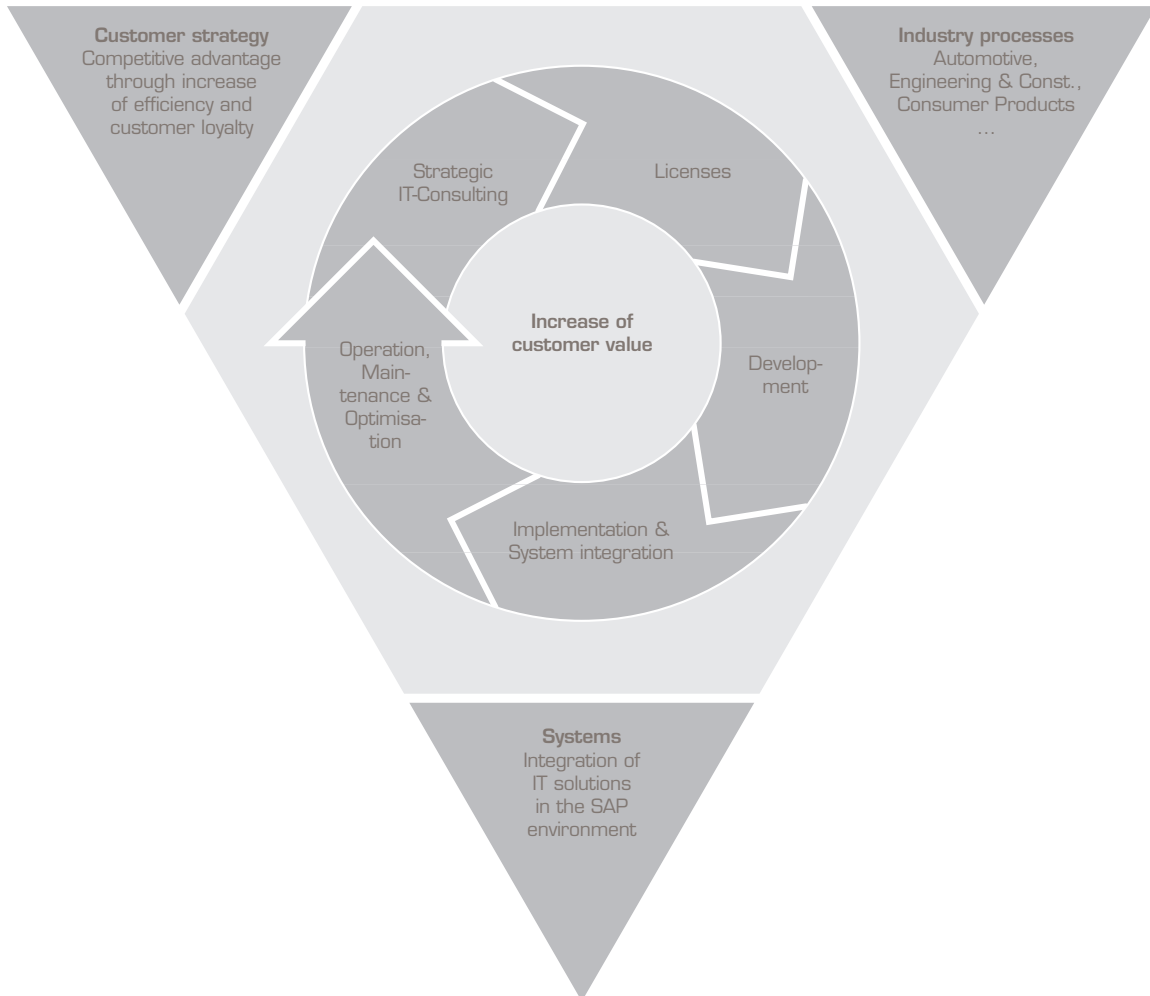




Annual Report 2004

itelligence

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

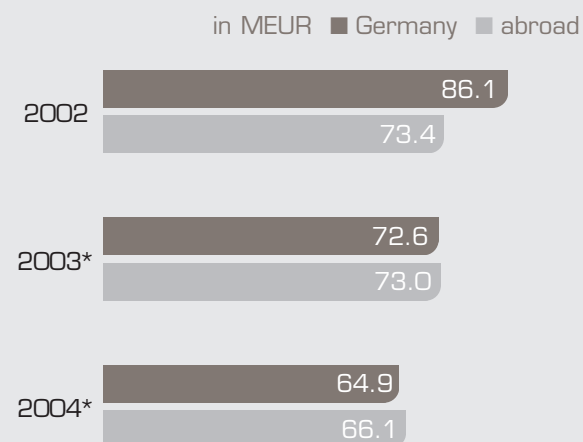


Brief description

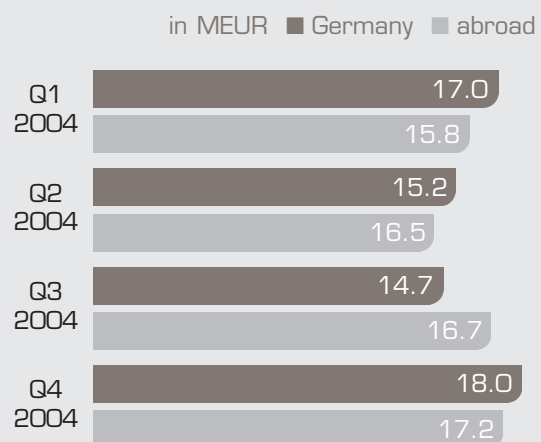
itelligence AG is a leading international full-service provider for solutions in the SAP environment employing some 950 highly qualified employees in 15 countries in 4 regions (America, Western Europe, Germany/Austria, Eastern Europe). As SAP Business, Service and Support Alliance as well as Global Partner Hosting and Global

Services Partner, itelligence realizes complex projects in the SAP environment for over 1,200 customers worldwide. The company's services range from SAP consulting and licensing to outsourcing & services to proprietary industry-specific SAP solutions. In 2004, itelligence AG generated total sales of MEUR 131.0.

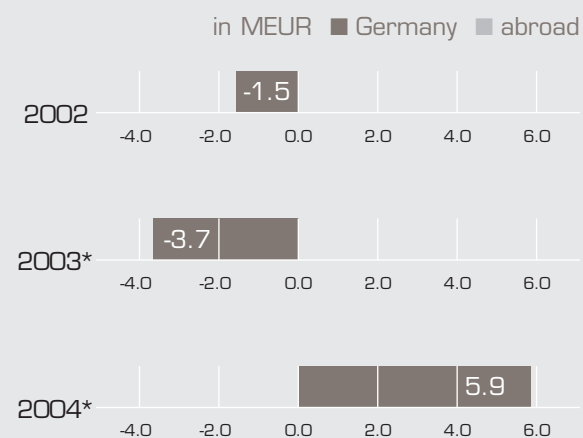
Sales



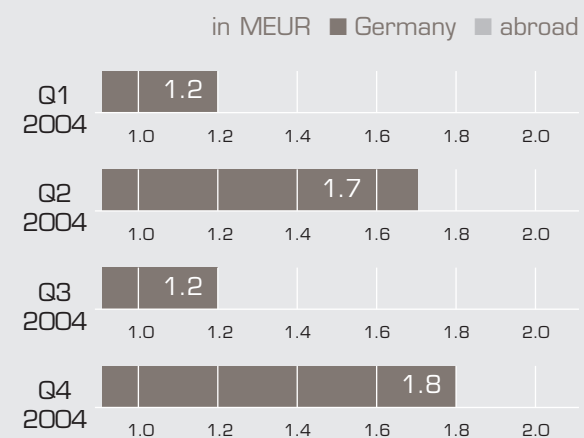
Quarterly Sales Development



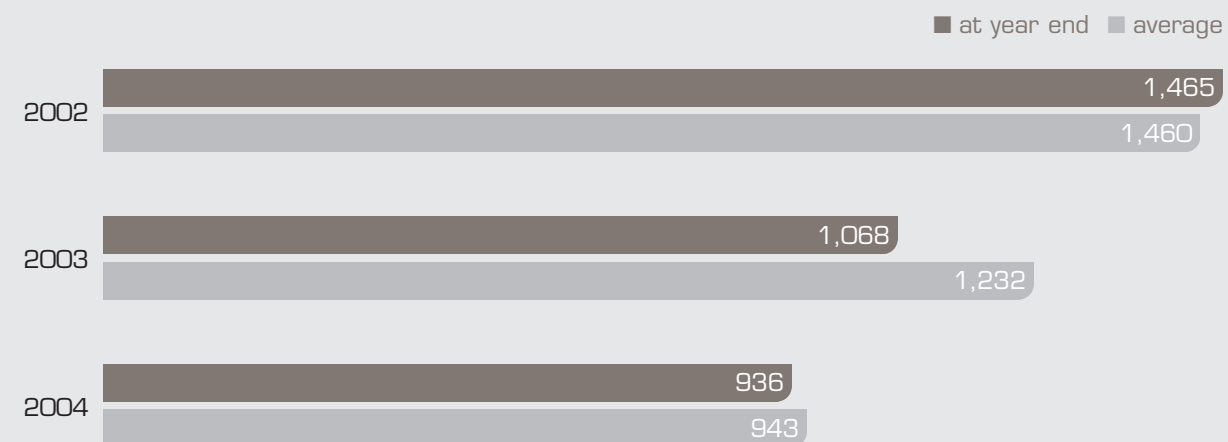
EBIT



Quarterly EBIT



Employees



itelligence Key Figures

	IFRS 2004	IFRS 2003	IFRS 2003*	US-GAAP 2002	US-GAAP 2002*	US-GAAP 2001*
Sales in MEUR	131.0	145.6	150.8	159.5	168.5	182.9
– Germany	64.9	72.6	76.0	86.1	90.2	95.3
– Abroad	66.1	73.0	74.8	73.4	78.3	87.6
EBIT in MEUR	5.9	-3.7	-7.5	-1.5	-3.5	-7.9
EBIT margin	4.5%	-2.5%	-5.0%	-0.9%	-2.1%	-4.3%
Discontinued operations	0	-3.5	0	-2.0	0	0
EBITA in MEUR	6.1	-2.2	-6.0	-1.0	-3.0	-4.6
EBITA margin	4.7%	-1.5%	-3.98%	-0.6%	-1.8%	-2.5%
Result IFRS/US-GAAP in MEUR	3.4	-9.8	-9.8	-16.1	-16.1	-5.7
Return on sales	2.6%	-6.7%	-6.5%	-10.1%	-9.6%	-3.1%
Cash flow in MEUR	8.0	1.5	1.5	-1.1	-1.1	-0.3
Balance sheet total in MEUR	64.9	62.7	62.7	76.7	76.7	98.5
Equity in MEUR	21.2	11.0	11.0	19.7	19.7	33.3
Investments in MEUR	2.7	3.5	3.5	3.8	3.8	8.5
Employees as of Dec. 31	936	1,068	1,068	1,465	1,465	1,486
Average	943	1,232	1,232	1,460	1,460	1,541
– Germany	488	593	593	762	762	819
– Abroad	448	475	475	703	703	667
Earnings per share	0.16	-0.59	-0.59	-0.96	-0.96	-0.34
DVFA/SG earnings per share	0.14	-0.59	-0.59	-0.96	-0.96	-0.34
Cash flow per share in EUR	0.38	0.09	0.09	-0.07	-0.07	-0.02

* Including discontinued operations

itelligence

Letter to the Shareholders	4
On the same Level as the Midmarket	
■ The Midmarket in Global Competition	9
■ IT in the Midmarket – The Growth Market with a High Investment Backlog	10
■ „We are able to address the midmarket on the same level.“ Interview with Herbert Vogel and Jörg Vandreier	12
Report of the Supervisory Board	16
Corporate Governance Report	18
Boards of itelligence AG	20
Management Report of the AG and the Group	23
Consolidated Financial Statements	
■ Consolidated Balance Sheet	42
■ Consolidated Income Statement	44
■ Consolidated Cash Flow Statement	45
■ Consolidated Statement of Changes in Equity	46
■ Notes to the Consolidated Financial Statements	47
■ Consolidated Statement of Non-Current Assets	62
■ Report of Independent Auditors	64
Financial Statements of itelligence AG	
■ Balance Sheet	66
■ Statement of Operations	68
■ Notes to the Financial Statements	69
■ Statement of Fixed Assets	74
■ Report of Independent Auditors	76
Shareholder Value	78
itelligence Worldwide	82
Important Events in 2005	84
Service & Imprint	85

Letter to the Shareholders

Ladies and gentlemen, shareholders and business partners,

itelligence AG can look back on a successful fiscal year. We achieved our objectives for 2004 on the back of close cooperation between employees, the Management Board and the Supervisory Board: we realized the earnings potential of our restructuring in 2003 and achieved the targets announced at the beginning of 2004.

