Dresden, on January 1, 2004. itelligence offers midmarket customers a wide spectrum of services in connection with mySAP Business Suite landscapes ranging from hosting individual components through to hosting entire mySAP Business Suite landscapes.

Rest of Europe and the Americas

SAP USA nominated the US subsidiary of itelligence as the "Top Producing" partner in the US midmarket (SMB) in January 2004. The prize, awarded on the basis of sales generated in 2003, was given to the US subsidiary of itelligence AG in recognition for its excellent performance and achievement of objectives in 2003. As the strongest SAP partner by sales in the midmarket and in the mySAP All-in-One initiative, itelligence is continuing to enjoy success as one of the largest SAP midmarket partners in the Americas and worldwide. The restructuring carried out in the US in 2002 came to bear in 2003. Sales in the US were 20 percent higher than in the prior year. On a US dollar basis, sales were up 48.3 percent. On the earnings side, EBIT improved significantly and a positive EBIT margin of around 7.1 percent was achieved. At present, around 140 persons are employed in the US.

We discontinued our operating activities in Brazil in the fourth quarter. After having cut the headcount considerably during the year in response to the changed project situation, we took the last step and transferred our support activities to our US subsidiary in cooperation with partner companies.

The Swiss subsidiary also performed well in 2003, achieving sales of MEUR 12.2 and EBIT of MEUR 1.2.

The changed market situation in Spain led to extensive headcount adjustments, to greater streamlining of cost structures and to the closure of locations during the course of 2003. Thanks to these measures, the losses generated in Spain were reduced considerably in the fourth quarter. In spite of a significant year-on-year fall in sales of MEUR -2.2, an EBIT loss at the level of the prior year of MEUR -0.9 was generated. Restruc-

turing expenses of around MEUR 0.3 are included in this EBIT loss. By closely controlling the measures implemented on an ongoing basis, we expect EBIT to be slightly positive in 2004.

The persistently poor business development in Italy resulted in considerable adjustments during the course of 2003 which ultimately led to the sale of our Italian activities. The original Italian subsidiary, itelligence S.r.L., was sold to Pericle Tangerine S.p.A. in July 2003. With the sale of the shareholding, around 20 employees and some assets were transferred to a new subsidiary, itelligence Italia S.r.L., in an asset deal. The aim of this transaction was to reestablish our north Italian activities on a profitable basis. Close observation of this venture in December 2003 showed that this aim could not be implemented in the medium term without additional investments such that the new Italian company was sold on January 8, 2004 to prevent a further outflow of cash and cash equivalents.

We will serve our Italian customers in the scope of international rollout projects through a partner company in future.

Sales in Italy are down MEUR -3.1 on the prior year (-63 percent) in the consolidated financial statements of the itelligence Group (including discontinued operations). The EBIT loss was at the prior-year level of MEUR -2.5.

We discontinued our operations in Norway in the third quarter as part of our plan to focus on profitable markets. Further expansion would have called for excessively high management focus and additional investments in view of the weak positioning of itelligence in Norway. In fiscal year 2003, sales of MEUR 0.3 were generated in Norway.

* including discontinued operations, see page 21

Sales in France remained at the prior year's level. The headcount was also adjusted as part of the restructuring program during the year and management was considerably reduced. At MEUR -0.2, the EBIT loss was reduced substantially compared to MEUR -0.8 in the prior year. In line with our focus on our core activities, a decision was made in the fourth quarter of 2003 to discontinue the operating business by the end of the first quarter of 2004 and to serve this market in future through partner companies.

Headcount was also adjusted during the year in the UK and management was reduced considerably. Sales in the UK (MEUR 2.1) were down by almost 50% in 2003.

At the beginning of January 2004, the Dutch subsidiary of itelligence AG was appointed an SAP Business Partner for the metal, paper and wood industries and an official value added reseller for the midmarket for the wood and furniture industry in the Netherlands. This appointment underlines itelligence's leading position as an SAP Business Partner in the EMEA central region.

The office founded in 2002 in Moscow, Russia, performed well in 2003. The all-round SAP consultancy-oriented office won numerous renowned customers in 2003 due to intensive sales activities.

The business development in Poland was also positive in the fiscal year and a record EBIT of MEUR 0.9 (EBIT margin: 16.9 percent) was achieved. The subsidiary not only maintained its position as the largest SAP reseller in the country but also expanded its outsourcing business by around 8 percent. Focus on the construction industry and trade led to new consulting customers being won.

A decline of some 10 percent in sales was reported in the other eastern European countries due to market conditions. Strict cost savings meant that this only led to a marginal fall in earnings in absolute terms.

Special Aspects of the Financial Statements of itelligence AG Prepared in Accordance with the German Commercial Code (HGB)

The net loss in the past fiscal year came to MEUR -10.1. This loss is largely attributable to expenses from loss absorption, further write-downs on loans extended to subsidiaries and amortization of financial assets. For further information on the course of business, we refer to the section "Special Aspects of Business Development in Germany".

The expenses of MEUR 3 from loss absorption principally relate to the subsidiary in Italy. In addition to the loss absorption, the carrying amount of this investment was also written off in full in view of the persistently poor economic situation. Overall, write-downs of MEUR 3.6 on investments were necessary due to permanent impairments.

Loans to subsidiaries were written down by MEUR 8.2. A substantial amount of this write-down relates to our Italian subsidiary. This write-down, however, also relates to loans extended to subsidiaries in Spain, UK and Norway.

The investment structure was streamlined further in 2003. itelligence AG sold the wholly owned Italian subsidiary, itelligence S.r.L., to Pericle Tangerine S.p.A. in July 2003. Since this time, itelligence S.r.L. has been operating under the name of Tangerine Consulting S.r.L. The share sale included an asset deal in which the northern Itali-

an activities of the former itelligence subsidiary were transferred to a new company, itelligence Italia S.r.L. This new company remained part of itelligence AG's group of companies until the beginning of January 2004. Since the beginning of January 2003, itelligence has been focusing on its foreign business. The aim here is to close or discontinue non-profitable foreign subsidiaries. On January 8, 2004, we separated from the Italian subsidiary due to the forecast market development and market anticipations. The operating activities of the subsidiaries in France, Brazil and Norway were discontinued at the end of 2003. These companies did not generate sustained profits or position themselves appropriately on the market. The markets in Italy and France will be worked in future by partner companies with which itelligence AG currently collaborates. Focus was placed on strategically relevant markets in close consultation with SAP AG at the turn of the year, preserving our status as an SAP Global Services Partner.

Our clear focus on our core SAP business led, as planned, to the discontinuation of loss-marking non-SAP activities at the end of 2003. This mainly affected the Frankfurt and Hamburg locations. In another move, itelligence separated itself from its investments in the non-SAP area, it-WPS Workplace Solutions Gesellschaft für DV-Beratung mbH and itelligence Financial Solutions GmbH at the end of 2003. The separation from Honico Systems GmbH and it-go GmbH is planned for the beginning of 2004. However, itelligence AG will keep its 56 percent shareholding in ITC Information Technology Consulting GmbH, Detmold, for strategic reasons. itelligence AG has largely completed the operational restructuring.

itelligence AG has been offering its customers remote support (help desk, software development,

information and communication) on all questions relating to SAP products since 1997. Individual service agreements are in place with customers. The area that renders these services was sold to a wholly owned subsidiary, Apcon Nielsen GmbH (in future itelligence Services GmbH) on December 31, 2003 in an asset deal. In this context, hidden reserves of MEUR 10.3 were disclosed and loss carryforwards used.

On December 8, 2003, the Management Board of itelligence AG, with the approval of the Supervisory Board, resolved to make partial use of the authorized capital in accordance with Article 5 of the articles of incorporation and increase capital by 1,677,119 shares excluding subscription rights. The shares were placed with institutional investors at a price of EUR 1.52 per share. After the capital increase, capital stock amounts to EUR 18,448,321. The placement proceeds come to around MEUR 2.5. This will boost itelligence AG's equity base and the Company's liquidity.

itelligence Employees

As of December 31, 2003, the Group employed 1,068 persons, of which 593 were employed in Germany (December 31, 2002: 762) and 475 abroad (December 31, 2002: 703). This represents a year-on-year decrease of 397 in line with the restructuring measures (December 31, 2002: 1,465). Another 107 jobs were cut in the fourth quarter. The average headcount decreased from 1,460 in fiscal year 2002 to 1,232 in fiscal year 2003. As of January 1, 2004, 965 persons were employed.

* including discontinued operations, see page 21

itelligence Personnel Development

as of Dec. 31	2003	2002
Germany	593	762
Switzerland	62	63
Austria	5	16
Norway	–	4
France	5	17
UK	13	31
Spain/Portugal	48	142
Italy	21	49
Belgium	18	22
Netherlands	7	7
USA	139	135
Brazil	–	57
Slovakia	16	23
Hungary	31	29
Ukraine	12	11
Slovenia	14	13
Czech Republic	14	14
Poland	64	69
Russia	6	1
Total:	1,068	1,465
Average:	1,232	1,460

In 2003, focus was on the scheduled implementation of the restructuring project and the adjustment of employee numbers in line with current and future market requirements and to increase the Company's efficiency. With the current headcount, itelligence has a solid basis to build on its industry competency and, in particular, its competency in valued added consulting in the SAP environment through targeted recruitment.

itelligence, through its itelligence Academy, offers its employees an extensive range of internal and external training opportunities. Around 300 courses on SAP-relevant innovative subjects such as NetWeaver, the latest generation of SAP technology, further training for trainers and workshops are offered.

Change in the Company's Management and Executive Bodies

Within the scope of consolidating and restructuring the International business, Mr. Burkhard Berner, responsible for the international organizational unit at itelligence AG, retired from the Management Board of itelligence AG as of April 30, 2003. Mr. Burkhard Berner's responsibilities have been assumed by Mr. Herbert Vogel, Chairman of the Management Board of itelligence AG. Prof. Dr. Hermann Hueber retired as the CFO of itelligence AG as of May 23, 2003. As a member of the Management Board, he was responsible for finance and controlling at itelligence AG (since 2001) and also for the individual IT and investment areas (since mid-2002). As of June 16, 2003, the Supervisory Board of itelligence AG appointed Jörg Vandreier as his successor.

Risk Report

itelligence is exposed to a number of risks in the consulting, outsourcing & service and license businesses. In order to identify these risks and counteract them in good time, our control and management systems were enhanced and their consistent use improved during the restructuring process. However, there is no guarantee that these systems will identify and counteract all risks. Some of the risks cannot be influenced by itelligence. The materialization of risks can result in changes to the assumptions which the expectations of the Management Board of the future business development are based on.

The main risks to the future development of itelligence are in the following areas:

Financing, Liquidity and Equity Base

A major challenge faced by itelligence AG is to increase the equity base and increase the financial leeway of the Group to develop the business and counteract potentially negative developments through the inflow of cash and cash equivalents.

itelligence in Germany was provided with credit lines of MEUR 7.1 for 2004 by its banks. MEUR 1 of the credit line granted in 2003 to support the restructuring project was repaid through the provision of new base credit lines for 2004. The additional credit line to cover cash effects from the restructuring completed in 2003 will remain in place until October 2004.

According to the budgetary planning, the financing provided is sufficient to finance the operating business. However, strict group-wide cash management will still be necessary to counter any potentially negative developments.

Taking risk aspects into account, itelligence is aiming to strengthen the equity base and the allocation of additional liquidity to extend its scope for maneuver.

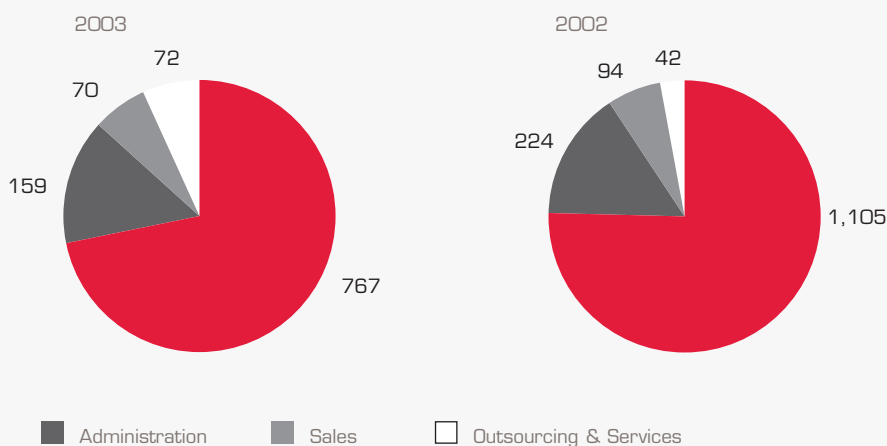
SAP Partnership

Collaboration with SAP has been intensified in connection with the clear strategic reorientation of itelligence toward SAP services. However, our

close ties to SAP and, consequently, our dependency on SAP's strategic decisions may have an impact on itelligence's sales and earnings. SAP's current sales concept does not involve SAP selling its products to the midmarket in most countries, having independent system houses market them and advise customers on them instead. If SAP was to alter its current corporate strategy for the midmarket and consulting, itelligence's earnings could be affected.

Competitiveness of SAP Products

itelligence's success is largely dependent on the competitiveness of SAP products. As itelligence's service portfolio is clearly oriented toward SAP services with focus being placed on traditional or high-end midmarket customers, the business development of itelligence is highly dependent on the success enjoyed by SAP products among these customers. SAP is aiming to open up this customer segment further with the help of development and sales initiatives. One of itelligence's



Employees as of December 31:

* including discontinued operations, see page 21

core competencies is also to successfully work this customer segment for SAP products using implementation methodologies and solutions appropriate to the midmarket.

Cyclicality

The business development of itelligence is dependent on economic conditions and the market's willingness to invest in IT projects. A major downturn in the economic environment could have a negative impact on itelligence's sales and earnings. The risk involved in our strong focus on SAP products is cushioned by the fact that the SAP consulting business, as in prior years, is not as sensitive to cyclical changes as the general IT consulting business.

Recognition of Customer Requirements

For itelligence's future success, industry-specific and technological trends have to be identified in good time to enable us to offer our customers the right solutions at the right time. Regular meetings on markets, market developments and training in new technologies are held within the scope of our strategic partnership with SAP. In addition, the Company also uses customer surveys.

Currency Risk

itelligence is exposed to currency risks due to its international structure. The effect on results from currency risks is limited as the costs incurred from rendering services are mainly in the same currency as the sales generated by the services.

Risk of Default

The risk of default is countered by credit checks with billing being performed every 14 days by most areas within the Group and strict accounts

receivable management. In addition, the Company took out a trade credit insurance policy to cover the del credere risk. In the event of a customer becoming insolvent, 80 percent of the possible default is covered.

Risks of Data Transfer

The services in Outsourcing & Services relate to the transfer and processing of data and are thus exposed to the risks of data transfer. The inherent risks such as lower service quality or a lack of system availability, are countered by extensive security measures in our computer center and data lines.

Risks From Employee Fluctuation

As an IT service company, itelligence will continue to rely on highly qualified employees. itelligence's success is highly dependent on whether we will be in a position to align employee development with our business development. This will involve recruiting and integrating professionals and executives, retaining employees and ensuring that employee expertise is shaped to meet the changing market requirements through training.

Damages and Liability Risks

To minimize damages and liability risks, itelligence took out electronics insurance, business and IT liability insurance, commercial and property insurance and D & O insurance. These insurance policies are adequate for a company with our infrastructure.

General Management Risks

As with all companies in the economy, itelligence is exposed to management risks. These risks are countered by a management and controlling system which was enhanced during the restructuring and which embraces a clear management organization in combination with an internal reporting system with planning and control processes. In addition, the public is regularly informed of the business development.

Outlook

At present, the Management Board expects a slight upturn in the IT market in fiscal year 2004. In particular, SAP AG's announcement to significantly increase its midmarket share over the coming years points toward positive impulses for itelligence AG's business as one of SAP AG's most important midmarket partners. Under these circumstances and due to the restructuring project implemented and itelligence AG's focused structure, the Management Board forecasts sales of between MEUR 125 and MEUR 135 for fiscal year 2004 and an EBIT margin of between +4 percent and +7 percent.

itelligence AG

Frankfurt am Main, March 9, 2004

The Management Board

* including discontinued operations, see page 21

Consolidated Balance Sheets as of December 31, 2003 and 2002 (US-GAAP)

Assets	Dec. 31, 2003	Dec. 31, 2002
	KEUR	KEUR
Current assets		
Cash and cash equivalents ⁷	7,526	5,979
Trade accounts receivable, net ⁸	22,294	31,835
Inventories	350	1,956
Other current assets ⁸	3,181	1,799
Deferred taxes ²³	144	316
Prepaid expenses	830	751
Assets of businesses held for sale ⁶	1,675	4,960
Total current assets	36,000	47,596
Non-current assets		
Deferred taxes ²³	137	293
Computer software, net ⁹	967	543
Goodwill ¹⁰	12,867	15,465
Property, plant and equipment, net ¹¹	9,161	9,964
Financial assets ¹²	606	635
Restricted cash ¹³	1,861	2,205
Total non-current assets	25,599	29,105
Total Assets	61,599	76,701

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

Liabilities and Shareholders' Equity

	Dec. 31, 2003	Dec. 31, 2002
	KEUR	KEUR
Current liabilities		
Current liabilities due to banks ¹⁴	5,580	8,988
Current portion of long-term debt ¹⁴	2,481	3,214
Trade accounts payable	8,611	8,293
Liabilities due to associated companies ¹⁵	40	31
Advance payments received	3,198	2,908
Other accruals ¹⁶	10,470	8,413
Tax accruals	697	325
Other current liabilities ¹⁷	7,308	7,592
Deferred taxes ²³	180	1,040
Deferred income	1,294	1,826
Liabilities of businesses held for sale ⁵	2,008	5,233
Total current liabilities	41,867	47,863
Non-current liabilities		
Pension liabilities ¹⁸	177	180
Convertible bonds to employees ²⁰	509	557
Long-term debt, net of current portion ¹⁴	7,907	7,678
Deferred taxes ²³	206	0
Total non-current liabilities	8,799	8,415
Total liabilities	50,666	56,278
Contingent liabilities ²⁴		
Minority interests from businesses held for sale	0	325
Minority interests	331	385
Shareholders' equity		
Common stock *) ²¹	18,448	16,771
Additional paid-in capital	20,549	19,768
Accumulated deficit	-26,127	-16,293
Accumulated other comprehensive loss ²¹	-2,268	-533
Total shareholders' equity	10,602	19,713
Total Liabilities and Shareholders' Equity	61,599	76,701

*) contingent capital KEUR 2,238 (prior year: KEUR 2,238)

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

Consolidated Statements of Income from Jan. 1 to Dec. 31, 2003 and 2002 (US-GAAP)

	Jan. 1 to Dec. 31, 2003	Jan. 1 to Dec. 31, 2002
	KEUR	KEUR
(all figures in KEUR except for the number of shares and earnings per share)		
Revenues	145,591	159,488
Cost of revenues ²⁶	-107,374	-118,063
Gross profit	38,217	41,425
Operating expenses		
Marketing and selling expenses	-12,014	-13,807
Administrative expenses ²⁶	-27,370	-26,921
Research and development expenses	-941	-1,059
Impairment of goodwill	-1,467	-558
Other operating income/expenses, net ²²	-165	-625
Total operating expenses	-41,957	-42,970
Operating loss	-3,740	-1,545
Other income/expenses		
Income from investments	16	34
Loss from foreign currency exchange, net	-431	-377
Impairment loss on financial assets	0	-3,608
Interest income/expenses, net	-1,329	-1,508
Other income/expenses	-1,744	-5,459
Loss from continuing operations before income taxes and minority interests	-5,484	-7,004
Income taxes ²³	-1,069	-5,868
Loss from continuing operations before minority interests	-6,553	-12,872
Minority interests	12	-117
Loss from continuing operations	-6,541	-12,989
Discontinued operations		
Loss from discontinued operations (including loss on disposal of KEUR 129; PY: KEUR 0)	-3,479	-1,976
Income taxes	-16	-207
Minority interests	202	-59
Loss from discontinued operations	-3,293	-2,242
Cumulative effect of change in accounting principle	0	-904
Net loss	-9,834	-16,135
Loss per share in EUR – basic and diluted		
Loss from continuing operations before minority interest	-0.39	-0.77
Loss from discontinued operations	-0.20	-0.14
Cumulative effect of change in accounting principle	0.00	-0.05
Net loss	-0.59	-0.96
Number of shares used in the calculation of earnings per share:		
– basic and diluted	16,780,519	16,771,202

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

Consolidated Statements of Cash Flow from Jan. 1 to Dec. 31, 2003 and 2002 (US-GAAP)

	Dec. 31, 2003 KEUR	Dec. 31, 2002 KEUR
Cash flows provided by operating activities		
Net loss for the period	-9,834	-16,135
Adjustments to reconcile net loss to net cash provided by operating activities		
Discontinued operations, net	3,293	2,242
Depreciation of property, plant, equipment and computer software	3,184	4,183
Impairment of goodwill	1,467	1,462
Impairment of securities available for sale	0	3,608
Gains from the disposal of non-current assets	-173	-116
Changes in operating assets and liabilities		
Decrease/increase in trade accounts receivable	9,541	7,421
Decrease/increase in inventories	1,606	484
Prepaid expenses and other current assets	-1,472	2,249
Decrease/increase in trade accounts payable, associated companies and advance payments received	617	-4,465
Decrease/increase in pension liabilities	-3	-44
Decrease/increase in other current liabilities and accruals	1,613	762
Decrease/increase in deferred taxes	-326	5,497
Decrease/increase in minority interest	-10	117
Cash flows provided by operating activities	9,503	7,265
Cash flows used in investing activities		
Proceeds from sale of discontinued operations net of cash provided	-745	0
Cash used in discontinued operations	-2,813	-2,665
Investments in property, plant, equipment and computer software	-3,522	-3,843
Cash received from the disposal of property, plant and equipment and computer software	228	862
Earn-out payments for acquisition in USA	-349	-865
Cash flows used in investing activities	-7,201	-6,511
Cash flows used in financing activities		
Cash received from issuance of stock, net	2,458	0
Dividends to minority interests	-44	-35
Repayment of convertible bonds to employees	-48	-203
Repayment of restricted cash	344	2,908
Repayment of current liabilities to banks	-3,407	-2,801
Proceeds of loans from bank	1,000	0
Repayment of credit loans to banks	-1,500	-2,422
Proceeds of issuance of long-term debt	85	267
Repayments of long-term debt	-90	-460
Cash flows used in financing activities	-1,202	-2,746
Effect of exchange rate changes on cash and cash equivalents	447	915
Increase/decrease in cash and cash equivalents	1,547	-1,077
Cash and cash equivalents at the beginning of the period	5,979	7,056
Cash and cash equivalents at the end of the period	7,526	5,979
Supplemental cash flow information		
Interest paid	1,534	1,575
Income taxes paid	1,378	-13

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

Consolidated Statements of Changes in Shareholders' Equity as of Dec. 31, 2003 and 2002 (US-GAAP)

	Number of shares issued and outstanding	Common Stock KEUR	Additional paid in capital KEUR	Accumulated deficit KEUR	Accumulated other compre- hensive loss KEUR	Total share- holders' equity KEUR	Compre- hensive loss KEUR
December 31, 2001	16,771,202	16,771	19,768	-158	-3,054	33,327	
Net loss				-16,135		-16,135	-16,135
Foreign currency translation adjustments					-1,250	-1,250	-1,250
Impairment of long-term investments					3,771	3,771	3,771
Comprehensive loss							-13,614
December 31, 2002	16,771,202	16,771	19,768	-16,293	-533	19,713	
Net loss				-9,834		-9,834	-9,834
Capital increase (net of issuance costs of KEUR 81)	1,677,119	1,677	781			2,458	
Foreign currency translation adjustments					-1,695	-1,695	-1,695
Unrealized loss on investments					-40	-40	-40
Comprehensive loss							-11,569
December 31, 2003	18,448,321	18,448	20,549	-26,127	-2,268	10,602	

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

Notes to the Consolidated Financial Statements

itelligence AG, Frankfurt am Main

Notes to the consolidated Financial Statements
December 31, 2003 and 2002

1. Basis of accounting

The consolidated financial statements of itelligence AG and its subsidiaries, hereinafter referred to as "itelligence", "the Company" or "the Group", have been prepared in accordance with US generally accepted accounting principles ("US GAAP").

With these consolidated financial statements, itelligence makes use of the exemption option pursuant to Sec. 292a of the German Commercial Code (HGB). This states that consolidated financial statements according to German law need not be prepared if consolidated financial statements in accordance with internationally recognized accounting principles (e.g. US GAAP or IFRS) are presented. The explanations regarding the most important differences between US GAAP and German accounting principles which are required to make use of this exemption are presented under Note 27. The combined management report for the consolidated and individual financial statements were prepared in accordance with the provisions of Sec. 315 HGB.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, all amounts and disclosures required to eliminate the operations that were sold during the year or are to be sold ("discontinued operations") have been adjusted except as otherwise stated. See Note 6 for more details.

2. The Company

itelligence AG was founded by a contribution in kind in May 2000. On the basis of the merger agreement concluded in May 2000, the principal shareholders of SVC AG SCHMIDT VOGEL CONSULTING, Bielefeld, (hereinafter also referred to as "SVC") acquired some 45 percent of the Company and the shareholders of APCON AG, Hamburg, (hereinafter also referred to as "APCON") some 55 percent of the shares in the Company.

The range of services offered by itelligence, in its capacity as a full-service provider for SAP, range from SAP consulting and licensing, outsourcing & services to proprietary SAP industry solutions and customized software technologies.

The Company has several branches and subsidiaries in Germany as well as foreign subsidiaries in the United States, Switzerland, Austria, Brazil, Italy, Spain, the United Kingdom, Norway, the Czech Republic, Slovakia, the Netherlands, Belgium, France, Poland, Slovenia, Hungary and the Ukraine.

3. Group of consolidated companies and changes to the group structure

In addition to itelligence AG, all subsidiaries in which itelligence AG directly or indirectly holds the majority of voting rights and which it controls belongs to the group of fully consolidated companies.

The following companies were included in the consolidated financial statements as of December 31, 2003:

	Share in %	Equity KEUR	Net income/ loss KEUR
Fully consolidated companies			
APCON Nielsen Consulting GmbH, Hamburg	100	305	-42
APCON International Business Systems Gesellschaft für DV-Beratung mbH, Hamburg	100	832	437*
APCON Business Consulting Gesellschaft für Managementberatung mbH, Hamburg	100	105	-176*
ASECON GmbH, Bielefeld	100	-198	-18
itelligence AG, Urdorf, Switzerland	100	1,615	902
itelligence AS, Oslo, Norway	100	-773	-118
itelligence Business Software Inc., Westchester, USA	100	2,902	301
itelligence Business Solutions GmbH, Vienna, Austria	100	-793	-420
itelligence Business Solutions Ltd., London, UK	100	-2,508	-1,172

	Share in %	Equity KEUR	Net income/ loss KEUR
Fully consolidated companies			
itelligence Business Solutions s.p.r.l., Brussels, Belgium	100	327	92
itelligence BV, Eindhoven, Netherlands	100	236	-5
itelligence d.o.o., Ljubljana, Slovenia	100	485	43
itelligence Erste Beteiligungs GmbH, Frankfurt	100	105	1
itelligence Hunsary Kft., Budapest, Hungary	100	693	323
itelligence Inc. Cincinnati, USA	100	10,369	1,803
itelligence Innovative Solutions Inc., Dallas, USA	100	1,448	-387
itelligence Int'l, Kiev, Ukraine	100	401	94
itelligence Outsourcing Inc., USA	100	-278	17
itelligence Outsourcing und Services GmbH, Bautzen	100	1,226	623
itelligence S.A., Paris, France	100	-1,091	-287
itelligence S.A., Sao Paulo, Brazil	100	-883	-570
itelligence Italia S.r.l., Milan, Italy	100	-771	-871
itelligence s.r.o. Bratislava, Slovakia	100	670	37
itelligence s.r.o., Prague, Czech Republic	100	-300	-125
itelligence SP.Z.o.o., Warsaw, Poland	100	1,022	93
ENERCOM SP.Z.o.o., Warsaw, Poland	81	27	16
itelligence VC-Holding GmbH, Frankfurt	100	-4,593	-363
Servicios Informaticos itelligence S.A., Barcelona, Spain	100	-875	-1,138
it-go GmbH, Hamburg	85	106	-148
ITC Information Technology Consulting GmbH, Detmold	56	716	28
HONICO SYSTEMS GmbH, Hamburg	51	917	849

*Net income/loss (equity) before profit/loss transfer

	Share in %	Equity KEUR	Net income/ loss KEUR
Investments (at equity)			
Dr. Lindner & Partner GmbH Oerlinghausen	50	60	-2*
BfL GmbH & Co., Eschborn	under 1	10,841	2,401

*Investment was accounted for under the equity method.

In the fiscal year, the following changes occurred compared with the prior year:

- On October 15, 2003, the Company founded ENERCOM Sp. Z.o.o. The Company holds 81% of the shares.
- On July 22, 2003, the Company founded itelligence Italia S.r.l. itelligence AG holds 100% of the shares.
- On July 24, 2003, the Company sold its 100 percent investment in itelligence S.r.l. in Italy.
- On September 22, 2003, the Group sold its 24 percent investment in it WPS Workplace Solutions Gesellschaft für DV-Beratung mbH.
- On November 25, 2003, the Company sold its 52 percent investment in itelligence Financial Solutions GmbH.

In 2002, the following changes occurred:

- The Company acquired a further 20 percent in SAPRYMA S.L, Spain, during the course of a capital increase and increased its total share from 80 percent to 100 percent. SAPRYMA S. L. was subsequently merged with itelligence Servicios Informaticos, Spain. The company operates under the name of itelligence Servicios Informaticos.
- On March 11, 2002, itelligence AG contributed 52 percent to the formation of itelligence Financial Solutions GmbH.
- On April 17, 2002, the Company sold its investment in Procoma GmbH.
- In fiscal year 2002, itelligence AG acquired a further 25 percent in Apcon Media Company GmbH and increased its total share from 75 percent to 100 percent. Apcon Media Company GmbH is in liquidation. The investment indirectly held by Apcon Media Company in Furnity GmbH was released due to the company's liquidation.
- Changes to the group of consolidated companies did not have a major impact on the consolidated statement of operations. As a result, no pro forma information has been provided.

4. Accounting and Valuation Policies

a) Consolidation Policies

itelligence AG and all subsidiaries under the legal or effective control of the Company are included in the Company's consolidated financial statements (see Note 3). All material intercompany transactions and balances have been eliminated.

The acquisition of investments generally follows the purchase method. Any goodwill arising on the consolidation of capital based on the purchase method is recognized as an asset and, pursuant to Statement of Financial Accounting Standards (SFAS) No. 142 is subjected to an annual impairment test or whenever an indication for impairment arises.

b) Cost and Equity Method Investments

Investments in companies in which the Company holds between 20% and 50% ownership are accounted for using the equity method as long as the Company exercises significant influence.

Investments in companies in which the Company holds less than 20% ownership are accounted for using the cost method as long as the Company does not exercise significant influence.

c) Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States requires the Company's management to make estimates and assumptions on the basis of historical or planned data that affect the amounts reported and the disclosure of assets and liabilities as well as of contingent assets and liabilities on the balance sheet date, and that also affect the amounts of revenues and expenses stated during the reporting period. Actual results may deviate from these estimates.

d) Advertising Costs

Costs for advertising are expensed as incurred. Advertising costs in 2003 amount to KEUR 3,699 (2002: KEUR 2,090).

e) Foreign Currency Translation

Foreign currency translation was performed in accordance with SFAS No. 52, "Foreign Currency Translation". The functional currency of the Company's subsidiaries is the local currency of the country in which the subsidiary operates. Accordingly, assets and liabilities recorded in foreign currencies in the books of the Company's foreign subsidiaries are translated at the exchange rate on the balance sheet date. Revenues and expenses are translated at the annual average exchange rates.

Differences caused by foreign currency translation are recognized under "other comprehensive income" in the corresponding year.

f) Revenue Recognition

The Company mainly offers consulting services on the basis of service agreements or contracts for work and services.

Revenues from consulting services based on service agreements are recognized as soon as the service has been provided to the customer.

Consulting revenue from project business is recognized in accordance with Statement of Position (SOP) No. 97-2, "Software Revenue Recognition" and SOP No. 81-1, "Accounting for Performance of Construction-Type and Certain Construction-Type Contracts". Thus, for long-term projects revenues are recognized according to the percentage of completion method. Each project is analyzed to identify potential losses from pending transactions. Appropriate accruals are recognized in cases where losses are probable. At December 31, 2003 and 2002 accruals for potential losses of KEUR 268 and KEUR 239 were recorded, respectively.

License revenues from sales of software are recognized in accordance with SOP No. 97-2, "Software Revenue Recognition" issued by the American Institute of Certified Public Accountants (AICPA). Recognition of revenue requires a legally effective agreement, delivery of the software, a fixed or determinable license fee and a probable receipt of payment. All criteria must be met.

Service revenue is sometimes related to implementation and installation services performed under separate service arrangements. Revenues from consulting and training services are recognized as the services are performed. If a license arrangement includes both software and service elements, the arrangement fee is allocated to services and other elements of the arrangement based on their fair value as established by independent sale of the respective element to customers, including the renewal rates for post-contract customer support services and standard hourly rates for other services. The residual arrangement fees are allocated to the software and are recognized upon delivery of the software provided that the services are not essential to the functionality of the software, the services exclude significant customization or modification of the software, and the payment terms for the software are not subject to acceptance criteria or cancellation or refund provisions.

Revenues from maintenance and outsourcing services are recognized pro rata temporis over the term of the agreement.

g) Research and Development Expenses

In accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed", research and development expenses which are incurred between the "technological feasibility" and "marketability" of the software must be capitalized. The research and development expenses incurred in the Group during this period are insignificant. Development costs which are incurred prior to "technological feasibility" being established are charged to expense when incurred.