Our Group has now generated positive results in five consecutive quarters. This is testimony to the success of itelligence's restructuring as well as the operational sustainability of the restructuring. This was also reflected in a clearly positive free cash flow for 2004. At the same time, our market position improved as a result of our strategic focus on our core regions and core industries. Our clear positioning as an IT full-service provider for SAP focused on the traditional and high-end midmarket was thus considerably strengthened in 2004.

We underpinned the success of the operating business by implementing various capital measures which also provided our business model with a solid financial base. Overall, itelligence performed well in an improved, but still somewhat subdued market environment such that we were able to meet all targets announced at the beginning of 2004.

Our motto and that of our customers for the last year was "efficiency counts". The demands of our customers, in particular in the traditional and high-end midmarket, have changed considerably in recent years. The focus of our customer projects was on directly increasing earnings potential or improving their market position by targeted use of IT solutions. Investments by customers in IT systems have a clear focus on ROI. We are increasingly playing the role of navigator for our customers. We help companies to enhance their business processes using IT systems and implement industry-specific best-practice solutions.

The success of these customer projects hinges on the quality, innovative strength and expertise of our employees. As a result, human resource management and targeted knowledge enhancement remain our top priority. In order to benefit more from our competitive advantage, it is also important that we press ahead with the strategic expansion of our fast growing Outsourcing & Services segment. In keeping with the general market trend, we are continually professionalizing our industry and process competence in developing customized solutions. In both areas, we will endeavor to make greater use of the synergies offered by our international presence in the four core regions.



» itelligence is one of the leading IT full-service providers and one of SAP AG's key partners for the midmarket. «

Herbert Vogel, CEO

itelligence – the Partner for the Midmarket

itelligence is one of the leading IT full-service providers and one of SAP AG's key partners for the midmarket. We too are a midmarket company and are therefore familiar with the operating structures and continually changing market requirements of our midmarket customers. This is why we chose the motto "itelligence – the partner for the midmarket" for this year's annual report.

Our services offering caters to the needs of these companies which operate in a rapidly changing economic environment. What is more, international operations are becoming increasingly important for midmarket companies. According to estimates by the DIHT (section of the German Chamber of Industry and Commerce focused on the domestic economy), the share of foreign business to the aggregate revenues of midmarket companies is due to increase considerably in the coming years. Nowadays, it is already taken for granted that many midmarket companies service

the European and global market just like large corporations. In addition to new market opportunities, midmarket companies are faced with both major and increasing challenges. These include the switch from the seller's to the buyer's market, the physical disintegration of companies due to globalization and increasingly shorter product life cycles. This is heightened by increasing competition from larger groups which, from the customers' perspective, have "perceived benefits" such as financial strength or trusted performance and continuity. What is more, groups set up advantageous midmarket structures in which they organize flexible, autonomous units close to customers. Furthermore, they retain the advantages of being affiliated to a large corporation by intensively using the IT and communications technology in the group-wide business processes.

In order to operate successfully in this environment, midmarket companies need to accordingly professionalize and optimize their networks and IT landscapes. In addition to process improvements in production or the rendering of services, own service packages, alliances with partners and the infrastructure of alliances need to be continually revised. itelligence helps its customers achieve decisive competitive advantage with innovative IT solutions. Customers avail themselves of our industry-focused solution offerings, in-depth knowledge of our employees in the best practices of specific industries and knowledge with regard to state-of-the-art IT and communications technology. We see ourselves as a competent partner for the midmarket with our consultants supporting companies each step of the way in the integration of heterogeneous system landscapes.

As a partner of SAP AG, our solutions are built around the midmarket-oriented mySAP All-in-One product. We supplement these with our own solution components in line with the requirements of a specific industry. Our close coopera-





» Overall, itelligence performed well in an improved, but still somewhat subdued market environment such that we were able to meet all targets at the beginning of 2004.«

Jörg Vandreier, CFO

tion with SAP enables us to offer one-stop tailor-made and integrated solutions, also in conjunction with other product providers. This offering is complemented by our Outsourcing & Services business. In this context, we offer customers the opportunity of using our computing capacities globally for operating their application and system landscapes. This outsourcing service enables customers to concentrate on their own core business.

Against this background, itelligence considers itself well positioned for 2005 following the success of 2004 and the lasting turnaround. Our aim is to increase revenues in the current fiscal year, further improve our cost structures and thereby also further improve our earnings position.

We would like to take this opportunity to thank our employees without whose outstanding commitment we would not have been able to achieve our positive business development. At this point, we would also like to thank our customers, business partners and our shareholders for their confidence in itelligence AG.

Herbert Vogel
CEO

Jörg Vandreier
CFO



On the Same Level as the Midmarket

The Midmarket in Global Competition

by Carsten Knop

In future, the midmarket will think more in the short term, focus more on returns and have to comply with considerably stricter transparency requirements in order to further develop their business in terms of dealings with customers and banks. This is not negative, as it will open up considerable opportunities in terms of the modernization of the most important type of German company. Of course, this will also be a cause of uncertainty for all concerned.

The new midmarket will also have fewer mid-market characteristics as, in view of the rising export quotas, it will have to increasingly meet the requirements of international markets. Keeping a company operating on an ever increasing number of foreign markets requires more than one powerful patriarchal leader. "The master of the house" is only an entrepreneur if his figures are a true reflection of what is actually happening in the world of his company.

In this regard, the use of modern information technology is vital. And the economic conditions required to make such investments will improve, at least if we are to believe recent surveys: as almost 68 percent of midmarket companies predict a year-on-year increase in revenues for the current year. The trend in earnings is also expected to be positive. More than two thirds expect profits to be at the prior-year level or to increase marginally.

Over 35 percent of the companies surveyed want to recruit more employees although 50 percent wish to keep their level current level of personnel. This information has been taken from a recent Germany-wide study conducted by "The Executive Committee" (TEC). TEC, with 10,000 members in 14 countries, is the leading international organization for midmarket executives.

According to this study, investments are beginning to gain momentum again. 38.2 percent of the midmarket companies surveyed anticipate an increase, with a large portion expected and needing to go on information technology.



intelligence data
processing center
in Poznan, Poland

On the Same Level as the Midmarket

IT in the Midmarket – The Growth Market with a High Investment Backlog

by Carsten Knop

There is a lot of movement on the market for commercial standard software. What is also special about this market development is that it is exciting for both providers and customers. On the one hand, there are software groups and consultancies which earn their money with programs for administering personnel, procurement, sales or production data and see growth opportunities which drive them to make billion dollar take overs.

And on the other hand, the use of software for processing this data is becoming increasingly important for customers trying to meet the

requirements of international competition which is becoming increasingly stiff. This applies in particular to the midmarket which can indeed present itself as a self-assured purchaser as it represents "one purchasing power": 99.7 percent of all business in Germany belong to the midmarket, they account for more than 40 percent of all taxable revenues and provide almost 70 percent of all jobs. According to market research agencies, midmarket companies in Germany account for more than 40 percent of the investments made in the IT and telecommunications industry.

Baking wafers manufacturer Kühle uses vertical solutions for the food industry from itelligence.it.consumer to optimize their logistic processes





Mercedes-Ilmor is rolling out the qualified mySAP All-in-One solution it.automotive from itelligence to integrate all engine design, development and production data in a single, enterprise-wide system and improve collaboration among its project groups.

The paradox: it is also said that these companies have a five to seven year backlog in IT investments. According to the observations of industry experts, the reason for the particularly high IT investment backlog is due to the fact that many software solutions which have been used for some time now by large corporations for good reason could not be financed by smaller companies up to now. A large share of these offerings in the past were not based on standard components and thus called for complex customized adjustments. This led to accordingly high costs.

This is why around 60 percent of German midmarket companies do not currently use computerized resource planning. Many midmarket companies shied away from such software even before the introduction of new technologies such as smart cards (customer cards with memory chips) and RFID labels which enable all goods to be tracked along the logistics chain.

The use of this type of state-of-the-art business software boosts efficiency considerably.

However, times are changing: because software manufacturers such as SAP have not only discovered the midmarket, but are also placing more emphasis than ever on open standards. They are endeavoring to take the demands of their new target group more seriously than before. The time for tackling the investment backlog appears to have come, in particular in view of the innovation potential which exists in the German midmarket and will be more readily achieved through the use of software.

Interview with Herbert Vogel and Jörg Vandreier

„We are able to address the midmarket on the same level.“

Knop: Mr. Vogel, what are midmarket companies to you?

Vogel: We focus on customers that generate annual revenues of between MEUR 20 and BEUR 1. These are midmarket companies to us, as we are able to address these partners on the same level.

Knop: On the same level?

Vogel: Yes, because we ourselves are a midmarket company which meets this size classification.

Knop: But, Mr. Vandreier, a mere glance at revenues does not provide any meaningful information.

Vandreier: Yes, it does. Similar revenues go hand in hand with comparable structures and thus also requirements. As a result, we understand the needs of our customers much better

than large IT providers. This is reflected in our history and current business operations: itelligence has been rendering services to customers in the traditional and high-end midmarket since 1994. What is more, no other provider in the SAP field generates 80 percent of its revenues in the midmarket. We offer optimal support to the traditional and high-end midmarket.

Knop: And how can your customers tell this?

Vandreier: By the way we pragmatically focus on the actual needs of our customers. And sometimes also in the way that we act as an intermediary between them and the large software group SAP.

Knop: Is that necessary?

Vogel: Sometimes. We understand the needs of the midmarket. With our Company, there is no need for customers to be afraid of putting themselves in the hands of a large software provider. We at itelligence offer transparent and reliable solutions. And our consultants are known for their in-depth and multidisciplinary knowledge.

Knop: Is that an advantage or a disadvantage?

Vogel: An advantage, as our consultants are able to rapidly grasp the processes of midmarket companies and show customers how they can optimize their work processes and reduce operating costs. If more in-depth knowledge is required during the course of projects for highly specialized issues, we consult with the necessary experts. But only then. This makes the whole process more transparent. In other words: our consultants speak the language of our customers.

Knop: And other providers merely claim to do this?



Herbert Vogel

“We understand the needs of the midmarket.”

Vogel: Let me put it this way: providers who have, up to now, only targeted large customers and now wish to tap new market segments will notice that the requirements in the midmarket are different. They are higher. And our survival depends on our references – from the midmarket.

Knop: Why should a modern midmarket business even consider implementing SAP software?

Vogel: There are lots of reasons, but here are three. Firstly: more and more midmarket companies not only have customers but also subsidiaries and production facilities abroad. Data is generated in each location, but is not recorded and processed in a uniform manner. This is not efficient. If you will, the companies are in a phase of disintegration. With our SAP solutions, we can enable companies to keep an overview of their business, and ensure that they are managed efficiently and flexibly with data being processed in a uniform manner.

Knop: And secondly?

Vogel: Midmarket companies are often suppliers of large corporations which make corresponding demands on the communication processes of the logistics systems. The highest standard of technology is required here. Thirdly: more and more legal regulations, be they for accounting or the tracking of goods, are more or less indirectly forcing companies to keep their information technology up to date.

Knop: This is where you normally hear catchwords such as “change to a buyer’s market”, “shorter product life cycles”, and “competitive pressure due to increased international competition”.



The interview was conducted by Carsten Knop, editor of a national newspaper

Vandreier: There’s nothing wrong with these catchwords...

Knop: ... But they sound somewhat overused.