In the fiscal year, the research and development expenses came to KEUR 941 (prior year: KEUR 1,059).

h) Segment Reporting

itelligence applies SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". This Standard requires the presentation of disclosures about reportable operating segments in financial statements and requires the restatement of prior-year disclosures. The operating segments are defined as components of an enterprise for which discrete financial information is available and whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

i) Earnings (Loss) Per Share

Earnings (loss) per share is calculated in accordance with SFAS No. 128, "Earnings Per Share". Basic earnings per share is calculated by dividing the earnings attributable to the holders of common shares by the weighted average number of common shares outstanding during the period. The Company has issued convertible bonds and warrant-linked bonds which, if exercised, will have a dilutive effect on earnings (loss) per share. Accordingly, the diluted earnings (loss) per share is calculated on the basis of the maximum possible dilution. If losses are generated in the fiscal year, no dilutive effects are produced by options and/or convertible bonds.

j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits at banks with original terms of three months or less.

k) Fair Values of Financial Instruments

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments" requires disclosures about fair value for all financial instruments regardless of whether or not they are recognized in the consolidated balance sheet. Due to their short terms, the carrying amounts of financial instruments such as cash and cash equivalents, trade accounts receivable, trade accounts payable and other accruals approximate their fair values.

The carrying amount of liabilities due to banks and long-term debt is also approximately equivalent to the fair value based on market quotes for same and similar loans and conditions offered to the Company.

Convertible bonds and warrant-linked bonds are disclosed at the amounts repayable.

l) Derivative Financial Instruments

The Company occasionally uses forward exchange contracts to reduce exchange rate risks and interest rate caps to stabilize the interest rate. The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" in January 1999. Derivative financial instruments are carried at fair value in the balance sheet. None of the Company's derivative financial instruments have qualified for hedge accounting in accordance with SFAS No. 133. As a result, all changes in the fair value of derivatives must be immediately recognized in income. As of the balance sheet date, itelligence had not performed any hedging transactions for risks arising from foreign currency transactions. One interest rate cap transaction was reported at fair value.

m) Trade Accounts Receivable

The carrying amount of trade accounts receivable is equal to their nominal value. Trade accounts receivable are shown net of specific bad debt allowances. Specific bad debt allowances are recognized to cover all recognizable default risks.

Consulting projects in progress and not yet invoiced are valued according to the percent-age of completion method and are disclosed as unbilled receivables under trade accounts receivable.

n) Inventories

Inventories consist primarily of merchandise (software licenses for sale) and are valued item-by-item at the lower of cost or market.

o) Computer Software

Computer software purchased for internal use is amortized over a useful life of three years.

p) Goodwill

Goodwill is not subject to amortization but rather to an impairment test which must be performed at least once a year or whenever an indication for impairment arises.

An impairment test was carried out for goodwill according to SFAS No. 142, the resulting impairment is shown in the financial statements.

q) Property, Plant and Equipment

Property, plant and equipment are valued at acquisition cost less accumulated depreciation. Maintenance expenses that neither enhance the value of the assets nor prolong their useful life are expensed as incurred. Gains or losses from the disposal of non-current assets are recognized as other operating income or expenses.

Property, plant and equipment are depreciated over the expected useful life of the asset using the straight-line method. Leasehold improvements are amortized over the expected useful life of the asset or the life of the lease, whichever is shorter.

The following useful lives have been used to calculate depreciation:

Useful life in years	
Buildings	15–40
Leasehold improvements	8–10
Computer hardware	3
Office equipment and furnishings	8–10
Vehicles	4–6

r) Accounting for Government Grants

itelligence AG was granted an investment subsidy from funds of Sächsische Aufbaubank for the computer center of itelligence Outsourcing und Services GmbH under the regional economic assistance program of the State of Saxony. itelligence Outsourcing und Services GmbH also received an investment grant for operational investments pursuant to Sec. 2 of the Investment Grant Act (Inv-ZulG). The authorities are entitled to review the use of the payments received. These subsidies are deducted from the carrying value of the related items of property, plant and equipment.

s) Financial Assets

Shares in associated companies are accounted for using the equity method.

Investment securities are classified as available-for-sale securities. They are measured at their fair value on the balance sheet date if they are held in listed companies. Unrealized gains and losses are reported in other comprehensive income, which is a separate component of stockholders' equity. Realized gains and losses on sales of investments, as determined on a specific identification basis, are included in the statements of operations when the investment is sold or matures. On a regular basis, the Company tests for impairment. If a decline in the fair value of available-for-sale securities is judged to be other than temporary, the cost basis for the security is written down to fair value as the new cost basis. The written down amount is included in earnings as an impairment charge. The Company considers a decline in the market value of a marketable security which is longer than six months in duration to be other than temporary unless specific facts and circumstances indicate otherwise.

t) Impairment of Long-Lived Assets

The Company reviews the recoverability of the carrying amounts of its long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". If events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable over their remaining useful lives, the future undiscounted net cash flows expected to be generated by these assets are compared with the carrying amount of these assets. If these cash flows are less than the carrying amount of the assets, impairment losses are recognized in order to write the asset concerned down to its fair value. The application of SFAS No. 144 did not result in an impairment for the years ended 2003 and 2002.

u) Contingent Liabilities

Contingent liabilities are disclosed if a contingent legal obligation exists which would lead to a burden on assets, if a future event or condition were to occur, and which has yet to be accounted for in the balance sheet as an accrual or liability.

v) Other Accruals

Accruals are recognized for probable, future outflows of resources due to obligations to transfer assets or render services resulting from past transactions or events. Other accruals primarily include vacation entitlements, outstanding invoices and bonus and salary obligations.

w) Pension Liabilities

Pension liabilities are computed on the basis of actuarial calculations in accordance with SFAS No. 87, "Employers' Accounting for Pensions". Pension obligations are stated in accordance with SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits". The pension obligations are defined benefit obligations to directors. These include old-age, invalidity and survivors' pensions.

x) Accounting for Stock-Based Compensation Plans

itelligence AG measures its stock-based compensation plans in accordance with the intrinsic value method under APB Opinion No. 25, which is applied in accordance with SFAS No. 123. Under this Opinion, no expenses are recognized for the convertible bonds and options granted as the conversion price equaled the market value of one share on the grant date.

SFAS No. 123 requires disclosure of pro forma information regarding net income and earnings per share as if the Company had accounted for its stock-based awards granted to employees using the fair value method. The fair value of the Company's stock-based awards described above was calculated using the following weighted average assumptions.

These pro forma disclosures were determined using the following parameters:

Profits from dividends	0%
Expected life of the options	4 years
Interest rate for risk-free investment	4.5%–5.01%
Volatility over the expected life of the options	74.66%–93.46%

Had expenses for the options granted according to the stock option plan been calculated at fair value on the grant date pursuant to SFAS No. 123, KEUR 2,572 would have been taken to expenses in the fiscal year ending December 31, 2003. Net income and earnings (loss) per share would have fallen as presented in the table below:

	Fiscal year 2003 KEUR	Fiscal year 2002 KEUR
Net loss as reported	-9,834	-16,135
Stock-based compensation determined under the fair value based method	-2,572	-2,572
Net loss, pro forma	-12,406	-18,707
Earnings (loss) per share basic	-0.74	-1.12
Earnings (loss) per share, diluted	-0.72	-1.07

The stock-based compensation plans date from 1999 and 2001. No new plans were issued in fiscal year 2003 and the prior year.

y) Comprehensive Income

itelligence discloses comprehensive income in the statement of changes in shareholders' equity (capital deficit) in accordance with SFAS No. 130. itelligence's comprehensive loss mainly consists of the net loss for the year and the foreign currency translation adjustments.

z) Deferred Taxes

SFAS No. 109, "Accounting for Income Taxes" is used to account for income taxes. In accordance with this Statement, deferred taxes are calculated on the basis of differences between the amount stated in the balance sheet and the assessment basis for assets and liabilities using the enacted tax rates in the years in which the differences are expected to reverse. Valuation allowances are recognized to reduce deferred tax assets if it is more likely than not that a tax advantage will not be realized.

aa) Leases

Most of the leases entered into by the Company are operating leases. The lease installments are recognized accordingly as an expense. There are only minor agreements from capital leasing obligations in the United States with a net value of KEUR 85.

bb) Concentration of Credit Risk

Financial instruments which are potentially subject to a credit risk consist of cash and cash equivalents, and trade accounts receivable. Cash and cash equivalents are invested or held in solvent and reliable financial institutions. Furthermore, the Company performs periodic loan reviews of its customers and therefore does not generally require them to provide collateral.

cc) Concentration of Risks – SAP Partnership

Our close ties to SAP and, consequently, our dependency on SAP's strategy and product positioning may have an adverse impact on itelligence's revenues and earnings. According to SAP's current sales concept, SAP is not directly involved in selling its products to the midmarket in most countries, having them sold by independent system houses instead. If, however, SAP's products were to lose ground in the market or SAP was to alter its midmarket strategy, itelligence's earnings could be affected.

dd) Reclassifications

Certain adjustments were made in the financial statements and cash flow statement to adjust prior-year disclosures to the year under review. These reclassifications do not affect the net loss or equity disclosed in prior years.

ee) Assets Held for Sale and Discontinued Operations

Assets are considered held for sale when management has approved and committed to a formal plan to actively market a business for sale. Upon designation as an asset held for sale, each business is valued at the lower of its carry-

ing amount or estimated fair value less cost to sell, and depreciation expense recognition is ceased. If the carrying amount of the business exceeds its estimated fair value, an impairment loss is recognized.

Businesses classified as discontinued operations, the balance sheet amounts and statement of operations results are reclassified from their historical presentation to assets and liabilities held for sale in the consolidated balance sheets and to discontinued operations in the consolidated statements of operations for all period presented. Additionally, segment information does not include the results of businesses classified as discontinued operations. Management does not expect any continuing involvement with these businesses following the sales.

5. Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force (EITF) of the FASB issued EITF 00-21, "Revenue Arrangements with Multiple Deliverables," which addresses certain aspects of the accounting for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. Under EITF 00-21, revenue arrangements with multiple deliverables should be divided into separate units of accounting if certain criteria are met, including whether there is objective and reliable evidence of the fair value of the undelivered items. In addition, the consideration should be allocated among the separate units based on their respective fair values, and the applicable revenue recognition criteria should be considered separately for each of the separate units. EITF 00-21 is effective for the Company's revenue arrangements entered into beginning July 1, 2003. The adoption of EITF 00-21 did not have a material impact on the Company's results of operations or financial position.

On December 17, 2003, the Securities and Exchange Commission ("SEC") published Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition". SAB No. 104 updates portions of the SEC Staff's interpretive guidance provided in SAB No. 101 and included in Topic 13 of the Codification of Staff Accounting Bulletins. SAB No. 104 deletes interpretive material no longer necessary, and brings the interpretive material retained in line with the pronouncements issued by the FASB's EITF on various revenue recognition topics, including EITF 00-21. SAB No. 104 also incorporates the codification of certain sections of SAB No. 101's frequently asked questions and answers. The adoption of SAB No. 104 did not have a significant effect on the Company's results of operations or financial position.

In November 2002, the FASB issued Interpretation 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 sets forth expanded disclosure requirements in the financial statements about a guarantor's obligations under certain guarantees that it has issued. It also clarifies that, under certain circumstances, a guarantor is required to recognize a liability for the fair value of the obligation at the inception of the guarantee. Certain types of guarantees, such as product warranties, guarantees accounted for as derivatives, and guarantees related to parent-subsidiary relationships are excluded from the liability recognition provisions of FIN 45, however, they are subject to the disclosure requirements. The initial liability recognition provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements for interim or annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a significant effect on the Company's results of operations or financial position.

In July 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements". FIN 46 prescribes how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether to consolidate that entity. In October 2003, the implementation date of FIN 46 was deferred until the end of the first interim or annual period ending after December 15, 2003. On December 24, 2003, the FASB issued a revision to Interpretation 46 ("46R") to clarify some of the provisions of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", and to exempt some entities from its requirements. Under the new guidance special effective date provisions apply to enterprises that have fully or partially applied Interpretation 46 prior to issuance of this revised Interpretation. The adoption of FIN 46 did not have a significant effect on the Company's results of operations or financial position.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities under SFAS No. 133. The amendments set forth in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. The provisions of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a significant effect on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS No. 150, which also include a number of new disclosure requirements, are effective for instruments entered into or modified after May 15, 2003 and pre-existing instruments as of the beginning of the first interim period that commences after June 15, 2003. The adoption of the SFAS No. 150 did not have a significant effect on the Company's results of operations or financial position.

On December 23, 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures About Pensions and Other Postretirement Benefits", to improve financial statement disclosures for defined benefit plans. The change replaces existing FASB disclosure requirements for pensions. SFAS No. 132 requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. A description of investment policies and strategies and target allocation percentages, or target ranges, for these asset categories also are required in financial statements. Cash flows will include projections of future benefit payments and an estimate of contributions to be made in the next year to fund pension and other postretirement benefit plans. The guidance is effective for fiscal years ending after December 15, 2003. The Company has adopted SFAS No. 132 (revised 2003) for the year ended December 31, 2003.

6. Discontinued operations

In fiscal year 2003, the Management Board decided to sell companies in order to focus on the core business segments and to pull out of the Italian market entirely. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", assets and liabilities and operating results of the following businesses have been disclosed as discontinued operations in the consolidated financial statements:

- itelligence S.r.l., Italy
- it-WPS Workplace Solutions GmbH
- itelligence Financial Solutions GmbH
- itelligence Italia S.r.l.
- HONICO SYSTEMS GmbH

On July 24, 2003, the Company completed the sale of its wholly-owned subsidiary, itelligence S.r.l., Italy, for a mandatory amount of EUR 1. The sale agreement is considered final and the Company does not have any continuing involvement in the business sold. The Company recorded a loss on disposal of KEUR 285 on this sale during the year ended December 31, 2003. The Company did not maintain ownership of any assets or liabilities of itelligence S.r.l. Italy business. The itelligence S.r.l. Italy business was previously included in the "Rest of Europe" reporting unit. The sale of this business does not effect the reported goodwill of this reporting unit.

On September 22, 2003, the Company completed the sale of its 24 percent investment in it WPS Workplace Solutions GmbH, for cash payment of KEUR 165. The sale agreement is considered final and the Company does not have any continuing involvement in the business sold. The Company recorded a gain on disposal of KEUR 162 on this sale during the year ended December 31, 2003. The Company did not maintain ownership of any assets or liabilities of it WPS Workplace Solutions GmbH business. The it WPS Workplace Solutions GmbH business was previously included in the "Germany reporting unit".

On November 25, 2003, the Company completed the sale of its 52 percent investment in itelligence Financial Solutions GmbH, for cash payment of KEUR

2. The sale agreement is considered final and the Company does not have any continuing involvement in the business sold. The Company recorded a loss on disposal of KEUR 6 on this sale during the year ended December 31, 2003. The Company did not maintain ownership of any assets or liabilities of it itelligence Financial Solutions GmbH business. The itelligence Financial Solutions GmbH business was previously included in the "Germany" reporting unit.

The Company approved and committed to a plan to dispose of its wholly-owned subsidiary itelligence Italia S.r.l. in November, 2003. No impairment loss was necessary based on the fair value and cost to sell analysis. On January 7, 2004, the Company completed the sale of itelligence Italia S.r.l., for mandatory cash payment of EUR 1. The sale agreement is considered final and the Company does not have any continuing involvement in the business sold. The Company did not maintain ownership of any assets or liabilities of its itelligence Italia S.r.l. business. The sale price realized in 2004 approximated the remaining carrying value of the assets and liabilities sold. The itelligence Italia S.r.l. business was previously included in the "Rest of Europe" reporting unit. The sale of this business does not effect the reported goodwill of this reporting unit.

The Company approved and committed to a plan to dispose of its 51 percent investment in HONICO SYSTEMS GmbH in November 2003. No impairment loss was necessary based on the fair value and cost to sell analysis. The Company plan to complete the sale by March 31, 2004. The Company does not expect to have any continuing involvement in the HONICO SYSTEMS GmbH business. The HONICO SYSTEMS GmbH business was previously included in the "Other" segment.

The following tables provide additional statements of operations information related to the businesses that have qualified as discontinued operations:

Total revenue belongs to the following entities:

	2003 KEUR	2002 KEUR
itelligence S.r.l., Italy	1,040	4,906
itelligence Italia S.r.l., Italy	768	0
it-WPS Workplace Solutions GmbH	1,152	1,230
itelligence Financial Solutions GmbH	736	1,298
HONICO SYSTEMS GmbH	1,528	1,620
Total revenues	5,224	9,054

Total profit and loss statements:

	2003 KEUR	2002 KEUR
Revenues	5,224	9,054
Cost of revenues	-5,582	-8,099
Gross profit (loss)	-358	955
Total operating expenses	-3,108	-2,932
Operating loss	-3,466	-1,977
Other income/expenses	-13	1
Loss before income taxes	-3,479	-1,976
Income taxes	-16	-207
Minority interests	202	-59
Net loss for the period	-3,293	-2,242

The following tables show the major classes of assets and liabilities from businesses which have qualified as discontinued operations:

As of December 31, 2003

	itelligence Italia S.r.l., Italy KEUR	HONICO KEUR	Total KEUR
Cash	26	107	133
Accounts receivable	987	377	1,364
Other assets	81	20	101
Property, plant and equipment and computer software	38	39	77
Total assets	1,132	543	1,675

As of December 31, 2002

	itelligence S.r.l., Italy	it-WPS	itelligence Financial Solutions	HONICO	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Cash	157	296	187	118	758
Accounts receivable	2,820	190	173	220	3,403
Other assets	270	7	250	32	559
Property, plant and equipment and computer software	128	30	17	65	240
Total assets	3,375	523	627	435	4,960

7. Cash and cash Equivalents

	2003 KEUR	2001 KEUR
Current account balances and cash on hand	7,526	5,652
Short-term time deposits	0	327
Cash and cash equivalents	7,526	5,979

8. Trade accounts receivable and other current assets

a) Trade accounts receivable

	2003 KEUR	2002 KEUR
Trade accounts receivable	23,644	32,903
Unbilled receivables	38	851
Receivables from associated companies	0	4
	23,682	33,758
Specific bad debt allowances	-1,388	-1,923
Trade accounts receivable, net	22,294	31,835

b) Other current assets

	2003 KEUR	2002 KEUR
Current:		
Claims for tax reimbursement	815	417
Receivables from employees	145	152
Receivables other than trade	937	938
Deposits	72	89
Creditors with debit balances	102	0
Investment subsidy for computer center	605	0
Other	505	203
	3,181	1,799

9. Computer Software

	2003 KEUR	2002 KEUR
Acquisition cost	2,274	1,893
Accumulated amortization	1,307	1,350
Computer software, net	967	543

The average amortization period for computer software is three years. The amortization expense for computer software for the year ended December 31, 2003 was KEUR 311 (prior year: KEUR 360).

The carrying value of the computer software that is reclassified to 'assets of businesses held for sale' of the discontinued operations amounts to KEUR 8 (prior year: KEUR 33) as of December 31, 2003. The amortization expense for the computer software for the year ended December 31, 2003 was KEUR 4 (prior year: KEUR 9).

The estimated amortization expense for the computer software for the next three years is as follows:

Fiscal year	KEUR
2004	377
2005	334
2006	256
Total	967

10. Goodwill

	2003 KEUR	2002 KEUR
Goodwill, net	12,867	15,465

For the valuation of the reporting units, discounted cash flow (DCF) methods and multiples (based on revenues and EBITDA) were used and show the following result:

	Americas		Spain	Rest of Europe		Germany		Other	Total
	SAP Services	Outsourcing & Maintenance	SAP Services & Customized Solutions	SAP Services & Customized Solutions	Outsourcing	SAP Services & Customized Solutions	Outsourcing		
	0	10,527	2,811	2,430	0	1,052	820	4	17,644
Impairment (change in accounting principle)	0	0	-900	0	0	0	0	-4	-904
Impairment (part of the operating result)	0	0	-550	0	0	0	0	-8	-558
Additions	0	758	106	0	0	0	0	-8	872
Exchange rate differences	0	-1,589	0	0	0	0	0	0	-1,589
December 31, 2002	0	9,696	1,467	2,430	0	1,052	820	0	15,465
Impairment (part of the operating result)	0	0	-1,467	0	0	0	0	0	-1,467
Additions	0	349	0	0	0	0	0	0	349
Exchange rate differences	0	-1,480	0	0	0	0	0	0	-1,480
December 31, 2003	0	8,565	0	2,430	0	1,052	820	0	12,867

The additions result from the earn-out payments for the acquisitions in the United States. The purchase agreements stipulated that part of the purchase price was payable immediately and another part would be based on performance. In the fiscal year, goodwill impairment losses amounted to KEUR 1,467 (prior year: KEUR 1,462). The annual impairment test carried out on June 30, 2003 led to an impairment loss of KEUR 1,467 on the goodwill in Spain.

The Company acquired the shares in Sapryma S.L. Barcelona, Spain, under an agreement dated July 28, 2000. A goodwill balance resulted from the purchase accounting for this investment, which was considered a reporting unit in the annual goodwill impairment tests performed at June 30, 2003 and 2002. An impairment loss of KEUR 1,450 was recognized on the goodwill in fiscal year 2002 and it has now been written off in full in fiscal year 2003, with an additional impairment loss of KEUR 1,467, on the basis of the annual goodwill impairment test. At the time Sapryma S.L. was acquired, business was expected to develop very well in Spain, and the Company's market share was to increase as part of globalization strategy. As a result of a very difficult environment, the targets were not achieved and the Spanish company has been incurring losses. The restructuring in Spain is expected to make the Spanish company profitable again in 2004, but the expected profitability is not sufficient proof of the value of the goodwill.

The valuation of reporting units was undertaken in accordance with SFAS No. 142.

For the valuation of the reporting units, discounted cash flow (DCF) methods and multiples (based on revenues and EBITDA) were used.

11. Property, Plant and Equipment, net

	2003 KEUR	2002 KEUR
Acquisition cost		
Land and buildings	4,110	4,498
Leasehold improvements	573	496
Computer hardware	10,539	8,759
Furniture and fixtures	5,819	7,484
Vehicles	12	48
	21,053	21,285
Less		
Accumulated depreciation	11,892	11,321
Property, plant and equipment, net	9,161	9,964

12. Financial assets

	2003 KEUR	2002 KEUR
Shares in associated companies	37	37
Investments	21	10
Securities	548	588
Financial assets, net	606	635

The shares in associated companies consist of the 50 percent share in Dr. Lindner & Partner Consult Gesellschaft für Organisation und Technologieberatung mbH.

The investments comprise shares in BfL Gesellschaft des Bürofachhandels mbH & Co. (<1 percent), which is accounted for under the cost method.

Securities comprise shares in Heiler Software AG (approx. 3 percent). As in the prior years, the securities of Heiler Software AG were valued at the market value on the balance sheet date. Due to the permanent lower market value of the shares traded on the "Neuer Markt", the accumulated unrealized impairment losses of net KEUR 3,608 were realized in the statement of operations in fiscal year 2002. The adjusted cost base as of December 31, 2002 was KEUR 588. The unrealized loss of KEUR 40 in fiscal year 2003 was recognized in other comprehensive income, a separate item of equity. The securities are available for sale and serve as collateral for the credit line from a syndicate bank in Germany.

13. Restricted Cash

	2003 KEUR	2002 KEUR
Restricted cash	1,861	2,205
thereof for deposit for financing abroad	960	960
thereof for deposit for bank guarantees	901	1,245

Restricted cash comprises long-term deposits which are linked to the maturity of the underlying transaction. The decrease against the prior year is due to the return of bank guarantees. The restricted cash bears interest of between 1.45 and 9 percent.

14. Liabilities due to banks and loans

Current Liabilities due to Banks and Current Portion of Long-Term Debt

	2003 TEUR	2002 TEUR
Current liabilities due to banks, domestic	5,229	8,911
Current liabilities due to banks, foreign	351	77
Current liabilities due to banks	5,580	8,988

Current portion of long term debt

	2003	2002
- to banks, domestic	432	412
- to banks, foreign	486	1,227
- other loans	1,563	1,575
Current portion of long term debt	2,481	3,214

Long-Term Debt, Net of Current Portion

	2003 TEUR	2002 TEUR
Long-term debt		
- to banks, domestic	845	1,220
- to banks, foreign	3,551	3,766
less current portion	-918	-1,639
	3,478	3,347
- other loans domestic	5,992	5,906
less current portion	-1,563	-1,575
	4,429	4,331
Long-term debt, net of current portion	7,907	7,678

Maturity of Liabilities due to Banks

The maturities of non-current liabilities due to banks break down as follows:

Fiscal year	KEUR
2005	1,404
2006	380
2007	286
2008	286
2009	1,122
	3,478

The financial debt as of December 31, 2003 consists mainly of two earmarked loans of KEUR 2,551 in total to finance the construction of a computer center in Poznan. One loan is due to expire on December 31, 2009. Unscheduled repayments may be made. The interest rate is 10 percent p.a. for the entire period. The other loan is repayable in monthly installments until 2009. The interest rate is 8 percent p.a. for the entire period. The building has been assigned to a bank as security and there are restrictions on term deposits in the amount of KEUR 855.

The Company also received a loan of KEUR 659 to finance the office equipment and computer center in Bielefeld. The interest rate is 5.75 percent p.a. and the loan is repayable in monthly installments until 2006. The office equipment and other equipment to the administrative building in Bielefeld have been assigned to a bank as security.

A loan of KEUR 800 in the United States is to finance investments in Outsourcing America. The interest rate is 4.25 percent p.a. The loan is due to expire on March 31, 2005. The credit line was secured by a letter of comfort from itelligence AG and the pledge of the office equipment.

The Company also received a loan of KEUR 186 to finance investments for outsourcing & services in Bautzen. The interest rate is 7.9 percent p.a. The computer hardware has been assigned to a bank as security.

Maturity of Other Loans

Other non-current liabilities mainly relate to a loan of KEUR 5,906. The interest rate is 5 percent p.a. The first repayment installments were due in 2002 and 2003. New repayment installments have been agreed upon with the lender. The first installment is due on June 30, 2004.

Fiscal year	KEUR
2005	1,970
2006	1,970
2007	489
	4,429

The shares in itelligence AG, Switzerland and in Apcon International Business Systems Gesellschaft für DV-Beratung mbH have been pledged.

As of the balance sheet date, the Company has been granted the following credit lines:

	2003 KEUR	2002 KEUR
Domestic		
Credit facilities available as of December 31	9,642	12,809
Used	-5,229	-8,911
	4,413	3,898
Foreign countries		
Credit facilities available as of December 31	2,386	2,769
Used	-351	-77
Unused credit facilities	2,035	2,692
Average interest rates	4.25%–10.75%	4.25%–8.75%

The shares in itelligence Inc. Cincinnati USA and the receivables of itelligence AG have been pledged to the syndicate banks in Germany (concealed assignment of receivables). In addition, the receivables of itelligence Outsourcing und Services GmbH in Bautzen (concealed assignment of receivables) and a share block of itelligence VC Holding GmbH have been pledged as security, in each case to a different syndicate bank in Germany.

The credit lines in foreign countries were secured by letters of comfort from itelligence AG as well as property plant and equipment that has been assigned as security.

For 2004, the Company has credit lines totaling MEUR 8.1 (domestic) and MEUR 2.3 (foreign countries).

15. Liabilities due to associated companies

	2003 KEUR	2002 KEUR
Dr. Lindner & Partner Gesellschaft für Technologie-Beratung mbH	40	31

16. Other accruals

	2003 KEUR	2002 KEUR
Bonuses and wages	5,172	3,694
Accrued vacation and overtime	1,485	2,057
Losses from idle facilities and fixed price projects	620	239
Severance payments	591	0
Outstanding invoices	578	1,059
Employers' liability insurance	348	274
VAT back payment	280	0
Legal, consulting and auditing costs	231	224
Court costs	211	55
Repayment of Subsidy	198	0
Shareholders' meeting	100	100
Credit notes to be issued	91	96
Warranties	84	70
Levy in lieu of employing severely disabled	62	78
Compensation of the Supervisory Board	54	65
Partial retirement (ATZ)	38	0
Other	327	402
	10,470	8,413

17. Other current Liabilities

	2003 KEUR	2002 KEUR
Taxes	3,037	4,441
Social security	2,726	2,284
Liabilities due to employees	509	81
Other	1,036	786
Other current liabilities	7,308	7,592

18. Pension Liabilities

The pension obligations exist in respect of directors of the Company who, after retirement, will be entitled to a pension. The pensions promised by itelligence will increase by 2.0 percent each year. All but KEUR 105 of the claims are vested.

Assets of reinsurance policy exclusively cover benefit payments.

The Company's pension cost over the fiscal years is as follows:

	2003 KEUR	2002 KEUR
Service cost	24	24
Interest expenses	31	30
Amortization of the unrecognized net obligation	5	7
Net periodic pension cost	60	61

The following table shows the status of the projected pension obligation and the assumptions used to determine the amount of the obligation.

	2003 KEUR	2002 KEUR
Projected benefit obligation as of January 1	531	575
Transfer	0	-105
Net periodic pension cost	60	61
Projected benefit obligation as of December 31	591	531
Fair value of reinsurance policy	-414	-351
Pension liability	177	180
Assumptions		
Discount rate	5.8%	5.8%
Future pension increase	2.0%	2.0%

Future wage and salary increases are not included in the calculation as they do not affect the future pension payments.

19. Financial instruments

During the fiscal year, the Company concluded an interest rate cap dated February 28, 2002 in the form of a cap rate agreement. A cap rate of 4 percent – on the basis of the 3 month EURIBOR – was agreed for an amount of KEUR 5,000 for the period until March 4, 2005. A premium of KEUR 88 was paid for this transaction. The fair value of the cap was KEUR 0.5 and KEUR 0.7 at December 31, 2003 and 2002, respectively, which is included in the other current assets account on the balance sheet.

20. Bonds to employees

	2003 KEUR	2002 KEUR
Convertible bonds	442	490
Warrant-linked bonds	67	67
	509	557

itelligence AG issued a convertible bond for a total par value of KEUR 363,545 to employees of the Company on March 23, 2001. The term of the convertible bond runs until March 23, 2006 and it bears 6 percent interest p.a. The bonds with a par value of EUR 1 entitle the bearers to make an additional payment of EUR 12.29 to convert each into one no-par value share in itelligence AG. The conversion right may be exercised for the first time on March 23, 2003 and for the last time on March 23, 2006.

Of this tranche, convertible bonds of EUR 244,516 and EUR 271,522 were still on hand as of December 31, 2003 and 2002, respectively. The reduction is a result of repayments to employees who have departed from the Company.

itelligence AG issued a warrant-linked bond for a total par value of EUR 6,096 to employees of the Company on March 23, 2001. The warrant-linked bond expires on May 23, 2006 and bears 6 percent interest p.a. Each bond of a par value of EUR 1 includes ten bearer warrants (EUR 60,960) entitling the bearer to acquire one share in itelligence AG for a price of EUR 13.29. The warrant may be exercised for the first time on March 23, 2003 and for the last time on March 23, 2006.

In the course of the merger, the following convertible bonds and loans of SVC AG were transferred to itelligence AG.

SVC AG issued a convertible bond for a total par value of EUR 428,594 to employees of SVC AG, on May 3, 1999. The term of the convertible bond runs until May 4, 2004 and it bears 4 percent interest p.a. The bonds with a par value of EUR 1 entitle the bearers to make an additional payment of EUR 19.70 to convert each into one no-par value share in SVC AG. The conversion right for itelligence AG shares may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

A second convertible bond with a par value of EUR 102,599 and a term from June 23, 1999 to May 4, 2004 was issued to employees of SVC AG on June 23, 1999 and bears 4 percent interest p.a. If converted to shares, the conversion price is 115 percent of the average (arithmetic mean) of the closing prices of the last 5 trading days at the Frankfurt Stock Exchange prior to the decision to issue the bonds, i.e. the last 5 trading days prior to June 23, 1999.

A third convertible bond with a total par value of EUR 963 and a term from November 3, 1999 to November 3, 2004 was issued to employees of SVC AG on November 3, 1999 and bears 4 percent interest p.a. If converted to shares, the conversion price is 115 percent of the average (arithmetic mean) of the closing prices of the last 5 trading days at the Frankfurt Stock Exchange prior to the decision to issue the bonds, i.e. the last 5 trading days prior to November 3, 1999.

Of these tranches, convertible bonds of EUR 198,038 and EUR 218,346 were still on hand as of December 31, 2003 and 2002, respectively with current employees of the Company. The reduction is a result of repayments to employees who have departed from the Company.

SVC AG issued a warrant-linked bond for a total par value of EUR 5,887 to employees of SVC AG on May 3, 1999. The warrant-linked bond expires on May 4, 2004 and bears 4 percent interest p.a. Each bond of a par value of EUR 1 includes ten bearer warrants entitling the bearer to acquire one share in SVC AG for a price of EUR 20.70. The option right for itelligence AG shares may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

21. Capital stock

The common stock amounts to EUR 18,448,321 and is divided into 18,448,321 no-par value bearer shares each having a notional share in the common stock of EUR 1.

The Management Board of itelligence AG adopted the resolution on May 18, 2001, approved by the Supervisory Board on May 17, 2001, to increase capital by EUR 412,885 by issuing 412,885 new no-par value bearer shares each with a notional share in the common stock of EUR 1 from EUR 16,358,317 to EUR 16,771,202 through a non-cash capital contribution excluding subscription rights pursuant to Sec. 69 (1), sentences 1 and 2 of the Law of Reorganizations (UmwG). The non-cash capital contribution was made in accordance with the merger agreement dated May 29, 2001 with the shares in SVC AG Schmidt Vogel Consulting still held in free float at the time of the merger (405,350), each valued at EUR 1.01859. The itelligence AG shares to be issued to outside shareholders were transferred to a trustee (Merck Finck & Co. Privatbankiers, Munich). Fractions were settled in cash on the basis of the conversion ratio and also deposited with the trustee. The shareholders' meeting of SVC AG Schmidt Vogel Consulting approved the merger on May 7, 2001. Pursuant to Sec. 62 UmwG, a resolution by the shareholders' meeting of itelligence AG was not required for the merger. The new shares have been fully entitled to dividends since January 1, 2001.

The capital increase was entered in the Frankfurt am Main commercial register on July 25, 2001.