Vandreier: The point is: existing systems need to be continually improved. Good ideas need to be implemented swiftly and cost-effectively and launched as a product on the market. We assist in this process.

Knop: Are there also “softer” reasons? For example the awaited generation change at the top of midmarket companies?

Vogel: Indeed: we are being contacted more and more frequently by interested parties who only wish to leave their successors with orderly affairs.

Knop: How familiar are you with SAP then?

Vogel: Our contacts with SAP are excellent on all levels of business. This is underpinned by the numerous qualitative awards presented to us by SAP. We are a Global Services Partner, of which there are only 12 worldwide. And we are a Global Hosting Partner, of which there are only six. In this group, we only have five competitors. This is an exclusive league. In addition: itelligence contributes immensely to the development of industry solutions in conjunction with SAP.

Knop: So you don't have to consider other ERP software providers as serious competitors?

Vogel: I didn't say that. We always take competition seriously. We are convinced that SAP coupled with our know-how in the integration with other applications is the best solution in our target industries.

Knop: What do you mean by "integration with other applications"?

Vogel: We basically sell the solution which is regarded as "best practice" in the respective industry. In this connection, we are able to perfectly combine SAP programs with other applications such as Lotus Notes or Adobe. And our industry solutions are preconfigured for accelerated implementation.



Jörg Vandreier

"Existing systems need to be continually improved."

Knop: And what industries do you target particularly?

Vogel: The automotive, mechanical engineering and consumer goods industries.

Knop: And why these three?

Vogel: Our strengths, in-depth industry-specific know-how, are spread across our four core regions. There is a high entry barrier for competitors. We do not make any common or garden offerings.

Knop: What is the opposite of common or garden offerings.

Vogel: Our intelligence full-service offering. We offer consulting, licensing, project management, implementation and integration services, servicing and, if requested, hosting in our computer center as part of a specific industry solution.

Knop: What sub-segment in this offering is growing fastest?

Vogel: Hosting. A hosting customer can run its SAP/intelligence solutions on servers provided exclusively for the customer in our computer centers, and these are naturally serviced continually.

Knop: Where are your computer centers located?

Vogel: In Bautzen, here in Bielefeld and in Poznan. We lease capacity in Cincinnati in the United States.

Knop: But doesn't this mean that data is no longer in the customer's hands?



Vandierer: That's right, but it's not a disadvantage as we meet all security requirements. The data are secure. This not only applies to access to the servers, but also to the areas where the servers are located. Everything here is state-of-the-art. And customers no longer have to run their own computer center or incur all the related personnel and other expenses.

Knop: What growth rates are we talking about here?

Vandierer: Clearly in the double-digit percent area. And demand remains high.

Knop: Do you only use your computer centers for hosting?

Vogel: No, we also use them to map and test solutions on our servers before we install them at customers. More and more customers who see our test runs also come up with the idea of having us host the programs in future.

Knop: When you say that your customers are increasingly operating abroad, does that also apply to you?

Vandreier: Indeed it does: we are present in the Americas, western and eastern Europe as well as in Germany and Austria. We have a wealth of experience in cross-border projects.

Knop: You didn't mention China, the growth market on which almost every company wants to be represented.

Vandreier: We work very closely with SAP on this market. But you are right: we will also consider China in the medium term. After all, many German midmarket companies will have a production facility in China in five to seven years.

Knop: At least Germany is not quite so far away from eastern Europe.

Vogel: And do you know something? Our customers there are particularly enthused about our SAP solutions.

Report of the Supervisory Board

Dear shareholders and friends of the Company,

2004 saw itelligence AG perform well in a difficult market environment. Our Company was strengthened in 2004 on the back of the capital increase, the successful placement of the convertible bond and the improved operating performance and has a solid basis for the future. The Supervisory Board of itelligence AG continually monitored this development in a responsible manner in line with its duties.

In 2004, we dealt with itelligence AG's corporate governance policies in detail together with the Management Board. On December 17, 2004, both boards issued their third 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.

The high volume of information exchanged with the Management Board in 2004 formed the basis enabling the Supervisory Board to perform its duties efficiently. 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 February 9, 2004, March 22, 2004, May 27, 2004, July 12, 2004, October 12, 2004 and December 17, 2004. The following significant resolutions were adopted in 2004:

1. Resolution of March 11, 2004 on the approval to increase the capital stock from EUR 18,448,321 to EUR 22,287,535.
2. Resolution of July 12, 2004 on the formation of committees: personnel, strategy and audit committees.
3. Resolution of November 8, 2004 on the approval to issue a convertible bond with a nominal volume of up to MEUR 6.

Almost all members were present at the meetings of the Supervisory Board.

Pursuant to the resolution adopted on July 12, 2004, the following committees were formed: personnel, strategy and audit committees. These committees held meetings in 2004. In addition to the resolutions adopted as part of 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-

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



term planning, including financial, investment and personnel planning. It discussed the Company's strategy and business policy in depth. The Chairman of the Supervisory Board also keep abreast of important events within the Company through regular contact with the Management Board.

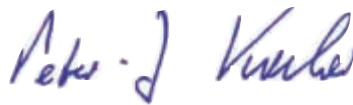
The Supervisory Board was exonerated by unanimous resolution at the general shareholders' meeting of itelligence AG held in Bielefeld on May 27, 2004. One item on the agenda was the reappointment of members to the Supervisory Board. Mr. Hans-Holger Lamb retired from the Supervisory Board effective as of March 31, 2004 and Mr. Wolfgang Schmidt also retired from the Supervisory Board with effect as of the end of the general shareholders' meeting. Prof. Dr. Karl Peter Grottemeyer, retired rector of the University of Bielefeld, was appointed as a substitute member of the Supervisory Board during the period from April 1, 2004 to May 27, 2004. At the general shareholders' meeting, the shareholders appointed Mr. Erwin Gunst, president of EMEA NEWS at SAP, and Mr. Fritz Fleischmann, head of central European operations at Adobe Systems GmbH, to the Supervisory Board. The Supervisory Board would like to thank Mr. Hans-Holger Lamb, Mr. Wolfgang Schmidt and Prof. Dr. Grottemeyer for their work on itelligence's Supervisory Board and their dedication to the Company.

The Supervisory Board's meeting on March 18, 2005 dealt with itelligence's consolidated financial statements and the separate financial statements of itelligence AG as of December 31, 2004. The consolidated financial statements of itelligence Aktiengesellschaft were prepared in accordance with International Financial Reporting Standards (IFRSs). Both sets of financial statements 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 shareholders' meeting on May 27, 2004. The auditors attended the Supervisory Board's discussion of the consolidated and separate financial statements, reported in detail on the course of the audits and were available to provide additional information. The Supervisory Board performed a thorough review of the financial statements of itelligence AG and itelligence's consolidated financial statements. By resolution of March 18, 2005, the Supervisory Board approved the financial statements of itelligence AG presented by the Management Board as well as itelligence's consolidated financial statements and approved the audit report. The financial statements have thus been approved.

The Supervisory Board would like to sincerely thank the Management Board and all the employees of itelligence for their commitment and hard work in the past fiscal year and wish them every success for 2005.

Bielefeld, March 18, 2005



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

Corporate Governance

Corporate Governance Report with the Declaration of Compliance of December 17, 2004

itelligence AG further cemented the corporate governance policies in the Company for the third year running. The Company's Management Board and Supervisory Board identify with the objectives of the German Corporate Governance Code of fostering good, trustworthy management focused on the interests of shareholders, employees and customers. It is the Group's aim to increase the value of the business on a lasting basis.

Corporate Governance in 2004

There have been no deviations since the last declaration of compliance was issued on December 19, 2003, on the contrary, there has been major improvements regarding the recommendations of the Corporate Governance Code.

Shareholders and General Shareholders' Meeting

The internet presence of itelligence AG serves as an information platform on all issues concerning the general shareholders' meeting. Here shareholders can obtain all the necessary documents and information on proxy voting.

Transparency

The German Investor Protection Improvement Act (AnSVG) which came into force on October 30, 2004 only had a minor impact on fiscal year 2004. Nonetheless, itelligence AG began preparing itself for the new legislation very early on. The group of directors was clearly defined and notified of the new legislation pursuant to Sec. 15 a of the German Securities Trading Act (WpHG). The composition of this group is reviewed regularly.

Amendments to insider legislation were also implemented rapidly by the Company, i.e. an insider register was prepared. This is reviewed regularly and, if necessary, adapted to the current situation. The Company set out the new legal situation to all potential insiders in a memorandum and took appropriate measures to also comply immediately with the regulations on extended ad-hoc reporting.

Accounting

The consolidated financial statements of the itelligence Group were prepared for the first time as of December 31, 2004 in accordance with International Financial Reporting Standards (IFRSs). The provisions of US GAAP were applied in prior years. As of 2005, all listed companies within the EU are obliged to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs). As an international company, itelligence welcomes this move as it ensures more transparency for shareholders and the capital market Europe-wide.

Declaration of Compliance With the German Corporate Governance Code of December 17, 2004

On December 17, 2004, the Supervisory Board and the Management Board of itelligence AG issued their third 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).

Both boards approved the recommendations and regulations of the German Corporate Governance

Code in their declaration of compliance; the Company has met the respective recommendations since it was founded. The Company has implemented additional recommendations of the German Corporate Governance Code since its last declaration was issued on December 19, 2003. The Company deviates from the recommendations in the following points. Information and explanations on these points are provided below.

I. itelligence AG has implemented the following additional recommendations since the declaration of compliance issued on December 18, 2002:

– Section 5.3.1/5.3.2: Technical Committees on the Supervisory Board

The Supervisory Board formed technical committees in 2004: personnel, strategy and audit committees. The committee chairpersons report regularly to the Supervisory Board on the work of the committees. Complex matters have been and will be discussed by all members of the Supervisory Board.

– Section 5.4.5: Fixed and Variable Supervisory Board Remuneration Components

A new regulation concerning Supervisory Board remuneration was resolved at the general shareholders' meeting on May 27, 2004. The remuneration model for the Supervisory Board now contains performance-linked remuneration in addition to fixed components. Performance-linked remuneration also contains components related to the Company's long-term success.

II. The following points relate to recommendations which have not been implemented:

– 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.

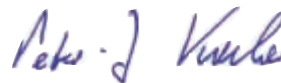
– Section 5.1.1: Retirement Age for Members of the Management Board

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.

Bielefeld, December 17, 2004
itelligence AG



For the Management Board
Herbert Vogel



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

Boards of itelligence AG

Management Board

Herbert Vogel
CEO

Jörg Vandreier
CFO

Supervisory Board

Prof. Dr.-Ing. Peter-Jürgen Kreher
Chairman
Independent consulting engineer

Johannes Cordes
Deputy chairman and employee representative
SAP consultant

Fritz Fleischmann (since May 27, 2004)
Head of central European operations
Adobe Systems GmbH

Erwin Gunst (since May 27, 2004)
President of EMEA NEWS SAP AG

Dr. Lutz Mellinger
Divisional manager at Deutsche Bank Retired

Anke Ruff
Employee representative
SAP consultant

Hans-Holger Lamb (until March 31, 2004)

Wolfgang Schmidt (until May 27, 2004)

Prof. Dr. Karl Peter Grottemeyer
(from April 1, 2004 to May 27, 2004)
Retired rector of the University of Bielefeld



Herbert Vogel and Jörg Vandreier



Management Report of the AG and the Group

The Year 2004 – Summary of Major Points

- Market environment developed in line with expectations in 2004 – slight improvement in businesses' willingness to invest but they are still cautious in awarding projects and sensitive to prices.
- Revenues and earnings targets announced at the beginning of the year achieved.
- License revenues grew up 15.1 percent in the fiscal year compared to the comparative revenues in the prior period net of exchange rate effects. An increase of 30.8 percent achieved in the fourth quarter.
- Revenues from Outsourcing & Services as a percentage of total revenues increased to 27.0 percent (prior year: 21.5 percent). This represents growth of 24.2 percent compared to the comparative revenues in the prior year net of exchange rate effects.
- Restructuring and realignment a success: positive free cash flow in fiscal year 2004 and positive consolidated results achieved in five consecutive quarters.
- Financial strength and liquidity significantly boosted by a capital increase and the issue of a convertible bond.
- Equity ratio increased to 33 percent on the back of the positive business performance and capital measures.
- Position as an IT full-service provider for the SAP environment in the traditional and high-end midmarket strengthened.