The Management Board decided on December 8, 2003, and obtained the consent of the Supervisory Board on the same date, to make partial use of its authorization pursuant to Art. 5 sentence 5 of the articles of incorporation to increase the Company's capital stock by EUR 1,677,119 from EUR 16,771,202 to EUR 18,448,321 by issuing 1,677,119 new no-par value bearer shares each with a notional share of EUR 1 in common stock in return for cash.

The capital increase was entered in the Frankfurt am Main commercial register on December 29, 2003.

After the capital increase, the remaining approved capital amounts to EUR 3,839,214.

Employee stock compensation plans

Based on the resolution of the extraordinary shareholders' meeting of itelligence AG of September 2, 2000, the Management Board is authorized until August 1, 2005 to issue, on one or several occasions (in tranches), convertible bonds up to a total par value of EUR 888,085 and warrant-linked bonds up to a total par value of EUR 156,720 with a term of no longer than 5 years. The plan stipulates that the first bonds and options to be issued are a convertible bond tranche with a par value of EUR 810,888 and a first warrant-linked bond tranche of 72,220 share options in accordance with the resolutions adopted by the Management Board on December 22, 2000/March 5, 2001. The first convertible bond tranche with a total par value of EUR 810,888 is divided into equal 810,888 bearer bonds with a par value of EUR 1 each. They will accrue interest of 6 percent on their nominal amount. The bearer of each bond of EUR 1 is entitled to convert it into an ordinary bearer share of itelligence AG. Each warrant-linked bond with a par value of EUR 1 is initially attached to ten option rights. The option rights can be detached from the bonds and transferred from March 23, 2001. If the convertible bond or warrant-linked bonds are converted into shares, the conversion price per convertible bond is equivalent to 115 percent of the arithmetical mean of the closing rate of the itelligence share on the Frankfurt Stock Exchange. The stated placement price was EUR 11.55.

The convertible bonds and the options from the warrant-linked bonds may only be converted at least two years after they have been issued (March 23, 2003) and until they expire. Non-converted convertible bonds will be repaid to the creditor at the end of the term (March 23, 2006) at par value, non-exercisable options from the warrant bonds expire at the end of their term.

The directors, executives and employees of itelligence AG and the general managers, executives and employees of affiliated companies, except those in the United States, can acquire shares through convertible bonds. The general managers and employees of the subsidiaries in the United States can acquire shares through warrant-linked bonds.

Following separate resolutions by the Management Board and Supervisory Board of itelligence AG, convertible bonds entitling the bearers to subscribe to a total of 363,545 no-par value shares have been issued to date. In addition, warrant-linked bonds containing options to subscribe to 60,960 no-par value shares have been issued to date.

On the basis of a resolution adopted by the general meeting of shareholders of SVC AG on April 8, 1999, the Management Board of SVC AG is authorized, subject to the approval of the Supervisory Board (if directors are concerned), to issue on one or more occasions (in tranches) until April 1, 2004 warrant-linked and convertible bonds with a maximum term of 5 years. They will accrue interest of 4 percent on their nominal amount. Each convertible bond of a par value of EUR 1 can be converted into one SVC share. Each warrant-linked bond of a par value of EUR 1 can be tied to options to buy up to 10 shares. The conversion price or subscription price for each share if the bonds are issued before the SVC share is admitted to listing is 115 percent of the placement price fixed for the IPO of EUR 18.00 per share. If issued at a later date, the price is 115 percent of the average closing prices on the Frankfurt Stock Exchange for the last 5 trading days before the directors decided to issue the bond. The convertible bonds and the options from the warrant-linked bonds may be only be converted on certain exercise dates at least two years after they have been issued and until they expire. Non-converted convertible bonds will be repaid to the creditor at the end of the term at par value, non-exercisable options from the warrant bonds expire at the end of their term.

The directors, executives and employees of SVC AG and the general managers, executives and employees of affiliated companies, except those in the United States, can acquire shares through convertible bonds. The general managers and employees of the subsidiaries in the United States can acquire shares through warrant-linked bonds.

Following separate resolutions by the Management Board and Supervisory Board of SVC AG, convertible bonds entitling the bearers to subscribe to a total of 532,156 no-par value shares have been issued to date. Of these tranches, convertible bonds of EUR 198,038 were still on hand as of December 31, 2003. In addition, warrant-linked bonds containing options to subscribe to 58,870 no-par value shares have been issued to date. The conversion rights and options may only be exercised on the exercise dates, and not before May 2001; they have yet to be exercised.

Stock based compensation

At various times in fiscal years 2001 and 1999, the Company issued warrant-linked bonds and convertible bonds to the employees of the Company on the scale presented above in the section on "Employee Stock Compensation Plans". Each of these warrant-linked bonds and convertible bonds can be exchanged for ordinary shares in the Company. These warrant-linked bonds and convertible bonds are treated as options under US GAAP and are accounted for as described below.

The Company values the warrant-linked bonds and convertible bonds issued according to APB Opinion No. 25, "Accounting for Stock Issued to Employees", which deals with the valuation of stock options granted to employees in employee stock ownership plans. The intrinsic value of the option, i.e. the difference between the agreed exercise price and the current price is relevant for accounting according to APB Opinion No. 25.

The agreed exercise prices for the tranches are:

- Tranche 1 SVC AG:	EUR 19.70	Issued on May 4, 1999
- Tranche 2 SVC AG:	EUR 16.13	Issued on June 23, 1999
- Tranche 3 SVC AG:	EUR 18.32	Issued on November 3, 1999
- Warrant-linked bonds SVC AG:	EUR 20.70	Issued on May 4, 1999
- Tranche 1 itelligence AG:	EUR 12.29	Issued on March 23, 2001
- Warrant-linked bonds itelligence AG:	EUR 13.29	Issued on March 23, 2001

All of the exercise prices are higher than the price of the shares when the options were granted. Thus the intrinsic value of the options was zero and no personnel expenses were incurred as a result for fiscal year 2003 and following years.

The Company has followed the disclosure regulations pursuant to SFAS 123, but continues to apply APR Opinion No. 25, "Accounting for Stock Issued to Employees" for the options granted under the stock option plans.

As of December 31, 2003, 203,925 SVC options and 305,476 itelligence options are outstanding.

Other comprehensive income/loss

Under US GAAP certain expenses and income may not be recognized as part of net loss but as changes in stockholders' equity and must be disclosed separately. Such other comprehensive expenses and income and net loss total comprehensive loss.

The total other comprehensive loss that is recognized in stockholders' equity is as follows:

	Foreign currency translation KEUR	Non- operating gains/losses KEUR	Available- for-sale investments KEUR	Total KEUR
Balance as of Dec. 31, 2001	1,017	-300	-3,771	-3,054
Net changes in fiscal year	-1,550	300	3,771	2,521
Balance as of Dec. 31, 2002	-533	0	0	-533
Net changes in fiscal year	-1,695	0	-40	-1,735
Balance as of Dec. 31, 2003	-2,228	0	-40	-2,268

22. Other operating income/expenses, net

	2003 KEUR	2002 KEUR
Investment subsidy	235	244
Gain/loss from disposal of assets	173	116
Exchange rate differences, net	-290	-114
VAT backpayments	-280	0
Other, net	-3	-871
	-165	-625

23. Income taxes

Income taxes break down as follows:

	2003 KEUR	2002 KEUR
German corporate income tax	-194	-39
German trade tax	-97	-25
Foreign income tax	-1,104	-307
	-1,395	-371
Deferred taxes	326	-5,497
Income taxes	-1,069	-5,868

Applying the German income tax rates to the consolidated result and taking account of a corporate income tax rate of 25 percent plus solidarity surcharge of 5.50 percent and trade tax on earnings of 20 percent, which equals a combined rate of 41.10 percent, would have produced the following tax burden:

	2003 KEUR	2002 KEUR
Loss from continuing operations, income taxes and minority interests	-5,484	-7,004
Statutory tax income	2,254	2,879
Variances due to goodwill	-603	-598
Variances due to valuation allowances on deferred tax assets	-1,993	-6,390
Variances due especially to deviating foreign tax rates	-257	-42
Variances due to expenses that are non- deductible in Germany for tax purposes	-418	-1,483
Other variances	-52	-234
Income taxes	-1,069	-5,868

The deferred tax items include:

	2003 KEUR	2002 KEUR
Current deferred tax assets		
Valuation allowances on receivables	144	145
Loss carryforwards	0	171
Total	144	316
Non-current deferred tax assets		
Amortization/depreciation	137	293
Total	137	293
Current deferred tax liabilities		
Adjustment percentage of completion method	133	580
General warranty accrual	21	280
Amortization/depreciation	24	59
Investment accruals	0	22
General bad debt allowance	2	99
	180	1,040
Non-current deferred tax liabilities		
Amortization/depreciation	206	0

Deferred tax assets from loss carryforwards:

	2003 KEUR	2002 KEUR
Deferred tax assets from loss carryforwards	11,200	9,378
Less valuation allowances	-11,200	-9,207
Total	0	171

The loss carryforwards mainly belongs to:

	KEUR	
Germany	7,965	no expiration date
Spain	1,085	expire in 15 years
UK	652	expire in 5 years
France	410	no expiration date
	10,112	
other < KEUR 300	1,088	
Total	11,200	

24. Other Financial Obligations and Contingencies

As of December 31, 2003 the Company had the following future obligations from rent agreements and leases:

	KEUR
2004	5,749
2005	3,587
2006	2,411
2007	1,714
2008	1,467
Thereafter	8,251

The financial obligations mainly relate to the annual costs of the office building in Bielefeld (2003: KEUR 2,947; 2002: KEUR 2,034).

There are contingent liabilities of KEUR 1,986 (prior year: KEUR 2,053). Most of them are given instead of securities for office rent in different countries. The item also includes a potential earn-out payment of KEUR 400 (prior year: KEUR 1,000) resulting from the purchase of Sapryma S.L., Spain.

25. Segment Reporting

The management makes its decisions based on the internal reporting for the regions of the Americas, Germany and the rest of Europe. The regions are reportable units according to SFAS 131.

The segments developed as follows in 2003:

	Americas	Germany	Rest of Europe	Other	Total
Revenues before consolidation	39,410	75,821	38,670	1,256	155,157
Internal revenues	-2,205	-4,138	-2,842	-381	-9,566
Revenues	37,205	71,683	35,828	875	145,591
Cost of revenues	-26,788	-54,346	-25,602	-638	-107,374
Gross profit	10,417	17,337	10,226	237	38,217
Marketing and selling expenses	-3,348	-5,960	-2,684	-22	-12,014
General and administrative expenses	-4,729	-15,847	-6,549	-245	-27,370
Research and development expenses	0	-941	0	0	-941
Impairment of goodwill	0	0	-1,467	0	-1,467
Other operating expenses	-150	685	-535	-165	-165
Operating income/loss	2,190	-4,726	-1,009	-195	-3,740

The segments developed as follows in 2002:

	Americas	Germany	Rest of Europe	Other	Total
Revenues before consolidation	33,227	89,958	46,032	1,984	171,201
Internal revenues	-2,305	-5,296	-3,501	-611	-11,713
Revenues	30,922	84,662	42,531	1,373	159,488
Cost of revenues	-22,112	-63,071	-31,545	-1,335	-118,063
Gross profit	8,810	21,591	10,986	38	41,425
Marketing and selling expenses	-2,669	-7,160	-3,803	-175	-13,807
General and administrative expenses	-5,193	-14,112	-7,192	-424	-26,921
Research and development expenses	0	-1,059	0	0	-1,059
Impairment of goodwill	0	-8	-550	0	-558
Other operating income/expenses, net	-1,732	191	704	212	-625
Operating loss	-784	-557	145	-349	-1,545

The operating income/loss of the segments includes all costs of revenues, marketing and selling, general and administrative, research and development, amortization and other operating income and expenses. The chief operating decision makers regard taxes and the financial result on a global basis. Thus, the chief operating decision-makers evaluate the segments' performance before these figures. Therefore the segments are presented without taxes and financial result. There is no presentation of assets for each segment, since they are of minor importance for the itelligence Group as a consulting company and are not regarded by the chief operating decision makers in their operational decision-making.

The segment "Other" contains all activities not belonging to the core business of the itelligence Group.

In fiscal year 2003, revenues of over 10 percent were not generated with any individual customers.

The following information relates to the operating segments:

Revenues net of discontinued operations relate to the SAP segment (consulting, implementation, maintenance and license sales) (MEUR 115.1; 2002: MEUR 130.4) and to Outsourcing & Services (MEUR 29.2; 2002: MEUR 26.5). MEUR 2.6 was invested in the O&S segment (2002: MEUR 1.8), the SAP segment does not require significant investment.

26. Restructuring

In response to the ongoing weakness of the IT market and the pressure from external lenders, the Company developed a restructuring strategy in 2003 and implemented most elements of the strategy during the fiscal year. The strategy comprised structural and operational measures in the itelligence Group. Ex-

ternal consultants assisted and supported the development and implementation of the strategies. The external support resulted in an expense of KEUR 3,087. A net amount of KEUR 539 of this expense is still included in liabilities at year-end. The restructuring also resulted in further expenses of KEUR 2,126 due to redundancies. KEUR 591 of this amount is still contained in accruals as of the balance sheet date. In addition, costs of KEUR 205 were incurred for rental premises that are no longer required and are included in the accruals as of the balance sheet date.

The following table shows how restructuring expenses in 2003 have been accounted for in the consolidated financial statements:

KEUR	Included in ...		Included in ...	
	Cost of revenues	Administrative expenses	Total	Liabilities/accruals as of the balance sheet date
Severance payments to employees	1,426	700	2,126	591
Unused rental premises	0	205	205	205
Total restructuring expenses	1,426	905	2,331	796
Cost of external consultants	0	3,087	3,087	539
Total	1,426	3,992	5,418	1,335

The restructuring expenses of KEUR 2,331 relate to the following regions: Germany (KEUR 1,667), rest of Europe (KEUR 566) and the Americas (KEUR 98). No other major restructuring measures are planned for 2004.

27. Main differences between German and US accounting

Preliminary Remark

As a German parent company itelligence AG is required to prepare consolidated financial statements according to the accounting provisions of the German Commercial Code (HGB).

In accordance with Sec. 292a HGB, a company is exempted from this requirement if consolidated financial statements are prepared and published according to internationally accepted accounting principles (US GAAP or IFRS). To claim exemption the main differences between the accounting methods applied and the German regulations must be described.

Basic Differences

The objective of accounting under US GAAP differs fundamentally from that of the German Commercial Code. While the primary aim of US GAAP is to provide investors with useful information for the purposes of decision-making, HGB accounting places greater emphasis on protecting the rights of creditors and on the prudence concept. As a result, US GAAP attaches greater importance to comparability – both over time and between companies – and to the determination of the actual performance of the company on the basis of financial data.

Deferred Taxes

Under German commercial law, the recognition of deferred tax assets on loss carryforwards was prohibited until December 31, 2002. Under US GAAP, on the other hand, deferred tax assets must be recognized on loss carryforwards to the extent that it is more likely than not that they will be realized. If realization is improbable, appropriate allowances should be made.

Goodwill and Intangible Assets

Goodwill acquired for a consideration and intangible assets must undergo both scheduled and extraordinary amortization in accordance with the German Commercial Code. As already explained in detail in Note 4, SFAS 142 forbids the scheduled amortization of goodwill and intangible assets with an indefinite useful life on acquisitions initiated after June 30, 2001.

Investments and Securities

Marketable investments and securities are valued according to German accounting regulations at cost or the lower fair value on the balance sheet date. Unrealized losses are included in earnings. Under US GAAP, investments and securities are split into the following categories:

- Held-to-maturity securities
- Trading securities
- Available-for-sale securities

The investments and securities held by the Company are classified as available-for-sale securities and therefore valued under US GAAP at fair value on the balance sheet date. Unrealized gains and losses are reported in other comprehensive income.

Revenue Recognition

The Company's revenues mainly result from the consulting business. Under the German Commercial Code, revenues from the consulting business are realized when the project is finalized. Under US GAAP, revenues are recognized according to the percentage of completion method taking any risks into account.

Under the German Commercial Code, the realization of revenues from software licenses depends on the terms of payment. By contrast, according to SOP No. 97-2, "Software Revenue Recognition", longer terms of payment are seen as an indication that the license fee has not been fixed and therefore revenues may not be realized until payment is due.

itelligence generally concludes license agreements and software maintenance agreements with its customers. The maintenance fee is usually calculated as a standard percentage of the license revenues. If a charge-free service period was agreed, an accrual has to be set up under the German Commercial Code equal to the anticipated costs. By contrast, under SOP 97-2, the maintenance fee agreement, which is under the standard percentage rate, and the provision of charge-free services are deemed a discount on the license price of the software. The software revenues must therefore be reduced by the fair value of the charge-free services and/or the difference between the standard percentage rate and the revenues from software maintenance must be accordingly increased during the period in which the services are rendered.

28. Other disclosures

Revenues by product division (Sec. 314 (3) HGB)

Revenues by product division break down as follows:

	2003 KEUR	2002 KEUR
Consulting revenues	99,485	115,141
Licenses	15,606	15,305
Outsourcing & Services	29,223	26,474
Other	1,277	2,568
Total	145,591	159,488

Cost of materials

Using the cost-summary method, the cost of materials totaled KEUR 24,349 in fiscal year 2003 (prior year: KEUR 31,137).

Personnel expenses and number of employees

Using the cost-summary method, personnel expenses totaled KEUR 96,051 in fiscal year 2003 (prior year: KEUR 107,149).

In fiscal year 2003, the Company employed an average of 1,232 (prior year: 1,460) employees (salaried employees). There were 1,068 employees (salaried employees) on December 31, 2003.

Declaration of compliance with the code of Corporate Governance pursuant to Sec. 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board have submitted the declaration required under Sec. 161 AktG stating that the recommendations of the "Government Commission on the German Code of Corporate Governance" issued by the Federal Ministry of Finance in the official section of the electronic form of the Federal Gazette have been implemented as well as what recommendations have not yet been implemented, and have published the declaration on the homepage of itelligence AG on the internet.

Management Board and Supervisory Board
Management Board

Herbert Vogel

CEO

Organizational unit: Germany, Austria, Switzerland

Outsourcing & Services,

Investor Relations, Marketing

Jörg Vandreier (since June 16, 2003)

CFO

Finance and Controlling

Burkhard Berner (until April 30, 2003)

Prof. Dr. Hermann Hueber (until May 23, 2003)

The remuneration paid to the members of the Management Board in 2003 amounted to KEUR 868 (prior year: KEUR 1,035). It is broken down into fixed and variable salary components of KEUR 812 and KEUR 56, respectively. The variable salary component of KEUR 100 accrued in the prior year was not paid out in the fiscal year and was released to income. There are pension obligations to former board members of KEUR 220.

Compensation for fiscal year 2003 amounted to:

Chief Executive Officer	KEUR 322
Chief Financial Officer	KEUR 143
Chief Financial Officer (retired 2003)	KEUR 145
Chief International Officer (retired 2003)	KEUR 258

Supervisory Board

Prof. Dr.-Ing. Peter-Jürgen Kreher (since May 23, 2003)

Chairman

Other functions:

Member of the supervisory board of DST Werkzeugmaschinen GmbH

Deputy chairman of Dürkopp Adler AG

Chairman of the advisory board of Albrecht Ziegler GmbH & Co. KG

Chairman of the advisory board of the Trost Vertriebs- und Verwaltungs GmbH

Johannes Cordes

Deputy chairman and employee representative

Hans-Holger Lamb

Deputy chairman until May 23, 2003

Dr. Lutz Mellinger (since May 23, 2003)

Member of the supervisory board of AGIV Real Estate AG

Member of the supervisory board of Falk AG

Chairman of the supervisory board of Heller & Partner AG

Member of the advisory board of Deutsche Clubholding GmbH

Member of the advisory board of GLL Real Estate Partners GmbH

Member of the advisory board of IVG GmbH

Anke Ruff

Employee representative

Wolfgang Schmidt

Dr. Markus Wenserski (until May 23, 2003)

Chairman

Lawyer, tax advisor, partner

Haarmann, Hemmelrath & Partner

Dr. Andreas Leimbach (until May 23, 2003)

Member of the regional management team, north

Dresdner Bank AG

Member of the advisory board

Peppermint Holding GmbH, Berlin

Member of the exchange council of the Hamburg Stock Exchange

Compensation for the members of the Supervisory Board in the fiscal year amounted to KEUR 66 (prior year: KEUR 55). The Supervisory Board received remuneration of KEUR 56 in 2003 for consultancy work (prior year: KEUR 40).

Compensation for fiscal year 2003 amounted to:

Chairman	KEUR 20
Deputy Chairman	KEUR 15
Remaining members	KEUR 31

The remuneration for consulting services was paid to the Chairman of the Supervisory Board.

Bielefeld, March 9, 2004

The Management Board

Consolidated Statement of Fixed Assets for Fiscal Year 2003

Acquisition and production cost					
	Balance carried forward Jan. 1, 2003 KEUR	Currency translation Jan. 1, 2003 KEUR	Additions KEUR	Disposals KEUR	Balance Dec. 31, 2003 KEUR
Intangible Assets					
Computer software	1,893	-36	761	-344	2,274
Goodwill	22,089	-1,700	349	0	20,738
	23,982	-1,736	1,110	-344	23,012
Property, Plant and Equipment					
Land and Buildings	4,498	-388	0	0	4,110
Leasehold improvements	496	-9	86	0	573
Computer hardware	8,759	-367	2,347	-200	10,539
Fixtures and fittings	7,484	-274	309	-1,700	5,819
Vehicle fleet	48	0	19	-55	12
	21,285	-1,038	2,761	-1,955	21,053
Financial Assets					
Shares in associated companies	37	0	0	0	37
Investments	10	0	11	0	21
Securities	4,196	0	0	0	4,196
	4,243	0	11	0	4,254
Total	49,510	-2,774	3,882	-2,299	48,319

Accumulated depreciation					Net carrying amounts		
Balance carried forward Jan. 1, 2003 KEUR	Currency translation Jan. 1, 2003 KEUR	Additions KEUR	Disposals KEUR	Balance Dec. 31, 2003 KEUR	Dec. 31, 2003 KEUR	Dec. 31, 2002 KEUR	
1,350	-57	311	-297	1,307	967	543	
6,624	-220	1,467	0	7,871	12,867	15,465	
7,974	-277	1,778	-297	9,178	13,834	16,008	
509	-25	196	0	680	3,430	3,989	
60	2	54	0	116	457	436	
5,588	-193	1,695	-200	6,890	3,649	3,171	
5,143	-139	923	-1,700	4,227	1,592	2,341	
21	0	5	-47	-21	33	27	
11,321	-355	2,873	-1,947	11,892	9,161	9,964	
0	0	0	0	0	37	37	
0	0	0	0	0	21	10	
3,608	0	40	0	3,648	548	588	
3,608	0	40	0	3,648	606	635	
22,903	-632	4,691	-2,244	24,718	23,601	26,607	

Report of Independent Auditors

We have audited the consolidated financial statements prepared by itelligence AG, Frankfurt am Main, consisting of the balance sheet, statement of operations, statement of changes in shareholders' equity, statement of cash flow and the notes for the fiscal year from January 1 to December 31, 2003. The preparation and content of the consolidated financial statements are the responsibility of the Company's Management Board. Our responsibility is to assess whether the consolidated financial statements comply with the US generally accepted accounting principles (US GAAP) based on our audit.

We conducted our audit of the consolidated financial statements pursuant to German auditing regulations and in compliance with the generally accepted auditing principles set down by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with US GAAP.

Our audit, which included the group management report prepared by the Management Board for the fiscal year from January 1 to December 31, 2003, gave no cause for qualification. The Company has made use of the option to combine the Company's management report with the group management report. In our opinion, the group management report and the other disclosures in the consolidated financial statements accurately present the situation of the Group and the risks to its future development. We also confirm that the consolidated financial statements and the group management report for the fiscal year from January 1 to December 31, 2003 comply with the requirements exempting the Company from the preparation of consolidated financial statements and a group management report in accordance with German law.

Eschborn/Frankfurt a.M., March 9, 2004
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Klein	Koch
Wirtschaftsprüfer	Wirtschaftsprüfer

Balance Sheet as of December 31, 2003 and 2002 (HGB)

Assets	EUR	Dec. 31, 2003 EUR	Dec. 31, 2002 KEUR
A. Fixed Assets			
I. Intangible assets			
Software and industrial rights	253,548.75		341
		253,548.75	341
II. Property, plant and equipment			
1. Leasehold improvements	246,032.00		303
2. Furniture and fixtures	1,279,283.17		1,747
		1,525,315.17	2,050
III. Financial assets			
1. Shares in affiliated companies	15,480,491.83		19,147
2. Investments	35,790.43		36
		15,516,282.26	19,183
		17,295,146.18	21,574
B. CURRENT ASSETS			
I. Inventories			
1. Work in process	4,514,454.15		3,041
2. Merchandise	332,808.68		1,736
		4,847,262.83	4,777
II. Accounts receivable and other assets			
1. Trade accounts receivable	7,409,446.48		13,375
– thereof due in more than one year:			
EUR 0.00 (prior year: KEUR 0)			
2. Accounts receivable from affiliated companies	15,192,763.92		11,910
– thereof due in more than one year:			
EUR 10,102,078.06 (prior year: KEUR 5,547)			
3. Accounts receivable from companies in which investments are held	0.00		4
– thereof due in more than one year:			
EUR 0.00 (prior year: KEUR 0)			
4. Other assets	1,877,466.37		1,746
– thereof due in more than one year:			
EUR 1,376,130.32 (prior year: KEUR 350)			
		24,479,676.77	27,035
III. Cash on hand, bank balances and checks		4,453,901.73	2,717
		33,780,841.33	34,529
C. Prepaid Expenses			
		6,847.00	114
		51,082,834.51	56,217

Equity and liabilities		Dec. 31, 2003	Dec. 31, 2002
	EUR	EUR	KEUR
A. Equity			
I. Subscribed capital *		18,448,321.00	16,771
II. Capital reserve		13,252,958.83	12,381
III. Accumulated deficit		-18,011,477.66	-7,947
		13,689,802.17	21,205
B. Accruals			
1. Accruals for pensions and similar obligations	554,080.00		510
2. Other accruals	6,392,644.81		4,328
		6,946,724.81	4,838
C. Liabilities			
1. Loans	509,401.00		557
– thereof due within one year:			
EUR 509,401.00 (prior year: KEUR 557)			
– thereof convertible: EUR 509,401.00 (prior year: KEUR 557)			
2. Liabilities due to banks	6,009,124.06		9,642
– thereof due within one year:			
EUR 5,349,592.17 (prior year: KEUR 8,696)			
3. Advance payments received on account of orders	5,149,764.58		2,847
– thereof due within one year:			
EUR 5,149,764.58 (prior year: KEUR 2,847)			
4. Trade accounts payable	4,359,004.78		3,451
– thereof due within one year:			
EUR 4,359,004.78 (prior year: KEUR 3,451)			
5. Liabilities due to affiliated companies	4,132,353.85		3,861
– thereof due within one year:			
EUR 4,132,353.85 (prior year: KEUR 1,848)			
6. Liabilities due to companies in which investments are held	52,656.66		44
– thereof due within one year:			
EUR 52,656.66 (prior year: KEUR 44)			
7. Other liabilities	10,181,518.38		9,671
– thereof due within one year:			
EUR 5,752,891.67 (prior year: KEUR 5,340)			
– thereof for taxes: EUR 1,292,034.23 (prior year: KEUR 2,170)			
– thereof for social security:			
EUR 783,533.60 (prior year: KEUR 1,060)			
		30,393,823.31	30,073
D. Deferred incom			
		52,484.22	101
		51,082,834.51	56,217

* Conditional capital: EUR 2,237,844 (prior year: KEUR 2,238)

Statement of Income for Fiscal Year 2003 and 2002 (HGB)

	EUR	Jan. 1 to Dec. 31, 2003 EUR	Jan. 1 to Dec. 31, 2002 KEUR
1. Sales	63,858,428.52		78,569
2. Increase/decrease in work in process	1,473,568.88		-85
3. Other operating income	2,609,861.93		2,536
		67,941,859.33	81,020
4. Cost of materials			
a) Cost of purchased merchandise	-3,985,155.01		-4,904
b) Cost of purchased services	-9,742,238.67		-13,753
5. Personnel expenses			
a) Wages and salaries	-35,676,056.62		-40,210
b) Social security and other pension costs thereof for old-age pensions: EUR 43,733.42 (prior year: KEUR 39)	-5,493,071.16		-5,860
6. Amortization/depreciation			
a) on intangible assets and property, plant and equipment	-857,618.17		-1,740
b) on current assets in excess of depreciation which is normal for the Company	-8,922,195.20		-3,591
7. Other operating expenses	-17,931,879.33		-16,429
		-82,608,214.16	-86,487
8. Income from investments thereof from affiliated companies: EUR 340,149.42 (prior year: KEUR 75)	348,191.51		80
9. Income from profit transfer agreements	436,808.92		594
10. Other interest and similar income thereof from affiliated companies: EUR 1,155,585.79 (prior year: KEUR 1,034)	1,265,396.31		1,400
11. Amortization of financial assets	-3,551,046.01		-780
12. Expenses from loss absorption	-3,012,272.12		-2,184
13. Interest and similar expenses thereof to affiliated companies: EUR -109,784.11 (prior year: KEUR -185)	-1,147,552.58		-1,494
		-5,660,473.97	-2,384
14. Result from ordinary activities		-20,326,828.80	-7,851
15. Extraordinary income		10,295,000.00	0
16. Income taxes	-45,679.37		-80
17. Other taxes	12,682.28		-16
		-32,997.09	-96
18. Net loss for the year		-10,064,825.89	-7,947
19. Loss carryforward		-7,946,651.77	0
20. Accumulated deficit		-18,011,477.66	-7,947

Notes to the Financial Statements

I. General information

1. Basis, Application of the Provisions of the German Commercial Code

These financial statements have been prepared pursuant to Secs. 242 et seq. and Secs. 264 et seq. of the German Commercial Code (HGB) and in accordance with the relevant provisions of the German Stock Corporation Act (AktG). itelligence AG is a large corporation as defined by Sec. 267 (3) HGB.

The statement of operations has been prepared in accordance with the cost-summary method.

In order to improve the clarity of the financial statements, we have summarized the individual balance sheet and the statement of operations items and have disclosed and commented on them separately in these notes to the financial statements. For this same reason, we have indicated in the notes whether individual items are also related to other items on the balance sheet.

2. Legal Background and Merger

The Company's fiscal year is the calendar year. The financial statements have been prepared in euros.

itelligence AG was founded by an agreement dated May 16, 2000 and entered in the commercial register of the Frankfurt am Main local court under HRB 49841 on July 6, 2000. It was founded as a holding company with the aim of merging SVC AG Schmidt Vogel Consulting and APCON AG. The merger of the companies was completed during the course of fiscal year 2001 and itelligence AG lost its holding function by merging with the operationally active companies. Since the merger, itelligence AG has remained active as an operating company.

itelligence AG has several branches and subsidiaries in Germany. The Company also has subsidiaries in the United States, Switzerland, Austria, Brazil, Italy, Spain, the United Kingdom, Norway, the Czech Republic, Slovakia, the Netherlands, Belgium, France, Poland, Slovenia, Hungary and the Ukraine.

II. Accounting and valuation policies

The accounting and valuation methods correspond to those of the prior year. The amounts stated in the balance sheet as of December 31, 2002 have been carried over unchanged as the opening balances.

In relation to the continuity of disclosure, it is to be noted that depreciation on fixed assets was disclosed separately in the statement of operations in the fiscal year. The prior-year figure was disclosed in the same manner. In the prior year, depreciation on current assets was disclosed under other operating expenses. Intangible assets and property, plant and equipment were stated at acquisition cost. Scheduled depreciation was charged according to the straight-line method on the basis of the expected useful lives of the assets and in accordance with tax provisions. Low-value items were expensed in full in the year of acquisition.

Shares in affiliated companies were stated at the lower of cost or market. As in the prior year, write-downs were performed in fiscal year 2003 to account for permanent impairments.

Inventories (merchandise) are valued at acquisition cost with due regard to the lower of cost or market principle.

Work in process was valued on the basis of hours worked at direct costs plus overheads eligible for capitalization taking the lower of cost or market principle into consideration.

Accounts receivable and other assets were recorded at nominal value. Recognizable specific risks are accounted for by valuation allowances. The general credit risk is covered by a general bad debt allowance for accounts receivable.

Cash on hand and balances at banks are recorded at nominal value. Prepaid expenses are determined on an accrual basis.

Accruals for pensions are carried at the value determined in accordance with the provisions of Sec. 6a of the German Income Tax Act (EStG).

Tax accruals and other accruals were set up in the amount that is likely to be utilized and take all further recognizable risks and contingent liabilities into account.

Liabilities are stated at the amount repayable. For liabilities in foreign currency, if the rate on the balance sheet date was higher than the rate on the transaction date, the liability was valued at the higher rate on the balance sheet date.

III. Notes to the Balance Sheet and Statement of Operations

Fixed Assets

The classification and development of fixed assets pursuant to Sec. 268 (2) HGB in fiscal year 2003 can be seen in the attached analysis of fixed assets. Scheduled amortization/depreciation was charged using the straight-line method according to the expected useful lives of the assets.