Performance of the Economy as a Whole and Industry-Specific Situation

itelligence's market environment developed in line with our expectations, although the sustainable global economic recovery predicted by economic institutes for 2004 has yet to fully materialize. The recovery is being hampered by the trend in oil prices and the weak US dollar. The slight improvement in businesses' willingness to invest

felt since the end of 2003 was confirmed in the relevant markets in fiscal year 2004. The expected focus of IT investments by businesses on process and cost optimization and the considerable increase in demand for Outsourcing & Services show that although companies are awarding new IT projects, they are very cautious and have a clear focus on ROI and short payback periods. The significant increase in License revenues in the fourth quarter shows that traditional and high-end midmarket companies were initially cautious in 2004, but are now also focusing more and more on innovative IT projects in an effort to bolster their competitive situation.

The market research institute Gartner anticipates that demand for IT services in the markets key to itelligence will grow by around 4.5 percent in 2005. Gartner forecasts average market growth of around 5.3 percent until 2008, with growth expected to be stronger in the United States, the UK and eastern Europe. Growth in Germany and the rest of western Europe is expected to be more subdued. In the IT services market, Outsourcing & Services are expected to outperform the traditional consulting market and system integration. The penetration of SAP products over competitors' products in the target traditional and high-end midmarket segment is also an important consideration in the analysis of the relevant market environment. We are confident that the relative competitive situation will be enhanced further in the future by targeted market cultivation by SAP and its partners.

Course of Business and the Group's Situation

First-Time Adoption of IFRSs

The consolidated financial statements of the itelligence Group were prepared for the first time as of December 31, 2004 in accordance with the International Financial Reporting Standards (IFRSs) formulated by the International Account-

ting Standards Board (IASB). US Generally Accepted Accounting Principles (US GAAP) were applied in prior years.

European companies whose securities are admitted for trading on an organized capital market are obliged to prepare IFRS consolidated statements for fiscal years beginning on or after January 1, 2005. In order to strengthen our Company's integrity and increase investor protection, we decided to voluntarily adopt IFRSs as of December 31, 2004. The carrying amounts resulting from first-time adoption of IFRSs were not substantially different to those in the US GAAP financial statements.

Positioning of itelligence AG

itelligence considers itself to be extremely well positioned in its market environment. As a leading international IT full-service provider for SAP, itelligence focuses on traditional and high-end midmarket businesses offering them services along the entire IT value chain from licensing, implementation, system integration through to outsourcing and servicing of system environments. As a Global Services Partner and Global Hosting Partner, itelligence is one of a select group of five SAP partners which are globally certified for both.

itelligence sets itself apart from the competition with its sophisticated technological competence, in particular in the SAP NetWeaver environment with the components Enterprise Portal and Exchange Infrastructure, expertise concerning the integration of complementary software and international know-how in best-practice processes in its core industries (automotive, consumer products and engineering & construction) and its in-house industry solutions.

In building on our competitive advantage, emphasis will particularly be placed on expanding our Outsourcing & Services segment and on strengthening our industry and process expertise

in developing specially tailored (sub) industry solutions, as well as on human resources management. In all areas, we will endeavor to make greater use of the synergies offered by our international presence in the four core regions.

Successful Customer Projects

Our Company's extensive industry expertise was underpinned in 2004 by numerous new customer projects:

- The **McLaren Mercedes team** has been optimizing the development and production processes of its Mercedes Benz Formula 1 racing engines division, Mercedes-Ilmor, with the support of itelligence consultants since the third quarter of 2004. They are using itelligence AG's mySAP All-in-One solution, it.automotive.
- Our consultants have been implementing the mySAP Business Suite based on the industry solution it.automotive supplier for suppliers to the automotive industry at the metal processing company **Jürgenhake Gesellschaft für Kabelkonfektion und Metallverarbeitung mbH**, Lippstadt, since November.
- Work on implementing the entire mySAP ERP system at **Bernard Krone Holding GmbH & Co. KG** began in May 2004.
- Another new customer was won by the Consulting segment in Germany, namely **ArmaceLL International GmbH**, Münster. The focus of this complex project is on process consulting for optimized production, logistics and administrative processes. **ArmaceLL LLC** in the United States is already a hosting customer of itelligence USA.
- Other reputable new customers on the books in 2004 include the Austrian market leader for crayons and pencils, **Brevillier-Urban Schreibwarenfabrik**, Graz, **Sedus**

Stoll AG in Dogern, the Polish company **Milo S.A.** (affiliated to Lekkerland International), **Electronic Theatre Controls Inc.**, Middleton (Wisconsin), **jWIN Electronics Corporation**, Woodside (New Jersey), **Aerospace Products International**, Memphis (Tennessee), **United States Playing Card Company**, Cincinnati (Ohio), **New York Air Brake Corporation**, Watertown (New York), **Miguel Torres S.A.**, Vilafranca del Penedes (Barcelona), **Gibunco Management Limited**, Gibraltar (UK) and **Adbraintage S.A.**, St. Joan Despi (Barcelona).

- In 2004, itelligence announced the roll-out of the mySAP Business Suite at **Behr America Inc.** in Dayton.
- **Vereinigte Spezialmöbelfabriken GmbH & Co.**, Tauberbischofsheim, has been working with itelligence's industry solution it.wood on the basis of mySAP All-in-One since 2004.
- Other successful projects were up and running in 2004 at customers such as **BOGE KOMPRESSOREN Otto Boge GmbH & Co. KG**, Bielefeld, **Schumacher Elevator Company Inc.**, Denver (Iowa), **SMS Demag Inc.**, Pittsburgh (Pennsylvania), **Johnsonville Sausage LLC** in Kohler (Wisconsin), **C&H Sugar** in Pleasant Hill (California), **Productos Alimentarios la Bella EASO S.A.**, Zaragoza, **United Biscuits Iberica S.L.**, Montornes del Valles (Barcelona) and **La Zaragozana S.A.** in Zaragoza.

SAP Partnerships

In October 2004, SAP AG made itelligence AG a member of its global "Operations Quality Initiative", which focuses on quality and service management processes in the hosting segment. With the status of "Global Hosting Partner", SAP also confirmed itelligence's extensive experience in the hosting segment. itelligence thus belongs to a select group of six audited SAP partners

worldwide. We consider this to be testimony to our successful positioning in the high-growth outsourcing market.

Our excellent positioning and many years of expertise in the traditional and high-end mid-market have made us one of SAP AG's important international partners. SAP also acknowledged the high international standard of quality of our services and technology know-how on several occasions in 2004. In July, SAP named itelligence as a "Special Expertise Partner for mySAP Product Life-Cycle Management" (PLM). With this award, SAP confirms itelligence's high customer competence and comprehensive product and process expertise in my SAP PLM in the manufacturing, high-tech and automotive industries. What is more, SAP rewarded itelligence's level of high qualification and experience in the SAP NetWeaver field by appointing itelligence as a "Special Expertise Partner for SAP Exchange Infrastructure" (XI). SAP appointed itelligence as a Special Expertise Partner SAP NetWeaver (SAP Enterprise Portal (SAP EP), SAP Exchange Infrastructure (SAP XI)) in October 2004, acknowledging itelligence's extensive customer and project experience in SAP NetWeaver and its SAP NetWeaver components SAP XI and SAP EP. With this award, itelligence is one of the first consultancies to be recognized by SAP for its extensive know-how in the new technology. itelligence has been part of the global SAP NetWeaver initiative since February 2004.

Revenues and Sales Structure

Revenues and EBIT in the following table have only been adjusted for discontinued operations (see page 54 of the notes to the consolidated financial statements). In order to show a fair comparison of operating performance, the prior-year figures shown in the table below are net of closed and sold operations (discontinued operations) and the exchange rate effects are disclosed separately. Closed operations include itelligence AS, Oslo (Norway, itelligence S.A.,

in MEUR	Jan. 1 to Dec. 31, 2004	Jan. 1 to Dec. 31, 2003*	Oct. 1 to Dec. 31, 2004	Oct. 1 to Dec. 31, 2003*
Total revenues	131.0	145.6	35.2	38.2
Consulting	78.1	99.5	19.1	24.2
Licenses	16.8	15.6	6.8	5.5
Outsourcing & Services	35.4	29.2	9.1	8.1
Other	0.7	1.3	0.2	0.4
Germany	64.9	72.6	18.0	19.1
Rest of Europe	32.1	35.8	8.7	9.9
Americas	34.0	37.2	8.5	9.2
EBIT	5.9	-3.7	1.8	1.0
EBIT margin	4.5%	-2.5%	5.1%	2.6%
Discontinued operations		-3.5		-0.8
EBITA	6.1	-2.2	1.8	1.0
EBITA margin	4.7%	-1.5%	5.1%	2.6%
EBITDA	9.4	1.0	2.7	1.9
EBITDA margin	7.2%	0.7%	7.7%	5.0%
Goodwill impairment	0.2	1.5	0	0
Net income/loss according to IFRSs	3.4	-9.8	1.4	0.1
Earnings per share	0.16	-0.59	0.07	0.01

intelligence at a glance: January 1, 2004 to December 31, 2004

in MEUR	2004	2003**	2003***	Q4 2004	Q4 2003**	Q4 2003***
Total revenues	131.0	136.3	132.8	35.2	37.0	36.4
Consulting	78.1	91.2	89.1	19.1	23.5	22.8
Licenses	16.8	15.3	14.6	6.8	5.4	5.2
Outsourcing & Services	35.4	29.2	28.5	9.1	7.9	8.4
Other	0.7	0.6	0.7	0.2	0.2	0.0
Germany	64.9	65.8	65.8	18.0	18.1	18.0
Rest of Europe	32.1	34.1	34.2	8.7	9.7	10.3
Americas	34.0	36.4	32.9	8.5	9.2	8.1
EBIT	5.9	0.2	0.0	1.8	1.6	1.7
EBIT margin	4.5%	0.2%	0.0%	5.1%	4.4%	4.6%

* net of discontinued operations

** net of discontinued and closed operations

*** net of discontinued and closed operations valued at the translation rates for 2004

Paris (France), itelligence S.A., Sao Paolo (Brazil), it-go GmbH, Hamburg, APCON Business Consulting Gesellschaft für Managementberatung mbH, Hamburg, and the loss-making non-SAP areas of itelligence AG.

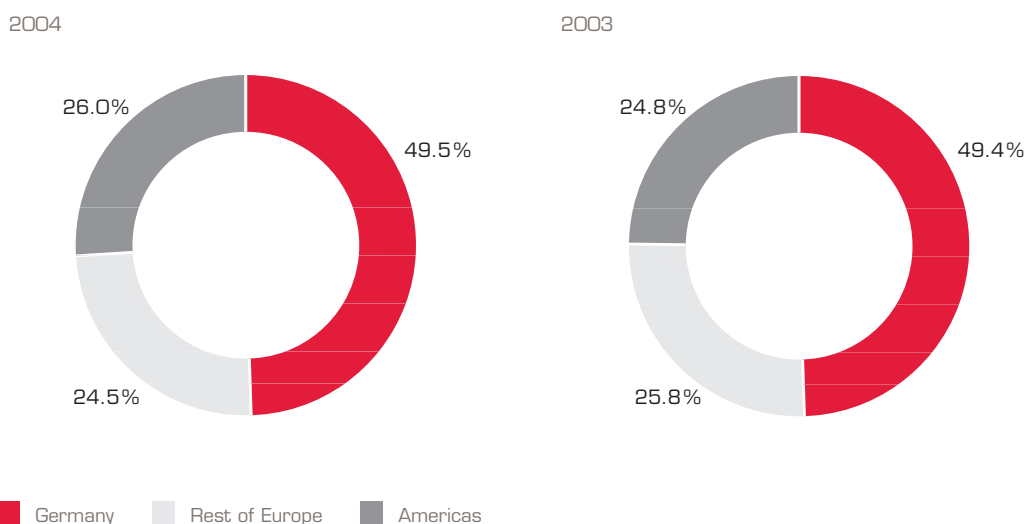
At MEUR 131.0, revenues for fiscal year 2004 are around 1.3 percent below the comparative prior-year figure net of exchange rate effects. Revenues varied in the different sales regions: revenues in Germany (MEUR 64.9) and the rest of Europe (MEUR 32.1) are down 1.4 percent and 6.1 percent on the comparative prior-year figures net of exchange rate effects. By contrast, revenues in the Americas rose by 3.3 percent (MEUR 34.0) in comparison to the comparative prior-year figure net of exchange rate effects.