The normal useful lives used here are:

Software and industrial rights	3 years
IT hardware	3 years
Leasehold improvements	5 to 10 years
Furniture and fixtures	8 to 10 years

Financial Assets/Investment Holdings

Financial assets comprise:

	Share in %	Equity KEUR	Net income/ loss before profit transfer KEUR
Affiliated companies:			
APCON Nielsen Consulting GmbH, Hamburg	100	305	-42
APCON International Business Systems Gesellschaft für DV-Beratung mbH, Hamburg	100	832	437*
APCON Business Consulting Gesellschaft für Managementberatung mbH, Hamburg	100	105	-176*
ASECON GmbH, Bielefeld	100	-198	-18
itelligence AG, Urdorf, Switzerland	100	1,615	902
itelligence AS, Oslo, Norway	100	-773	-118
itelligence Business Software Inc., Westchester, USA	100	2,902	301
itelligence Business Solutions GmbH, Vienna, Austria	100	-793	-420
itelligence Business Solutions Ltd., London, England	100	-2,508	-1,172
itelligence Business Solutions s.p.r.l., Brussels, Belgium	100	327	92
itelligence BV, Eindhoven, Netherlands	100	236	-5
itelligence d.o.o., Ljubljana, Slovenia	100	485	43
itelligence Erste Beteiligungs GmbH, Frankfurt	100	105	1
itelligence Hungary Kft., Budapest, Hungary	100	693	323
itelligence Inc., Cincinnati, USA	100	10,369	1,803
itelligence Innovative Solutions Inc., Dallas, USA	100	1,448	-387
itelligence Int'l, Kiev, Ukraine	100	401	94
itelligence Outsourcing Inc., USA	100	-278	17
itelligence Outsourcing und Services GmbH, Bautzen	100	1,226	623
itelligence S.A., Paris, France	100	-1,091	-287
itelligence S.A., Sao Paulo, Brazil	100	-883	-570

	Share in %	Equity KEUR	Net income/ loss before profit transfer KEUR
Affiliated companies:			
itelligence Italia S.r.l., Milan, Italy	90	-771	-871
itelligence s.r.o., Bratislava, Slovakia	100	670	37
itelligence s.r.o., Prague, Czech Republic	100	-300	-125
itelligence SP.Z.o.o., Warsaw, Poland	100	1,022	93
ENERCOM SP.Z.o.o., Warsaw, Poland	81	27	16
itelligence VC-Holding GmbH, Frankfurt	100	-4,593	-363
Servicios informaticos itelligence S.A., Barcelona, Spain	100	-875	-1,138
it-go GmbH, Hamburg	85	106	-148
ITC Information Technology Consulting GmbH, Detmold	56	716	28
HONICO SYSTEMS GmbH, Hamburg	51	917	849

* Net income/loss before profit transfer/loss absorption

	Share in %	Equity KEUR	Net income/ loss KEUR
Investments			
Dr. Lindner & Partner GmbH, Oerlinghausen	50	60	-2
BfL GmbH & Co. KG, Eschborn	Less than 1%	10,841	2,401

APCON Media GmbH was liquidated in fiscal year 2003.

On July 22, 2003, the Company and ASECON GmbH jointly founded itelligence Italia S.r.l. The Company holds 90% of the shares.

On July 24, 2003, the Company sold its 100% shareholding in itelligence S.r.l. in Italy.

On September 22, 2003, the Company sold its 24% shareholding in it-WPS Workplace Solutions Gesellschaft für DV-Beratung mbH.

On November 25, 2003, the Company sold its 52% shareholding in itelligence Financial Solutions GmbH.

Due to permanent impairments, the carrying values of the following investments were written down:

Honico Systems GmbH, Hamburg, Germany	41 KEUR
itelligence AS, Oslo, Norway	271 KEUR
itelligence Business Solutions GmbH, Vienna, Austria	799 KEUR
itelligence Business Solutions Ltd., London, UK	71 KEUR
itelligence Italia S.r.l., Milan, Italy	90 KEUR
APCON Business Consulting Gesellschaft für Managementberatung mbH, Hamburg, Germany	102 KEUR
itelligence S.A., Paris, France	54 KEUR
itelligence S.A., Sao Paulo, Brazil	492 KEUR
Servicios informaticos itelligence S.A., Barcelona, Spain	1,735 KEUR

Accounts Receivable and Other Assets

Accounts receivable from affiliated companies include trade accounts receivable of KEUR 1,225 (prior year: KEUR 2,773) and accounts receivable of KEUR 3,376 (prior year: KEUR 2,997) from a joint cash pooling arrangement. Other assets contain accounts receivable from the tax office of KEUR 188 (prior year: KEUR 400).

Capital Stock

On December 8, 2003, the Management Board, with the approval of the Supervisory Board on the same date, resolved to increase the Company's capital stock, partially making use of the authorization in Article 5 (5) of the articles of incorporation, by EUR 1,677,119.00 from EUR 16,771,202.00 to EUR 18,448,321.00 by issuing 1,677,119 new no-par value bearer shares each with a notional share in capital stock of EUR 1.00 in return for a cash contribution.

Capital stock as of January 1, 2003	16,771,202 EUR
Capital increase as of December 8, 2003	1,677,119 EUR
Capital stock as of December 31, 2003	18,448,321 EUR

Since the capital increase, the Company's capital stock has amounted to EUR 18,448,321. The remaining authorized capital amounts to EUR 3,839,214.00. The capital increase was entered in the commercial register on December 29, 2003.

Capital Reserve

The Company received a premium of EUR 0.52 per share as part of the capital increase. As a result, the capital reserve increased as follows:

Capital reserve as of January 1, 2003	12,380,856.95 EUR
Premium capital increase as of December 8, 2003	872,101.88 EUR
Capital increase as of December 31, 2003	13,252,958.83 EUR

Accruals for Pensions

There are defined benefit obligations for members of the Management Board. Accruals have been recognized for these obligations. The accrual stated as of the balance sheet date is equal to the carrying values of the obligations for tax purposes (Sec. 6a EStG) as calculated by an independent actuary using an interest rate of 6 percent p.a. and the 1998 mortality tables published by Heubeck Richttafeln GmbH, Cologne.

Other Accruals

Other accruals chiefly contain accruals for personnel of KEUR 4,175 (prior year: KEUR 2,580), outstanding invoices of KEUR 309 (prior year: KEUR 537) and warranties of KEUR 351 (prior year: KEUR 457).

Liabilities

As of the balance sheet date, the Company had the following liabilities:

	Total amount as of Dec. 31, 2003 KEUR	up to one year KEUR	Thereof due in one to five years KEUR	more than five years KEUR	Amount thereof secured KEUR
Loans	509	509	0	0	0
Liabilities due to banks	6,009	5,349	660	0	6,009 ^A
Payments received on account of orders	5,150	5,150	0	0	0
Trade payables	4,359	4,359	0	0	1,225 ^B
Liabilities due to affiliated companies	4,132	4,132	0	0	0
Liabilities due to companies in which investments are held	53	53	0	0	0
Other liabilities	10,182	5,752	4,430	0	5,906 ^B
Total	30,394	25,304	5,090	0	13,140

A) Liabilities due to banks are secured as follows:

- Blanket assignment of all trade accounts receivable of itelligence AG
- Blanket assignment of all trade accounts receivable of itelligence AG, itelligence Outsourcing und Services GmbH, Bautzen
- Pledging of shares in itelligence Inc., Cincinnati, USA
- Negative declaration in relation to the assignment of shares in itelligence Outsourcing und Services GmbH, Bautzen
- Assignment as collateral of three IT systems
- Assignment as security of inventories stored in the administrative buildings in Bielefeld
- Pledging of a block of shares held by itelligence VC-Holding GmbH, Frankfurt am Main
- Pledging of time deposits

B) Pledging of all shares in itelligence AG, Urdorf, Switzerland, and all the shares in APCON International Business Systems Gesellschaft für DV-Beratung mbH, Hamburg

itelligence AG issued a convertible bond for a total par value of EUR 363,545 on March 23, 2001. The term of the convertible bond runs until March 23, 2006 and it bears six percent interest p.a. The bonds with a par value of EUR 1 entitle the bearer to make an additional payment of EUR 12.29 to convert each into one no-par value share in itelligence AG. The conversion right may be exercised for the first time on March 23, 2003 and for the last time on March 23, 2006.

Convertible bonds totaling EUR 244,516 were still on hand as of December 31, 2003. The reduction is a result of repayments to employees who have left. itelligence AG issued a warrant-linked bond for a total par value of EUR 6,096 on March 23, 2001. The term of the warrant-linked bond runs until May 23, 2006 and it bears six percent interest p.a. Each bond of a par value of EUR 1 includes ten bearer warrants (EUR 60,960) entitling the bearer to acquire one share in itelligence AG for a price of EUR 13.29. The warrant may be exercised for the first time on March 23, 2003 and for the last time on March 23, 2006. The following convertible and warrant-linked bonds of SVC AG were transferred to itelligence AG in the course of the merger:

SVC AG issued a convertible bond for a total par value of EUR 428,594 on May 3, 1999. The term of the convertible bond runs until May 4, 2004 and it bears four percent interest p.a. The bonds with a par value of EUR 1 entitle the bearers to make an additional payment of EUR 19.70 to convert each into one no-par value share in SVC AG. The conversion right may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

A second convertible bond with a par value of EUR 102,599 and a term from June 23, 1999 to May 4, 2004 was issued on June 23, 1999 at four percent interest p.a. If converted into shares, the conversion price is 115 percent of the average (arithmetic mean) closing price of the last five days of trading at the Frankfurt Stock Exchange prior to the decision to issue the bonds, i.e. the last five trading days before June 23, 1999.

A third convertible bond with a total par value of EUR 963 and a term from November 3, 1999 to November 3, 2004 was issued on November 3, 1999 and bears 4 percent interest p.a. If converted into shares, the conversion price is 115 percent of the average (arithmetic mean) closing price of the last five days of trading at the Frankfurt Stock Exchange prior to the decision to issue the bonds, i.e. the last five trading days before November 3, 1999.

Of these tranches, convertible bonds of EUR 198,038 were still on hand as of December 31, 2003. The reduction is a result of repayments to employees who have left.

SVC AG issued a warrant-linked bond for a total par value of EUR 5,887 on May 3, 1999. The term of the warrant-linked bond runs until May 4, 2004 and it bears four percent interest p.a. Each bond of a par value of EUR 1 includes ten bearer warrants entitling the bearer to acquire one share in SVC AG for a price of EUR 20.70. The warrant may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

Sales

Sales broken down by divisions are as follows:

	Jan. 1 to Dec. 31, 2003	Jan. 1 to Dec. 12, 2002
	KEUR	KEUR
Consulting	48,758	63,101
Licenses	6,391	7,368
Outsourcing & Services	7,867	6,377
Other	1,706	2,352
Sales deductions	-864	-629
	63,858	78,569

KEUR 861 (prior year: KEUR 1,407) of sales was generated abroad.

Extraordinary Income

Extraordinary income of KEUR 10,295 results from the sale of the "Service" business on December 31, 2003 to the wholly owned subsidiary APCON Nielsen GmbH, Hamburg.

Income/Expenses Relating to Other Periods

Income relating to other periods mainly relates to income of KEUR 172 from the disposal of assets, income of KEUR 110 from the reversal of accruals and income from the reversal of valuation allowances. By contrast, expenses relating to other periods mainly result from expenses of KEUR 111 from the disposal of assets and from the allocation of KEUR 280 to other accruals relating to other periods.

IV. Other Mandatory Disclosures

Declaration of Compliance With the German Corporate Governance Code Pursuant to Sec. 161 AktG

The Management Board and Supervisory Board have submitted the declaration required by Sec. 161 AktG stating that the recommendations of the "German Corporate Governance Code" issued by the Federal Ministry of Finance in the official section of the electronic version of the Federal Gazette have been implemented as well as what recommendations have not yet been implemented.

Contingent Liabilities and Other Financial Obligations

There are contingencies from guarantees of KEUR 4,269 (prior year: KEUR 4,578), of which KEUR 1,923 (prior year: KEUR 2,600) are for affiliated companies. In addition, the fully written off loans to itelligence Business Solutions GmbH, Austria, Servicios informaticos itelligence S.A., Spain, itelligence S.A., Brazil, Asecon GmbH, Bielefeld, itelligence AS, Norway, itelligence Business Solutions Ltd., UK, itelligence S.A., France, and itelligence VC-Holding GmbH will have subordinate status in the event of insolvency.

Rental and leasing obligations from fixed-term and indefinite agreements are spread over the following years as follows:

	KEUR
Payable in 2004	3,978
Payable in 2005	2,473
Payable in 2006	1,539
Payable in 2007	1,105
Payable in 2008	1,104
Thereafter	8,161

Other financial obligations primarily contain the annual costs for the office buildings in Bielefeld of KEUR 724 and annual leasing obligations for company vehicles of KEUR 2,105.

In a letter of comfort issued to the Bank Ameryka_ski w Polsce S.A., Warsaw, Poland, on December 3, 2003, the Company undertook to always furnish itelligence Sp. z.o.o., Warsaw, Poland, with funds so that it is able to satisfy liabilities due to banks at all times.

The Company has not undertaken to equalize the losses of any other subsidiary in the event of insolvency.

Annual Average Number of Employees

An average of 555 salaried staff (prior year: 685) were employed in fiscal year 2003. As of December 31, 2003, the Company employed 490 persons.

Appropriation of Loss

The net loss for the year of KEUR 10,065 combined with the loss carryforward of KEUR 7,947 results in an accumulated deficit of KEUR 18,011. It is proposed to carry the accumulated deficit forward to new account.

Management Board and Supervisory Board

Management Board

Herbert Vogel

CEO

Organizational unit: Germany, Austria, Switzerland
Outsourcing & Services,
Investor Relations, Marketing

Jörg Vandreier (since June 16, 2003)

CFO

Finance and Controlling

Burkhard Berner (until April 30, 2003)

Prof. Dr. Hermann Hueber (until May 23, 2003)

The remuneration paid to the members of the Management Board in 2003 amounted to KEUR 868 (prior year: KEUR 1,035). It is broken down into fixed and variable salary components of KEUR 812 and KEUR 56, respectively. The variable salary component of KEUR 100 accrued in the prior year was not paid out in the fiscal year and was released to income. There are pension obligations to former board members of KEUR 220.

Compensation for fiscal year 2003 amounted to:

Chief Executive Officer	KEUR 322
Chief Financial Officer	KEUR 143
Chief Financial Officer (retired 2003)	KEUR 145
Chief International Officer (retired 2003)	KEUR 258

Supervisory Board

Prof. Dr.-Ing. Peter-Jürgen Kreher (since May 23, 2003)

Chairman

Member of the supervisory board of

DST Werkzeugmaschinen GmbH

Deputy chairman

of Dürkopp Adler AG

Chairman of the advisory board of

Albrecht Ziegler GmbH & Co. KG

Chairman of the advisory board of the

Trost Vertriebs- und Verwaltungs GmbH

Johannes Cordes

Deputy chairman and employee representative

Hans-Holger Lamb

Deputy chairman until May 23, 2003

Dr. Lutz Mellinger (since May 23, 2003)

Member of the supervisory board
of AGIV Real Estate AG

Member of the supervisory board
of Falk AG

Chairman of the supervisory board
of Heller & Partner AG

Member of the advisory board
of Deutsche Clubholding GmbH

Member of the advisory board of
GLL Real Estate Partners GmbH

Member of the advisory board
of IVG GmbH

Anke Ruff

Employee representative

Wolfgang Schmidt

Dr. Markus Wenserski (until May 23, 2003)

Chairman

Lawyer, tax advisor, partner

Haarmann, Hemmelrath & Partner

Dr. Andreas Leimbach (until May 23, 2003)

Member of the regional

management team, north

Dresdner Bank AG

Member of the advisory board

Peppermint Holding GmbH, Berlin

Member of the exchange council
of the Hamburg Stock Exchange

Compensation for the members of the Supervisory Board in the fiscal year amounted to KEUR 66 (prior year: KEUR 55). The Supervisory Board received remuneration of KEUR 56 in 2003 for consultancy work (prior year: KEUR 40).

Compensation for fiscal year 2003 amounted to:

Chairman	KEUR 20
Deputy Chairman	KEUR 15
Remaining members	KEUR 31

The remuneration for consulting services was paid to the Chairman of the Supervisory Board.

Bielefeld, March 9, 2004

The Management Board

Statement of Fixed Assets for Fiscal Year 2003

Acquisition and production cost				
	Jan. 1, 2003 KEUR	Additions KEUR	Disposals KEUR	Dec. 31, 2003 KEUR
I. Intangible assets				
Software and industrial rights	1,337	79	302	1,114
	1,337	79	302	1,114
II. Property, plant and equipment				
1. Leasehold improvements	516	0	0	516
2. Furniture and Fixtures	7,345	199	1,757	5,787
	7,861	199	1,757	6,303
III. Financial assets				
1. Shares in affiliated companies	19,927	90	206	19,811
2. Investments	36	0	0	36
	19,963	90	206	19,847
	29,161	368	2,265	27,264

Accumulated amortization/depreciation				Net carrying amounts	
Jan. 1, 2003 KEUR	Additions KEUR	Disposals KEUR	Dec. 31, 2003 KEUR	Dec. 31, 2003 KEUR	Dec. 31, 2002 KEUR
996	167	302	861	253	341
996	167	302	861	253	341
213	57	0	270	246	303
5,598	634	1,725	4,507	1,280	1,747
5,811	691	1,725	4,777	1,526	2,050
780	3,551	0	4,331	15,480	19,147
0	0	0	0	36	36
780	3,551	0	4,331	15,516	19,183
7,587	4,409	2,027	9,969	17,295	21,574

Report of Independent Auditors

We have audited the annual financial statements, together with the bookkeeping system, and the combined management report of itelligence AG, Frankfurt am Main for the fiscal year from January 1, 2003 to December 31, 2003. The Company has made use of the option to combine the Company's management report with the group management report. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ("Handelsgesetzbuch": German Commercial Code) and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (in Deutschland) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclo-

tures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. On the whole, the combined management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Eschborn/Frankfurt a.M., March 9, 2004
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Klein	Koch
Wirtschaftsprüfer	Wirtschaftsprüfer

Dear Shareholders
and Friends of the Company,

Report of the Supervisory Board



Prof. Dr.-Ing. Peter-Jürgen Kreher, Chairman

2003 for itelligence AG was initially marked by a weak market environment in the first half of the year. The market stabilized in the third quarter and the general economic environment improved considerably in the fourth quarter of 2003. The restructuring program successfully implemented in 2003 laid a solid basis for sustained profitability. itelligence AG has focussed on its core business as a full-service provider for SAP and is therefore well positioned for a further revival in the market environment in 2004. The Supervisory Board was closely involved in the implementation of the restructuring measures in 2003.