Broken down as a percentage of total revenues of the itelligence Group, Germany accounted for around 49.5 percent (prior year: 49.4 percent), the rest of Europe around 24.5 percent (prior year: 25.8 percent) and the Americas around 26.0 percent (prior year: 24.8 percent).

Around 59.6 percent (prior year: 67.1 percent) of total revenues was generated by the sales segment Consulting, which represents a decrease of around 12 percent on the comparative prior-year figure net of exchange rate effects. The sales segment Licenses accounts for around 12.8 percent (prior year: 11.0 percent) of total revenues, representing an increase of 15.1 percent in the fiscal year on the comparative prior-year figure net of exchange rate effects.

The sales segment Outsourcing & Services contributed around 27.0 percent (prior year: 21.5 percent) to total revenues, representing an increase of 24.2 percent on the comparative prior-year figure net of exchange rate effects.

The steady increase in demand for application hosting services which set in in the past fiscal year and continued in 2004 led to growth of around 38.6 percent in revenues while the services segment reported an increase of around 15.3 percent.



Revenues by Sales Region:

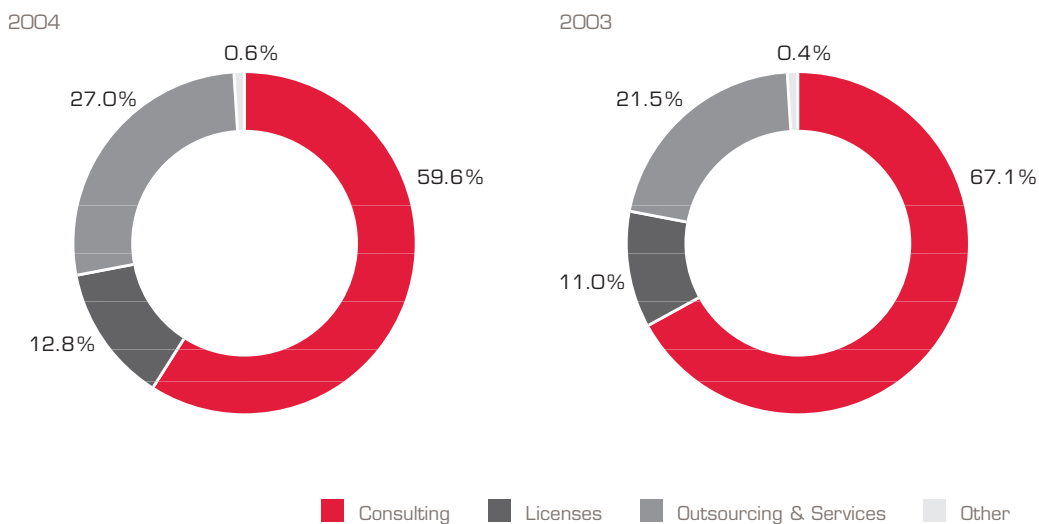
Although growth was mainly organic, smaller asset deals in Germany and the United States also fuelled this development. Performance was bolstered in both sales regions by the assumption of customer contracts and other assets.

In Germany, we also strengthened our consulting expertise in the integration of complementary SAP solutions by increasing the number of Lotus Notes consultants by taking over employees and assets from the company Wirth.

The fourth quarter, traditionally the quarter with the strongest revenues, was positive in 2004, reflecting the upward trend in the market and industry. At MEUR 35.2, total revenues in the fourth quarter were up 12 percent on third quarter but down 3.3 percent on the comparative prior-year figure net of exchange rate effects. Broken down by sales region, revenues in Germany rose by 0.4 percent on the comparative prior-year quarter net of exchange rate effects, while a 16.6 percent drop was reported for the rest of Europe. Revenues in the Americas increa-

sed by 5.5 percent on the comparative prior-year quarter net of exchange rate effects. In terms of total revenues for the last quarter, Germany contributed 51.4 percent, the rest of Europe 24.4 percent and the Americas 24.2 percent.

This shows that revenues from the sales segment Consulting, at MEUR 19.1, are around 16 percent below the comparative prior-year figure net of exchange rate effects. This fall is mainly due to project postponements and intermissions in the United States, which were requested by customers in some cases in connection with the implementation of the Sarbanes-Oxley Act. Consulting revenues also fell short of the prior-year quarter in the other regions. In Germany, for example, the prior-year quarter in the Consulting segment was shaped by major roll-outs at year-end. The Licenses segment performed particularly well in the fourth quarter of 2004. At MEUR 6.8, License revenues jumped by a considerable 30.8 percent in comparison to the comparative prior-year quarter net of exchange rate effects.



Revenues by Segment:

	Revenues	EBIT	EBIT margin
2003 incl. discontinued operations	150.8	-7.5	-5.0%
Closed and discontinued operations	-14.5	7.7	
Restructuring expenses		4.7	
Exchange rate effects	-3.5	-0.2	
Operating changes	-1.8	1.2	
2004	131.0	5.9	4.5%

At MEUR 9.1, Outsourcing & Services revenues also grew by 8.3 percent in comparison to the comparative prior-year quarter net of exchange rate effects.

At around MEUR 84.7, the itelligence Group's orders on hand as of December 31, 2004 stood at the same level as in the prior three quarters. In comparison to the orders on hand at the end of 2003, this represents an increase of 13 percent.

Overview of Earnings

With EBIT at MEUR 5.9 and an EBIT margin of 4.5 percent, the earnings situation of the itelligence Group improved considerably in fiscal year 2004. In comparison to the prior year including discontinued operations, EBIT increased by MEUR 13.4 in absolute terms. This is testimony to the successful turnaround of the itelligence Group and effectiveness of the measures implemented.

The sales base decreased by MEUR 14.5 owing to the sale and closure of loss-making areas as part of the Group's restructuring and realignment in 2003. As a result of this, EBIT improved by MEUR 7.7 in comparison to the disclosure taking

the discontinued operations into account. The absence of restructuring expenses disclosed in the remaining areas in 2003 contributed an additional MEUR 4.7 to earnings in fiscal year 2004.

The change in exchange rate effects over 2003 reduced revenues by MEUR 3.5 and EBIT by MEUR 0.2. This translates into a decrease in operating revenues of MEUR 1.8 (down 1.3 percent) and an increase in operating EBIT of around MEUR 1.2 in comparison to the comparative prior-year figures net of exchange rate effects.

Differentiated by region, operating earnings improved year-on-year by MEUR 1.3 in Germany and by MEUR 0.6 in the rest of Europe but deteriorated by MEUR 0.7 in the Americas.

The improved operating EBIT in Germany is largely attributable to a reduction in overheads, while the deterioration in the Americas can be chiefly attributed to increase selling expenses and a weaker gross margin in Consulting. With regard to the rest of Europe, the effective utilization of consultants was improved in western Europe and overheads were reduced as a result of the adjustment measures initiated in 2003. By contrast, the gross margins in Consulting decreased in eastern

Europe due to a year-on-year reduction in overall effective utilization. However, the development of the individual subsidiaries in this sales region varied considerably.

Overall, the shifts in the revenue mix, i.e. higher increase in revenues in the segments coupled with higher gross margins, had a positive effect on earnings. Despite the 1.3 percent dip in revenues year-on-year net of exchange rate effects, operating EBIT improved by MEUR 1.2.

Overall, Germany contributed MEUR 2.8 towards consolidated EBIT (EBIT margin: 4.3 percent, comparable prior-year figure including restructuring expenses: MEUR -1.9), the rest of Europe MEUR 1.1 (EBIT margin: 3.2 percent, comparable prior-year figure including restructuring expenses: MEUR -0.5) and the Americas MEUR 2.0 (EBIT margin: 5.9 percent, comparable prior-year figure including restructuring expenses: MEUR 2.4).

In Consulting, the gross margin was negatively influenced by a disproportionate increase in the cost of using external consultants. The cost of using external consultants increased by around 33 percent or by MEUR 2.7 in absolute terms. In comparison to the comparative prior-year figure, personnel expenses were cut by around 13 percent or MEUR 9.8 in absolute terms.

The cost of materials rose by around 14.2 percent or MEUR 2.8 in absolute terms due to the increased business volume in Licenses and Outsourcing & Services.

Other operating expenses were reduced by a further MEUR 1.4 year-on-year due to the absence of restructuring expenses in 2003 of MEUR 4.7.

In accordance with IAS 36, goodwill is tested for impairment once a year or more often when there are indications of impairment.

itelligence conducted the annual impairment test in the third quarter of 2004. This gave rise to an

impairment loss of MEUR 0.2. The impairment loss of MEUR 0.2 on goodwill is connected with the retention bonus agreed with the former shareholders in the purchase agreement for Sapryma. The claim arose as of September 30, 2004 and subsequently increased the acquisition cost but was immediately written off due to the impairment loss on the carrying amount of the Spanish company recognized in 2003.

With regard to the fourth quarter, itelligence achieved revenues of MEUR 35.2 and EBIT of MEUR 1.8. This represents an EBIT margin of 5.1 percent. Sales are some 3.3 percent lower than the comparative quarterly figure for the prior year of MEUR 36.4 net of exchange rate effects. EBIT rose to around 5.1 percent in the fourth quarter, up slightly on the comparative prior-year figure (4.4 percent). This is chiefly attributable to the positive shift in the revenue mix. A stronger increase in profitability could not be achieved due to the fall in the effective utilization of consultants coupled with the high usage of external consultants. This can be partly attributed to short-term project intermissions and postponements by our customers in the Americas in the fourth quarter of 2004 in connection with the adjustments necessary for compliance with the Sarbanes-Oxley Act. In the rest of Europe, License and Consulting revenues were around 18.6 percent below the prior-year quarter net of exchange rate effects which led to a dip in the earnings contribution, in particular in eastern Europe. Earnings in Germany rose substantially again due to high License revenues with revenues at the prior-year level.

In comparison to the third quarter, total revenues of the itelligence Group were up by around 12 percent. Despite the positive development from the revenue mix in comparison to the third quarter of 2004, the overall margin only improved from 3.8 percent to 5.1 percent due to lower Consulting revenues in the fourth quarter.

Cost to Revenue Ratios

Despite the positive development of the revenue mix, the gross margin fell from 26.2 percent in the third quarter to 26.0 percent due to the lower effective utilization of consultants. Nonetheless, the gross margin for the year as a whole came to 26.9 percent.

At 8.2 percent, selling and marketing expenses expressed as a percentage of revenues were up slightly on the third quarter (7.6 percent) and thus also came to 8.2 percent for the year as a whole. At 12.3 percent, administrative expenses expressed as a percentage of revenues were down on the prior quarter (14.4 percent) due to the increased volume and lower absolute costs. As a result, the ratio of administrative expenses to revenues decreased to 14.1 for 2004 as a whole (prior year: 18.8 percent). The financial result was also encouraging and contributed MEUR 0.3 to revenues in the fourth quarter due to a reduction in borrowing costs and the one-off measurement of the derivative in connection with the issue of a convertible bond. As a result, we disclose EBT of MEUR 2.1 (6.0 percent of revenues) in the fourth quarter. EBT for the entire year stands at MEUR 5.4 (4.1 percent of revenues).

Taxes as a percentage of revenues came to 31.3 percent in the fourth quarter and 36.4 percent for the year as a whole. Consolidated earnings of MEUR 1.4 were achieved in the fourth quarter (4.1 percent of revenues). Consolidated earnings for fiscal year 2004 stand at MEUR 3.4 (2.6 percent of revenues).

As a result, consolidated earnings were up substantially by MEUR 13.3 on the prior year. Earnings per share rose by EUR 0.75 from EUR -0.59 to EUR 0.16.

Balance Sheet Structure, Investments and Liquidity

The balance sheet total of itelligence in fiscal year 2004 rose by MEUR 2.2 to MEUR 64.9. On the

liabilities side of the balance sheet, non-current liabilities increased by MEUR 1.6 net. This is largely attributable to the issue of a convertible bond and the redemption of long-term borrowings. By contrast, short-term borrowings were reduced by around MEUR 9.7. This is chiefly attributable to the reduced utilization of credit lines and a reduction in liabilities in connection with the discontinued operations. Equity rose by MEUR 10.2 to MEUR 21.2 due to the substantial improvement in operating performance and the capital increase implemented. The equity ratio increased by 15 percentage points from 18 percent to 33 percent. The ratio of interest-bearing liabilities was reduced by 6 percentage points year-on-year to 20 percent.

On the assets side, non-current assets decreased by around MEUR 1.3, mainly as a result of the redemption of long-term time deposits and lower capital expenditure. By contrast, current assets increased by around MEUR 3.5. This is largely due to an increase of MEUR 8.0 in cash and cash equivalents and a decrease in current assets held in connection with the discontinued operations. Trade receivables were down MEUR 1.1 on the prior year although the ratio of days sales outstanding (DSO) increased slightly by three days in comparison to the prior year. However, in comparison to the prior quarter, the ratio of DSO was shortened by one day and came to 58 days group-wide at year-end.

The performance of the cash flow was particularly encouraging. In the fourth quarter, the cash flows from operating activities improved by MEUR 6.7. The cash flows from operating activities for the entire year came to MEUR 7.3. A positive cash flow was achieved despite an outflow of MEUR 2.3 in connection with restructuring effects which were already taken into account in the financial statements for 2003.

Outflows from investing activities came to MEUR 4.2, of which MEUR 1.6 relates to discontinued operations. Capital expenditure and investments in IT software came to around

MEUR 2.7, around MEUR 0.8 below the prior-year level. Investments in 2004 were mainly made to develop the Outsourcing & Services segment and in usual replacements.

The free cash flow in fiscal year 2004 came to MEUR 3.0 (prior year: MEUR 2.3), around 32.5 percent up on the prior year.

The cash flows from financing activities amount to MEUR 5.1, and mainly comprise net inflows of around MEUR 6.2 from the capital increase in April 2004 and the placement of a convertible bond of around MEUR 5.7 in November 2004. Liabilities to banks were reduced by around MEUR 6.8 in the fiscal year and long-term borrowings by MEUR 1.2.

Overall, cash and cash equivalents increased by MEUR 8.0 in fiscal year 2004.

Financing

The capital increase and the inflow of around MEUR 6.2 laid a solid basis for itelligence's equity ratio and liquidity situation. The placement of a convertible bond and the inflow of MEUR 5.7 also substantially improved the Company's borrowings situation in terms of maturity and the creation of addition financing scope. Thanks to these measures and the positive development of the cash flows from operating activities, itelligence was able to terminate all short-term credit lines in Germany in December 2004, free up the collateral and negotiate improved conditions for the newly granted lines.

In Poland, the financing of the building was renegotiated at improved conditions. In the United States, itelligence is continuing to work closely with the Fifth Third Bank. In this regard, a short-term credit line of MUS\$ 2.5 has been granted until mid-2005. As our US subsidiaries are chiefly financed from operating cash flows, and the credit lines, as in Germany, are only utilized to cover financing bottlenecks, we are confident that these credit lines will be extended.

According to the budgetary planning, the operating business has adequate financing for 2005. Cash and cash equivalents have increased from MEUR 7.5 to MEUR 15.5.

Business Performance in the Sales Regions

Germany

Performance in Germany in fiscal year 2004 was shaped by the effects of major roll-outs at the end of 2003. As a result, the level of effective utilization of consultants was very good in the first quarter of 2004. The postponement and intermission of major follow-up projects led to a decrease in Consulting revenues in the second quarter of 2004. The third quarter was characterized by increased sales activities. The holiday periods of the largest federal states, which ran almost parallel, saw Consulting revenues dip considerably, in particular in August. A considerable increase in the effective utilization of consultants was achieved again in the fourth quarter. License revenues were up 44 percent on the comparative prior-year quarter as a result of stepped-up sales activities in the third quarter.

Demand for outsourcing services remained encouraging, with revenues in Germany up by 55.1 percent on the comparative prior-year figure. Services revenues increased by 17.5 percent on the back of high license sales in the fourth quarter of the prior year. License revenues rose by 22.7 percent against the comparative prior-year period. Overall, revenues in Germany fell by around 1.4 percent against the comparative prior-year period. By contrast, earnings increased. Germany's contribution to EBIT increased by MEUR 4.7 against the comparative prior year and accounted for MEUR 2.8 of consolidated earnings in fiscal year 2004.

itelligence was showcased as an IT full-service provider for SAP at CeBIT 2004 and as one of SAP's biggest midmarket partners at SYSTEMS in Munich in October. A key objective at the

trade fair was to present itelligence's industry solutions for the midmarket. itelligence presented the new midmarket program, "it.compact", with over 40 tailor-made fixed price offers at SYSTEMS. The program includes solutions in the SAP field: in addition to SAP add-ons developed by itelligence for the midmarket, the program includes consulting services and products in the areas of human resources, support and logistics. In this context, itelligence is catering to one of the market's prime requirements: customizable packages to optimize SAP systems offered at a defined price. Furthermore, "it.compact" enables midmarket companies to implement current topics such as business warehouse, product life cycle management or CRM in the SAP environment.

Rest of Europe

Business performance in western and eastern Europe varied. While revenues in western Europe were down by around 13 percent on the comparative prior-year revenues net of exchange rate effects, revenues in eastern Europe increased by around 4.8 percent.

Around 4.9 percent of the year-on-year decrease in western Europe net of exchange rate effects can be attributed to structural adjustments in the UK and Spain in fiscal year 2003. These related to the adjustment of personnel capacities in the UK and Spain in line with the Group's restructuring and realignment in an effort to ensure sustainable profitability in these countries. The earnings contribution made by these two countries increased by MEUR 1.5 year-on-year. Operating performance in western Europe was only down on the comparative prior-year period net of exchange rate effects in Belgium and Austria while the level of revenues in the other countries was either matched or increased slightly. Business performance in Switzerland was particularly encouraging, with revenues up slightly and earnings contribution up considerably by around 30 percent.

Revenues in eastern Europe, especially in Poland, the Czech Republic and Slovakia, were up on the comparative prior-year figures net of exchange rate effects while revenues in Slovenia, Hungary and the Ukraine declined. Revenues matched the prior-year level in Russia.

In the sales segments, Consulting in the rest of Europe was down by around 10.1 percent on the comparative prior-year figure net of exchange rate effects while revenues from the sales segments Licenses and Outsourcing & Services were up 20 percent and 8.6 percent, respectively, on the prior year.

Overall, the earnings contribution was up by around MEUR 1.5 on the comparative prior-year to around MEUR 1.1.

Americas

Revenues in the first quarter were up 16.8 percent on the prior-year quarter net of exchange rate effects in the United States. Revenues were initially particularly high in Consulting and Licenses. The increase in Consulting revenues in the second and third quarters resulted in a significant increase in the use of external consultants with lower contribution margins.

Despite the improved revenue mix, i.e. increase in Outsourcing & Service and License revenues, project postponements and delays in awarding major consulting contracts in the fourth quarter dampened the earnings contribution, with the EBIT margin down by around 1 percent year-on-year to 5.9 percent. Overall, total revenues in the United States grew by a marginal 3.3 percent in comparison to the prior year net of exchange rate effects.

In the sales segments, Consulting revenues for the entire year fell by around 2.7 percent in comparison to the prior year net of exchange rate effects due to the weaknesses in the fourth quarter.

License and Outsourcing & Services revenues grew by 4.6 percent and 16.7 percent, respectively. The Licenses segment performed particularly well in the fourth quarter, with revenues, similar to Germany, up by around 40 percent on the prior-year quarter net of exchange rate effects. Overall, the United States contributed MEUR 2.0 to consolidated EBIT in fiscal year 2004.

The North American branch of itelligence expanded its sales region by four states: Minnesota, North Dakota, South Dakota and Nebraska. As a leading SAP reseller for small and midmarket companies, itelligence is now represented in 21 states. The US team will also be able to demonstrate its SAP experience and expertise in these states. Furthermore, itelligence's profound industry expertise in small and midmarket companies will enable it to sell and implement its proprietary industry solutions in all 50 US states.

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

itelligence AG, as the principal company, holds the shares in the subsidiaries and associates in Germany and abroad.

In the last few years, the separate financial statements of itelligence AG were largely shaped by write-downs on investments and loss absorptions. A positive earnings contribution of MEUR 3.8 was recorded for the first time this year due to dividend distributions and profit transfers. Loans to subsidiaries were written down by MEUR 1.6. A substantial amount of these write-downs relates to our subsidiary in Austria.

In addition to central corporate functions, all consulting and selling activities for the German market are carried out by itelligence AG. Within the scope of the Group's restructuring, a manage-

ment team was set up within itelligence AG to support the marketing and selling activities of our foreign subsidiaries. This management team focuses on the use of synergies as a means of increasing the profitability of the itelligence Group. Costs of MEUR 1.3 were allocated to the subsidiaries concerned for services rendered.

Under HGB, itelligence's total operating performance comes to MEUR 57.8 (prior year: MEUR 67.9). The operating result under HGB increased by 73 percent to MEUR -4.0 (prior year: MEUR -14.7). Net loss under HGB is MEUR 0.3 compared to a net loss of MEUR 10.1 in 2003.

The equity of itelligence AG is disclosed at MEUR 20.4 compared to MEUR 13.7 in the prior year. The equity ratio increased to 38 percent as a result of the capital increase (prior year: 27 percent).

On March 11, 2004, the Management Board of itelligence, with the approval of the Supervisory Board, resolved to implement a cash capital increase with subscription rights. In accordance with Art. 5 (5) of the articles of incorporation, itelligence made use of the authorized capital and increased the capital stock from EUR 18,448,321 to EUR 22,287,535.

On November 8, 2004, the Management Board of itelligence AG, with the approval of the Supervisory Board, resolved to issue a convertible bond with a nominal value of MEUR 6. The convertible bond was issued preserving the shareholders' subscription rights on the basis of the authorization of the general shareholders' meeting on May 27, 2004. The convertible bond 2004/2009 was successfully placed with the shareholders of itelligence and institutional investors in Germany and abroad. A total of 60,000 convertible bonds with a nominal value of EUR 100.00 each were issued at an issue price of 100 percent nominal.

itelligence Employees

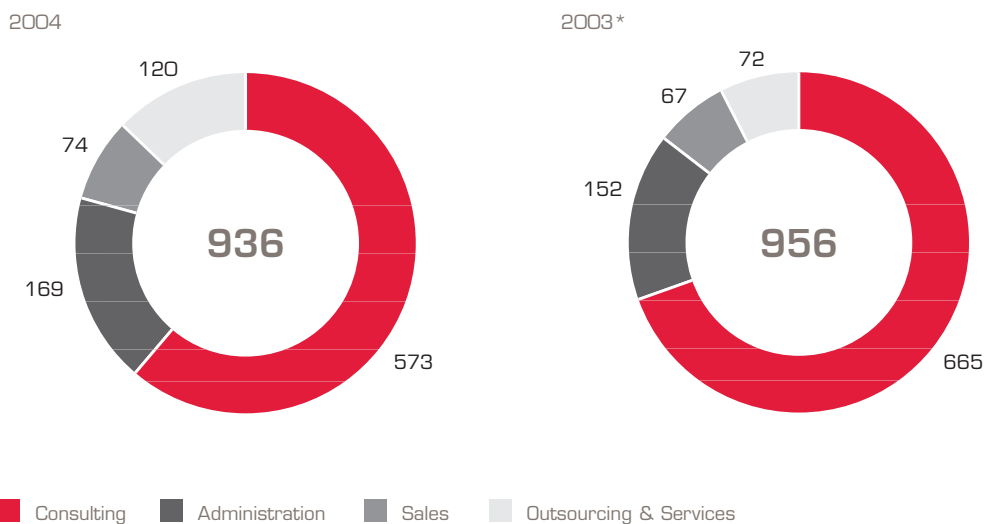
As of December 31, 2004, the Group employed 936 persons, of which 488 were employed in Germany (December 31, 2003: 507) and 448 abroad (December 31, 2003: 449). The comparative prior-year figures have been adjusted for sold and closed operations (discontinued operations). The number of employees is thus down 2.1 percent at year-end and 8.9 percent on an annual average in comparison to the prior-year values. Personnel expenses decreased by around 13 percent against the comparative prior-year period.