The Management Board and Supervisory Board of itelligence AG also dealt with itelligence AG's corporate governance policies in detail. On

December 19, 2003, both boards issued their second annual declaration of compliance with the recommendations of the government commission on the German Corporate Governance Code in accordance with Sec. 161 of the German Stock Corporation Act (AktG). In this declaration, the Management Board and Supervisory Board undertake to run and manage the Company in a transparent and responsible manner with a view to achieving added value.

In fiscal year 2003, the Supervisory Board was informed regularly of the Company's net assets, financial position and results of operations in verbal and written reports by the Management Board. In the fiscal year, the Supervisory Board held meetings with the Management Board on March 7, 2003, April 25, 2003, May 23, 2003, July 21, 2003, September 23, 2003, November 10, 2003 and on November 20, 2003. It also held several other meetings on August 19, 2003, September 1, 2003, November 20, 2003 and December 12, 2003. Only the members of the Supervisory Board attended these meetings and all members were present. In addition to the meetings of the Supervisory Board, several resolutions were adopted by written procedure.

The Supervisory Board informed itself regularly and in detail about the Company's economic situation and development and about its medium-term planning, including financial, investment and personnel planning. It discussed the Company's strategy and business policy in depth. The topics discussed by the Supervisory Board included the implementation, results and continuation of the cost-cutting measures taken and the structural improvements at the foreign subsidiaries. The Chairman was also in constant contact

with the Management Board between the regular Supervisory Board meetings in order to keep abreast of important events in the Company.

The Supervisory Board was exonerated by unanimous resolution at the general shareholders' meeting of itelligence AG held in Frankfurt am Main on May 23, 2003. One item on the agenda was the reappointment of members to the Supervisory Board. Dr. Markus Wenserski and Dr. Andreas Leimbach retired from the Supervisory Board as of May 23, 2003. Dr. Lutz Mellinger and the undersigned were elected as the successors by general shareholders' meeting. At the subsequent constituent meeting, the undersigned was appointed Chairman of the Supervisory Board. The Company and the Supervisory Board would like to thank Dr. Wenserski and Dr. Leimbach for their work on itelligence's Supervisory Board and their dedication to the Company.

Mr. Burkhard Berner retired from the Management Board on April 30, 2003. Mr. Berner was responsible for itelligence AG's international business. His responsibilities have been assumed by the Chairman of the Management Board, Mr. Herbert Vogel. The CFO, Prof. Dr. Hermann Hueber, left itelligence AG of his own accord as of May 23, 2003. The Supervisory Board appointed Mr. Jörg Vandreier as the direct successor of Prof. Dr. Hueber. Mr. Vandreier has been the CFO of itelligence AG since June 16, 2003. The Supervisory Board would like to thank Mr. Berner and Prof. Dr. Hueber for their contribution to the Company.

The Supervisory Board's meeting on March 22, 2004 dealt with itelligence's consolidated financial statements and the financial statements of

itelligence AG as of December 31, 2003. Both sets of financial statements and the accounting records were audited by itelligence's auditors and an unqualified audit opinion was rendered on each. The audits of the financial statements were conducted by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, which was elected as auditor by the general shareholders' meeting on May 23, 2003. The auditors attended the Supervisory Board's discussion of the financial statements, reported in detail on the course of the audits and were available to provide additional information. The Supervisory Board agreed with the audit findings after reviewing the financial statements, the consolidated financial statements, the management report and the group management report and approved the financial statements and the consolidated financial statements. The financial statements of itelligence AG have thus been approved in accordance with Sec. 172 AktG.

We would like to sincerely thank the Management Board and all the employees of itelligence for their outstanding commitment and hard work in the past fiscal year and wish them every success for 2004.

Frankfurt am Main, March 22, 2004



The Supervisory Board
Prof. Dr.-Ing. Peter-Jürgen Kreher
Chairman

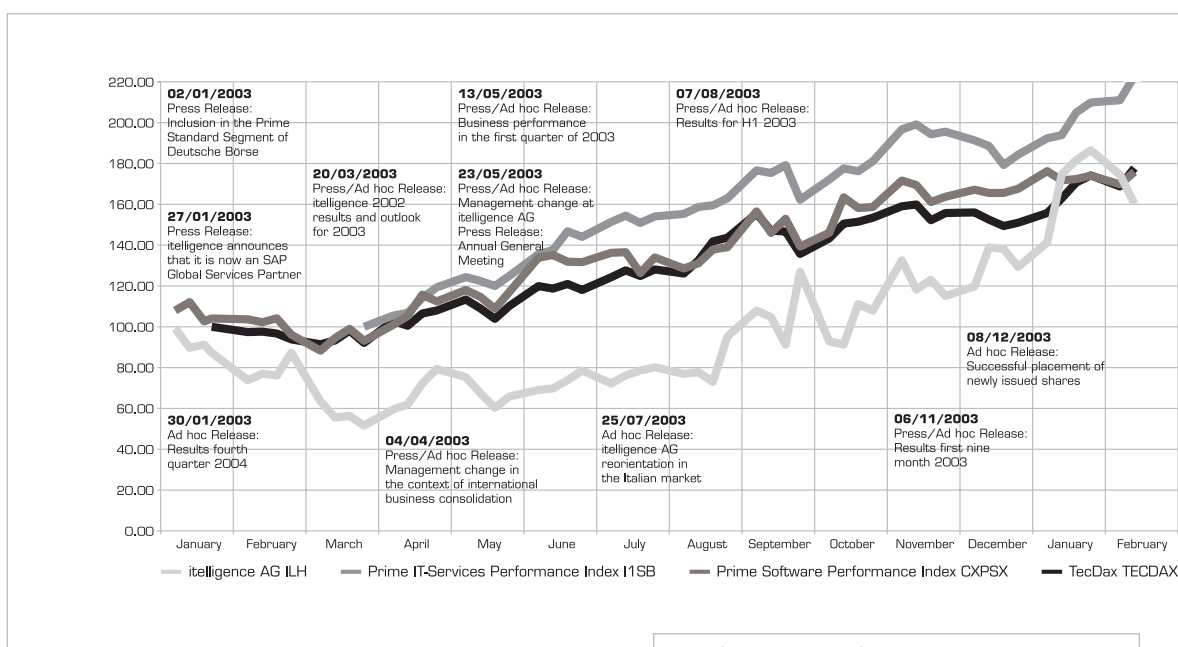
Shareholder Value

The Share

With the downward trend continuing in the stock markets in the first quarter of 2003, trading in 2003 turned out better overall than forecast at the beginning of the year. The global economy slowly picked up speed again in 2003, initially in the US, followed by Europe later in the year. Improved economic parameters and economic prospects coupled with a low interest rate rallied the share price significantly. The performance of itelligence's share in 2003 was shaped by the general stock market situation. The share's performance reacted to industry news regarding the SAP environment, to announcements on itelligence AG's business performance and its restructuring. The first positive results of itelligence's set of restructuring measures, the revival of the general economy and the upward trend on the

DAX and the TecDAX gave the share a slight boost in the second half of 2003, setting it on a smooth upward trend.

On December 8, 2003, itelligence implemented a capital increase of 1,677,119 shares excluding subscription rights. The authorized capital pursuant to Article 5 (5) of the articles of incorporation was utilized in part in this regard by resolution of the Management Board and in agreement with the Supervisory Board. The shares were placed with institutional investors at a price of EUR 1.52 per share. The placement proceeds came to around MEUR 2.5. This boosted itelligence AG's equity base and liquidity. Following the capital increase, capital stock amounts to EUR 18,448,321. After this capital increase, itelligence's share reached its peak in 2003 of EUR 1.84 (December 10, 2003).



Performance of the itelligence share

Stock Identity Number	730 040
Stock exchange abbreviation	ILH
ISIN	DE 000 730 040 2
Market segment	Prime Standard
Stock exchange	Frankfurter Stock Exchange
Indices	Prime-All-Share-Index (technology industry index, software sector)
Designated Sponsor	Dresdner Bank
Number of shares before capital increase	MEUR 6.77
Number of shares (December 31, 2003)	MEUR 18.45
High	MEUR 1.84 (December 10, 2003)
Low	MEUR 0.65 Euro (March 28, 2003)
Price at the beginning of the fiscal year	EUR 1.26
Price at the end of the fiscal year	EUR 1.61
Market capitalization/stock market value at year end*	MEUR 29.70
Earnings per share in EUR (DVFA/SG)	-0.58
Cash flow per share in EUR (DVFA/SG)	0.09
Dividend per share in EUR	0
Capital stock in EUR	MEUR 18.45

*in relation to the price at year-end

Key Figures of the itelligence Share in 2003

Investor Relations

itelligence AG has been a member of the Prime Standard segment of Deutsche Börse since the new segmentation was introduced and meets all the demanding requirements of this segment. The share has been listed in the technology industry index of the Prime All Share Index since January 1, 2003.

The aim of investor relations is to openly communicate the extensive measures on improving business conditions and current business performance. The Management Board was in regular

and intense discussion with analysts, investors and the financial press during the year. The Management Board kept analysts and journalists up to date on business development at the "Financial Forums 2003" analysts' conference in April, August and November. Various discussions with private and institutional investors were also used to boost confidence in the Company's future and the itelligence share.

At the general shareholders' meeting in Frankfurt on May 23, 2003, the Management Board together with the Supervisory Board sought direct dialog with itelligence shareholders. The Supervisory Board was reappointed at the general shareholders' meeting. Prof. Dr.-Ing. Peter-Jürgen Kreher and Dr. Lutz Mellinger were elected to the Supervisory Board as the successors of Dr. Markus Wenserski and Dr. Andreas Leimbach.

Management will again seek direct dialog with investors, analysts and the financial press during the current year. Under Investor Relations on our homepage, extensive and up-to-date information on the share and itelligence AG as well as various services is available to investors. Current information and reports can be obtained by registering on a mailing list, for example.

Shareholder Structure

As of December 31, 2003, itelligence AG's shares were held by:

Wolfgang Schmidt:	14.7 percent
Vogel family:	14.4 percent
Petra Berner*:	6.3 percent
Frank family:	6.9 percent
Christel Lamb:	5.4 percent
Free float*:	52.3 percent

* Petra Berner: as of February 25, 2004, the shareholding amounts to less than 5 percent; free float increased accordingly to 58.6 percent.

Date	Institute	Commentary	Investment recommendation
Nov. 25, 2003	Independent Research	Update Q3 2003	Speculative purchase
Aug. 21, 2003	Independent Research	Update Q2 2003	Speculative purchase
May 27, 2003	Independent Research	Update Q1 2003	Hold
May 13, 2003	equinet Institutional Services	Q1 2003 figures	Hold
April 28, 2003	Independent Research	Q4 2002 figures	Hold
Mar. 20, 2003	equinet Institutional Services	Annual Report 2002	Hold
Feb. 25, 2003	Dresdner Kleinwort Wasserstein	FY Results	Buy (unchanged)
Jan. 30, 2003	Independent Research	Commentary Q4 2002	Hold

Business Valuations in 2003

Changes to the Shareholder Structure in 2003

On December 8, 2003, the Management Board of itelligence AG, with the approval of the Supervisory Board, resolved to make partial use of the authorized capital in accordance with Article 5 (5) of the articles of incorporation and increase capital by 1,677,119 shares excluding subscription rights. The shares were placed with institutional investors by equinet Securities AG at a price of EUR 1.52 per share. Following the capital increase, capital stock amounts to EUR 18,448,321. The placement proceeds come to around MEUR 2.5.

Reportable Share Transactions in 2003

Date	Dec. 23, 2003	Dec. 23, 2003
Name	Karin Vogel	Herbert Vogel
Number	250,000	250,000
Type of transaction	Sale	Purchase
Price in EUR	1.25	1.25
Total value in EUR	312,500	312,500

Directors' Holdings

Members of the Management Board and Supervisory Board held the following itelligence shares as of December 31, 2003:

	Shares
Management Board	
Herbert Vogel	1,907,286
Jörg Vandreier ⁽¹⁾	0
Burkhard Berner ⁽²⁾	
Prof. Dr. Hermann Hueber ⁽³⁾	
Supervisory Board	
Prof. Dr.-Ing. Peter-Jürgen Kreher (chairman) ⁽⁴⁾	0
Johannes Cordes (deputy chairman and employee representative)	833
Hans-Holger Lamb	0
Dr. Lutz Mellinger ⁽⁴⁾	0
Anke Ruff (employee representative)	0
Wolfgang Schmidt	2,719,167
Dr. Markus Wenserski ⁽⁵⁾	
Dr. Andreas Leimbach ⁽⁵⁾	

(1) CFO since June 16, 2003

(2) left the Management Board on April 30, 2003

(3) left the Management Board on May 23, 2003

(4) Member of the Supervisory Board since May 23, 2003

(5) Member of the Supervisory Board until May 23, 2003

The members of the Management Board did not hold convertible bonds of itelligence AG as of December 31, 2003. Only the employee representatives on the Supervisory Board hold convertible bonds of itelligence AG: Anke Ruff holds 4,530 and Johannes Cordes holds 2,660.

Corporate Governance

For the Management and Supervisory Boards of itelligence AG, corporate governance means running and managing the Company in a responsible manner with a view to achieving long-term added value. Corporate governance at itelligence AG aims to promote efficient cooperation between the Management Board and the Supervisory Board and foster the confidence of investors, customers, employees and the public in management.

In accordance with the provisions of the Corporate Governance Code, the policies governing the Supervisory and Management Boards, collaboration between the two boards, accounting, and procedures at the general shareholders' meeting have been reviewed at itelligence on an ongoing basis since December 2002. In December 2002, itelligence AG published for the first time a declaration of compliance with the recommendations of the government commission on the German Corporate Governance Code. This declaration of compliance was amended accordingly in 2003 and published on December 19, 2003.

In accordance with Sec. 161 of the German Stock Corporation Act (AktG), the Management Board and the Supervisory Board approved the recommendations and regulations of the German Corporate Governance Code in their declaration of compliance; itelligence AG has met the respective recommendations since it was founded. itelligence AG only deviates from the recommendations of the government commission on the German Corporate Governance Code (as amended on May 21, 2003) in the following points.

Section 3.8: Self-retention on D&O Insurance Policies

itelligence AG does not intend to amend the current D&O insurance policies which currently do not stipulate any self-retention for board members.

Section 5.1.1: Retirement Age for Members of the Management Board

The Company has not set a retirement age in the past and will not do so in the future as all current contracts are limited. The contracts all expire before retirement age is reached.

Section 5.3.1/5.3.2: Technical Committees on the Supervisory Board

Due to the Supervisory Board's present size, it has not been deemed practicable to set up committees. In the past, complex matters have been dealt with in collaboration with all members of the Supervisory Board, as will continue to be the case in future. In particular, itelligence AG does not see any need for an audit committee.

Section 5.4.5: Fixed and Variable Supervisory Board Remuneration Components

The remuneration plan for the Supervisory Board does not contain any variable components. No such components are planned to be introduced in the future either.

Frankfurt am Main, December 19, 2003
itelligence AG



For the Management Board
Herbert Vogel



For the Supervisory Board
Prof. Dr.-Ing.
Peter-Jürgen Kreher

This declaration of compliance and explanations of deviations are published on itelligence's homepage and may also be requested from the Company.



Jörg Vandreier and Herbert Vogel

Executive Bodies

Management Board

Herbert Vogel
 CEO
 Germany, Austria, International,
 Outsourcing & Services, Investor Relations and
 Marketing

Jörg Vandreier (since June 16, 2003)
 CFO
 Finance and Controlling

Burkhard Berner (until April 30, 2003)
 Prof. Dr. Hermann Hueber (until May 23, 2003)

Supervisory Board

Prof. Dr.-Ing. Peter-Jürgen Kreher
 Chairman (since May 23, 2003)

Johannes Cordes
 Deputy Chairman and employee representative

Hans-Holger Lamb

Dr. Lutz Mellinger (since May 23, 2003)

Anke Ruff
 Employee representative

Wolfgang Schmidt

Dr. Markus Wenserski (until May 23, 2003)

Dr. Andreas Leimbach (until May 23, 2003)

Important Events in 2004

March 25, 2004	Results Press Conference 2004, Düsseldorf
May 11, 2004	Publication of the Three Month Report for 2004
May 27, 2004	General Shareholders' Meeting 2004, Bielefeld
August 5, 2004	Publication of the Six Month Report for 2004
August 25/26, 2004	Financial Forum, Analysts' Conference, Frankfurt
November 9, 2004	Publication of the Nine Month Report for 2004

Service

All itelligence AG reports in German and English can be downloaded from the internet at www.itelligence.de. Here you can also register by e-mail on the mailing list for news and press releases under Investor Relations/Contact. You will then receive the latest news by e-mail.

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