In fiscal year 2004, the focus of human resources management was on the establishment of targeted staff development based on restructured personnel appraisal frameworks. The aim of these measures is to implement a skills training program linked to the employee's position which takes both the professional and personal needs of the employee as well as corporate goals/guidelines into account. The focus of personnel development lies in management and corporate deve-

lopment. In addition, the professional expertise of our employees will be enhanced by training sessions and workshops. Besides basic topics, we will focus in particular on innovative topics covering all aspects of SAP Netweaver with comprehensive components such as Business Intelligence, Enterprise Portals, Exchange Infrastructure and SAP Mobile Infrastructure.

In order to improve internal communication, engender feelings of corporate identity and build on knowledge networks, employee days will be introduced in several regions. An initiative to foster knowledge sharing within the itelligence network has thus been realized together with the employees in Germany. This network will enable faster access to knowledge leaders in the Company. As in other areas, greater use will also be made here of the synergies offered by our international presence. This and the personnel development framework represent the core focus of our personnel strategy for 2005.

The professional, methodical and personnel competencies of our employees are key to



Employees as of December 31:

* net of discontinued and closed operations

as of December 31	2004	2003	closed and discontinued operations	adjusted 2003
Germany	488	593	86	507
Western Europe	133	179	26	153
Eastern Europe	167	157	0	157
United States	148	139	0	139
Total	936	1,068	112	956
Average	943	1,232		1,035

intelligence's success. The fostering of these competencies is becoming increasingly important in terms of sustaining our competitive advantage.

Change in the Company's Supervisory Board

The members of the Supervisory Board were appointed at the general shareholders' meeting in May 2004. The shareholders appointed Erwin Gunst, president of EMEA NEWS at SAP, and Fritz Fleischmann, head of central European operations at Adobe Systems GmbH, to the Supervisory Board. Hans-Holger Lamb retired from the Supervisory Board effective as of March 31, 2004. Wolfgang Schmidt also retired from the Supervisory Board with effect as of the end of the general shareholders' meeting on May 27, 2004. Prof. Dr. Karl Peter Grottemeyer was appointed as a substitute member of the Supervisory Board during the period from April 1, 2004 to May 27, 2004.

Risk Report

As an international IT full-service provider for SAP, intelligence is exposed to general business

risks and industry-specific risks. The astute control of risks and rewards is an integral part of management within the intelligence Group. The early warning system for the detection of risk and the risk management system are based on a number of cornerstones which are integrated into the managerial and structural organization.

Regular monthly and weekly status reports on the management and in particular sales activities of the individual business divisions are an integral part of the system. New developments and, if necessary, corrective action are discussed and followed up by management on a regular basis.

Project managers are made aware of potential risks during project management training sessions. The management duties of project managers also include the integration of employees in the risk management system. In addition, the risk potential of projects is examined and reported on separately in regular meetings. Dedicated project quality assurance processes were improved in some subsidiaries in the fiscal year which detect problems early on in the project execution phase and thus enable corrective action to be taken at an early stage.

The half-yearly business review meetings established in 2004 with the management of the respective regions are used to further underpin the risk management system.

In addition, group-wide authorization levels were established in fiscal year 2004 which define levels of escalation and the corresponding reporting duties required based on the risk class of the specific business processes. Standardized reporting and disclosure structures are designed to support the systematic consideration of risks and risk control.

The main risks which we are currently aware of and which could affect the performance of itelligence over the next few years are summarized below. However, there is no guarantee that that all risks have been identified and counteracted. Some of the risks are not within itelligence's control.

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

Financing, Liquidity and Equity Base

The itelligence Group has a solid equity base following the two successfully implemented capital increases. Liquidity was boosted, among other things, by the issue of a convertible bond such that the Group has adequate cash and cash equivalents to finance the planned operating activities.

The Company has been provided with working capital credit lines in Germany and abroad for 2005. These will increase the Company's short-term financial scope without tying up collateral. Agreements on long-term borrowings for investments in Outsourcing have already been approved and cover investments for the years 2005 to 2006.

SAP Partnership

Collaboration with SAP has been intensified in connection with the clear strategic reorientation of itelligence toward SAP services. In this context, itelligence was honored by SAP on several occasions in 2004 as being one of its most successful midmarket partners in 2004 and became one of six companies to have been awarded the status of Global Hosting Partner. However, our close ties to SAP and, consequently, our dependency on SAP's strategic decisions may have an impact on itelligence's revenues and earnings. SAP's current sales concept does not involve SAP selling its own products to the midmarket in most countries, but instead having independent system houses market them and advise customers on them. If SAP were 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 further into this customer segment with the help of development and sales initiatives. One of itelligence's 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 revenues 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. Although the effect on earnings from exchange rate risks is limited as the costs incurred from rendering services are in the same currency as the revenues generated by the services, the effects on revenues and earnings may lead to deviations from the planning.

Risk of Default

The risk of default is countered by credit checks and strict debtor management. In addition, the Company covers risks by charging specific bad debt allowances on accounts receivables that are overdue at particular intervals. A trade credit insurance policy was concluded in Germany to further hedge 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 staff 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.

Damage and Liability Risks

To minimize damage 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 general management risks. An improved management and control system was developed and implemented in 2004 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 noticeable upturn in businesses investing in IT services as of the second quarter of 2005. However, prices are not due to increase as customers are still highly sensitive to prices. On the other hand, selling expenses are not expected to decrease due to the increasing demands being placed on IT providers by customers.

As in fiscal year 2004, we expect demand for application hosting services to remain high. Targeted market cultivation by SAP and its partners in the midmarket is expected to further increase the penetration of SAP products in the midmarket.

With our excellent position in this market segment, we are confident that itelligence will capture an above-average share in this growth. A key success factor for itelligence will be its ability to sustain its competitive edge. Emphasis will be placed in particular on strategic human resource management, the targeted expansion of Outsourcing & Services and on strengthening our industry and process expertise in developing specially tailored (sub) industry solutions using the synergies offered by our international presence. Measures to implement these objectives have already been initiated.

Against this background, the Management Board confirms the expectations announced in November 2004 for fiscal year 2005. We expect revenues to increase organically by between 5 and 8 percent against fiscal year 2004 and to gain market shares. In this context, we forecast revenues of between MEUR 138 and MEUR 142, and expect the EBIT margin to increase by between 1.5 percent points and 2.5 percent points on 2004. EBIT profitability in fiscal year 2005 is thus expected to range between 6 percent and 7 percent.

itelligence AG

Bielefeld, February 25, 2005

The Management Board

Consolidated IFRS Balance Sheets as of December 31, 2004 and 2003

Assets	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Non-current assets		
IT software ¹²	783	967
Goodwill ¹³	12,782	12,867
Property, plant and equipment, net ¹⁴	9,902	10,271
Financial assets ¹⁵	68	606
Deferred tax assets ¹⁶	473	281
Other receivables and assets ¹⁷	1,503	1,861
Total non-current assets	25,511	26,853
Current assets		
Inventories	197	350
Trade receivables ¹⁸	21,209	22,294
Other receivables and assets ¹⁹	1,347	3,181
Cash and cash equivalents ²⁰	15,530	7,526
Assets held for sale ¹¹	0	1,675
Prepaid expenses	1,103	830
Total current assets	39,386	35,856
Total assets	64,897	62,709

Equity and liabilities	Dec 31, 2004 KEUR	Dec 31, 2003 KEUR
Equity		
Subscribed capital ²¹	22,288	18,448
Capital reserve ²²	23,750	20,549
Accumulated loss	-22,647	-26,074
Other comprehensive income ²³	-2,480	-2,268
Minority interests	333	331
Total equity	21,244	10,986
Non-current liabilities		
Long-term borrowings ²⁴	4,429	7,907
Convertible bonds ²⁵	5,379	509
Deferred tax liabilities ¹⁶	606	386
Pension provisions ²⁶	134	124
Total non-current liabilities	10,548	8,926
Current liabilities		
Trade payables ²⁷	8,665	9,229
Other liabilities ²⁸	16,297	18,156
Current financial liabilities	1	5,580
Current portion of interest-bearing borrowings ²⁴	3,378	2,481
Tax provisions	869	697
Other provisions ²⁹	1,977	2,242
Liabilities held for sale	0	2,008
Investment grant	919	1,110
Deferred income	999	1,294
Total current liabilities	33,105	42,797
Total equity and liabilities	64,897	62,709

Consolidated IFRS Income Statements for the Periods Jan. 1 to Dec. 31, 2004 and 2003

	Jan. 1 to Dec. 31, 2004	Jan. 1 to Dec. 31, 2003
	KEUR	KEUR
(all figures in KEUR except for the number of shares and earnings per share)		
Revenues ¹	131,045	145,591
Cost of sales ²	-95,806	-108,315
Gross profit	35,239	37,276
Operating expenses		
Marketing and selling expenses ³	-10,689	-12,014
Administrative expenses ⁴	-18,481	-27,370
Goodwill impairment ⁵	-200	-1,467
Other operating expenses and income, net ⁶	19	-165
Total operating expenses	-29,351	-41,016
Operating profit/loss	5,888	-3,740
Other income/expenses		
Investment income ⁷	8	16
Measurement of derivative ³⁰	407	0
Exchange differences from financing activities	290	-431
Gain from the disposal of financial assets	9	0
Interest income/expenses, net ⁸	-1,192	-1,329
Other income/expenses	-478	-1,744
Earnings before taxes and discontinued operations	5,410	-5,484
Income taxes ⁹	-1,969	-1,069
Net profit/loss before discontinued operations	3,441	-6,553
Minority interests in profit/loss	-14	12
Parent company's interest in profit/loss	3,427	-6,541
Discontinuing operations ¹¹		
Net loss from discontinuing operations	0	-3,479
Effect from income taxes	0	-16
Result from discontinuing operations	0	-3,495
Minority interests in loss	0	202
Parent company's interest in loss	0	-3,293
Parent company's interest in profit/loss	3,427	-9,834
Earnings per share in EUR – basic ¹⁰		
on net profit/loss before discontinued operations	0.16	-0.39
on net loss from discontinued operations	0.00	-0.20
on net profit/loss	0.16	-0.59
Earnings per share in EUR – diluted		
on net profit/loss before discontinued operations	0.16	-
on net loss from discontinued operations	0.00	-
on net profit/loss	0.16	-
Number of shares used in the calculation of earnings per share:		
– basic	21,167,764	16,780,519
– diluted	21,733,492	-

Consolidated IFRS Cash Flow Statements for the Periods Jan. 1 to Dec. 31, 2004 and 2003

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Cash flows from operating activities		
Net profit/loss for the period	3,427	-9,834
Adjustments to net profit/loss for the period		
Net loss from discontinued operations	0	3,293
Depreciation/amortization on property, plant and equipment and IT software	3,375	3,184
Impairment losses	200	1,467
Gains from the disposal of financial assets	-9	0
Gains/losses from the disposal of non-current assets	150	-173
Changes in assets and liabilities		
Decrease/Increase in trade receivables	1,085	9,541
Decrease/Increase in inventories	153	1,606
Decrease/Increase in other current assets	77	-1,472
Decrease/Increase in trade payables	-564	617
Decrease/Increase in pension provisions	10	-3
Decrease/Increase in other current liabilities and provisions	-954	1,613
Decrease/Increase in deferred taxes	313	-326
Change in minority interests	14	-10
Net cash from operating activities	7,277	9,503
Cash flows from investing activities		
Cash received from/paid for the disposal of discontinued operations, net	0	-745
Outflow cash for discontinued operations	-1,633	-2,813
Capital expenditure and investments in IT software	-2,691	-3,522
Cash received from the disposal of property, plant and equipment and intangible assets	85	228
Cash received from the disposal of financial assets	593	0
Earn-out purchase price payments for investments made	-582	-349
Net cash used in investing activities	-4,228	-7,201
Cash flows from financing activities		
Cash received from the capital increase, net	6,239	2,458
Dividend payments to minority interests	0	-44
Redemption on convertible and warrant-linked bonds	-205	-48
Cash received from the issue of a convertible bond, net	5,748	0
Cash received from long-term deposits	1,296	344
Redemption of current bank liabilities	-5,579	-3,407
Raising of bank loans	180	1,000
Redemption of bank loans	-1,399	-1,500
Raising of long-term borrowings	527	85
Redemption of long-term borrowings	-1,756	-90
Net cash used in financing activities	5,051	-1,202
Effects from foreign exchange differences	-96	447
Net increase in cash and cash equivalents	8,004	1,547
Cash and cash equivalents at the beginning of the period	7,526	5,979
Cash and cash equivalents at the end of the period	15,530	7,526
Composition of cash and cash equivalents at the end of the period		
Cash on hand and bank balances	15,530	7,526
Interest received	221	192
Interest paid	1,378	1,534
Income taxes paid	1,101	1,378

Consolidated IFRS Statements of Changes in Equity as of Dec. 31, 2004 and 2003

	Number of shares	Subscribed capital KEUR	Capital reserve KEUR	Accu- mulated loss KEUR	Other Comprehen- sive income KEUR	Minority interests KEUR	Total equity KEUR
December 31, 2002	16,771,202	16,771	19,768	-16,240	-533	710	20,476
Net loss for the period				-9,834		-214	-10,048
Capital increase	1,677,119	1,677	781				2,458
Foreign currency differences					-1,695		-1,695
Change in minority interests						-165	-165
Write-down of securities to the lower of cost or market					-40		-40
December 31, 2003	18,448,321	18,448	20,549	-26,074	-2,268	331	10,986
Net profit for the period				3,427		14	3,441
Capital increase	3,839,214	3,839	2,683				6,522
Equity derivate			518				518
Foreign currency differences					-252		-252
Change in minority interests						-12	-12
Effect from the sale of securities					40		40
December 31, 2004	22,287,535	22,288	23,750	-22,647	-2,480	333	21,244

Notes to the Consolidated Financial Statements

General

itelligence AG (hereinafter also referred to as the "Company", "itelligence" and the "Group") was formed in May 2000 by a non-cash contribution. The Company has its registered office in Königsbreede 1, 33605 Bielefeld. Under the merger agreement signed in May 2000, the principal shareholders of SVC AG, Schmidt Vogel Consulting, Bielefeld, and the shareholders of APCON AG, Hamburg, subscribed to approx. 45 percent and approx. 55 percent, respectively, of the Company's shares.

As a leading international full-service provider for SAP, itelligence's services range from SAP consulting and licensing through to outsourcing & services and proprietary SAP industry solutions.

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

Accounting

The consolidated financial statements of itelligence AG as of December 31, 2004 were prepared for the first time in accordance with the International Financial Reporting Standards (IFRSs) formulated by the International Accounting Standards Board (IASB).

All International Accounting Standards (IASs), IFRSs, interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC) that were mandatory for fiscal year 2004 were considered. In addition, the Company opted for early adoption of various accounting standards published by the IASB that were not mandatory for fiscal year 2004. Reference is made to the section on "New Accounting Standards".

To improve the clarity of the presentation, various items of the balance sheet and income statement have been combined. These items are shown separately and explained in these notes to the consolidated financial statements.

The conditions pursuant to Sec. 292a of the German Commercial Code (HGB) required for the Company's exemption from its obligation to prepare consolidated financial statements in accordance with German law have been satisfied. Compliance with these requirements is assessed on the basis of German Accounting Standard 1 (GAS 1), "Exempting Consolidated Financial Statements in Accordance with Sec. 292a HGB" issued by the German Accounting Standards Committee (GASC). The consolidated financial statements are in compliance with the 7th EC Directive according to the interpretation set out by the German Accounting Standards Committee (GASB). All disclosures and explanations required above and beyond the provisions of the IASB have been provided to ensure that the consolidated financial statements are equivalent to consolidated accounts prepared in accordance with the German Commercial Code.

Major differences compared to German accounting standards as embodied in the HGB relate to the following items in the financial statements of itelligence:

- Revenues are recognized using the stage-of-completion method pursuant to IAS 18.
- Pension provisions are measured on the basis of the projected unit credit method prescribed by IAS 19 for defined benefit plans.
- The directly allocable costs of a capital increase are deducted from the capital reserve in accordance with SIC-17.
- Other provisions and liabilities are recognized in accordance with IAS 37. Differences exist both in terms of classification and recognition.
- In accordance with IAS 32, convertible bonds which contain both a liability and an equity element are separated into two components on initial issuance based on the fair value and each is accounted for separately.
- In accordance with IAS 36, acquired goodwill is tested for impairment once a year or more often when there are indications of impairment. Goodwill is only written down if it is impaired.

The combined management report for the consolidated and separate financial statements was prepared in accordance with the provisions of Sec. 315 HGB.

In accordance with International Financial Reporting Standard (IFRS) 5, all amounts and disclosures were adjusted in fiscal year 2003 in order to eliminate the operations sold during the year or held for sale (discontinued operations) unless otherwise disclosed. Please see Note 11 for details.

Measurement of the following items changed as a result of the conversion from US Generally Accepted Accounting Principles (US GAAP) to IFRSs as of January 1, 2003. The adjustments were recognized directly in the item retained earnings (accumulated loss) disclosed under equity.

	KEUR
Equity in accordance with US GAAP as of January 1, 2003	19,713
Minority interests	710
Measurement of pension provisions	53
Equity in accordance with IASs/IFRSs as of January 1, 2003	20,476

Conversion of the consolidated financial statements to IFRSs had the following effects on the comparative figures as of January 1, 2003:

	IFRS KEUR	US-GAAP KEUR	Change KEUR
Assets			
IT software	543	543	0
Goodwill	15,465	15,465	0
Property, plant and equipment	10,911	9,964	947
Financial assets	635	635	0
Deferred taxes	609	293	316
Long-term deposits	2,205	2,205	0
Non-current assets	30,368	29,105	1,263
Inventories	1,956	1,956	0
Trade receivables	31,835	31,835	0
Other receivables and assets	1,799	1,799	0
Cash and cash equivalents	5,979	5,979	0
Deferred taxes	0	316	-316
Assets held for sale	4,960	4,960	0
Prepaid expenses	751	751	0
Current assets	47,280	47,596	-316
Total assets	77,648	76,701	947

	IFRS KEUR	US-GAAP KEUR	Change KEUR
Equity and liabilities			
Subscribed capital	16,771	16,771	0
Capital reserve	19,768	19,768	0
Consolidated loss	-16,240	-16,293	53
Other comprehensive income	-533	-533	0
Minority interest	710	0	710
Equity	20,476	19,713	763
Minority interest	0	710	-710
Interest-bearing borrowings	7,678	7,678	0
Convertible bonds	557	557	0
Deferred taxes	1,040	0	1,040
Pension provisions	127	180	-53
Non-current liabilities	9,402	9,125	277
Trade payables	8,324	8,324	0
Other liabilities	10,500	10,500	0
Current financial liabilities	8,988	8,988	0
Current portion of interest-bearing borrowings	3,214	3,214	0
Provisions	8,738	8,738	0
Liabilities held for sale	5,233	5,233	0
Investment grant	947	0	947
Deferred taxes	0	1,040	-1,040
Deferred income	1,826	1,826	0
Current liabilities	47,770	47,863	-93
Total equity and liabilities	77,648	76,701	947

Conversion of the consolidated financial statements to IFRSs had the following effects on the comparative figures as of December 31, 2003:

Assets	IFRS KEUR	US-GAAP KEUR	Change KEUR
IT software	967	967	0
Goodwill	12,867	12,867	0
Property, plant and equipment	10,271	9,161	1,110
Financial assets	606	606	0
Deferred taxes	281	137	144
Long-term deposits	1,861	1,861	0
Non-current assets	26,853	25,599	1,254
Inventories	350	350	0
Trade receivables	22,294	22,294	0
Other receivables and assets	3,181	3,181	0
Cash and cash equivalents	7,526	7,526	0
Deferred taxes	0	144	-144
Assets held for sale	1,675	1,675	0
Prepaid expenses	830	830	0
Current assets	35,856	36,000	-144
Total assets	62,709	61,599	1,110

Equity and liabilities	IFRS KEUR	US-GAAP KEUR	Change KEUR
Subscribed capital	18,448	18,448	0
Capital reserve	20,549	20,549	0
Consolidated loss	-26,074	-26,127	53
Other comprehensive income	-2,268	-2,268	0
Minority interest	331	0	331
Equity	10,986	10,602	384
Minority interest	0	331	-331
Interest-bearing borrowings	7,907	7,907	0
Convertible bonds	509	509	0
Deferred taxes	386	206	180
Pension provisions	124	177	-53
Non-current liabilities	8,926	9,130	-204
Trade payables	9,229	8,651	578
Other liabilities	18,156	10,506	7,650
Current financial liabilities	5,580	5,580	0
Current portion of interest-bearing borrowings	2,481	2,481	0
Provisions	2,939	11,167	-8,228
Liabilities held for sale	2,008	2,008	0
Investment grant	1,110	0	1,110
Deferred taxes	0	180	-180
Deferred income	1,294	1,294	0
Current liabilities	42,797	41,867	930
Total equity and liabilities	62,709	61,599	1,110

Conversion from US GAAP to IFRSs did not result in any major changes in the income statement or cash flow statement.

The main changes to the accounting policies previously applied under US GAAP are:

- Pension provisions are measured according to the projected unit credit method in accordance with IAS 19.
- For measurement purposes, goodwill is allocated to the internal cash-generating units and measured using a DCF method. While a two-stage procedure is required under US GAAP, IFRSs only provide for a single procedure for determining impairment within the meaning of IAS 36.

New Accounting Standards

On June 19, 2003, the International Accounting Standards Board (IASB) published IFRS 1, "First-time Adoption of International Financial Reporting Standards". IFRS 1 governs the conversion of the accounting from national law to IFRSs. Adoption of the standard is compulsory for fiscal years beginning on or after January 1, 2004. As itelligence has published exempting consolidated financial statements (Sec. 292a HGB) in accordance with US GAAP up to now, IFRS 1 was adopted accordingly within the scope of the conversion from US GAAP to IFRSs. Reference is made to the detailed explanations under "Accounting".

On December 17, 2003, the IASB published the revised standards IAS 32, "Financial Instruments - Disclosure and Presentation", and IAS 39, "Financial Instruments - Recognition and Measurement". The "Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk" was published in March 2004. This amendment relates to macro hedging and allows interest rate risk to be hedged at portfolio level. The "Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Transition and Initial Recognition of Financial Assets and Liabilities" was published in December 2004. Adoption of the revised standards IAS 32 and IAS 39, including the changes brought by the amendments, is compulsory for fiscal years beginning on or after January 1, 2005. itelligence opted for early adoption in these consolidated financial statements.

On December 18, 2003, the IASB published a number of revised accounting standards in the scope of its Improvement Project. These are the 13 standards IAS 1, IAS 2, IAS 8, IAS 10, IAS 16, IAS 17, IAS 21, IAS 24, IAS 27, IAS 28, IAS 31, IAS 33 and IAS 40. Adoption of the revised standards is compulsory for fiscal years beginning on or after January 1, 2005. itelligence opted for early adoption without exception in these consolidated financial statements.

On February 19, 2004, the IASB published IFRS 2, "Share-Based Payment", on accounting for share option plans and similar compensation based on the value of shares. This standard governs the financial reporting for transactions in which the reporting entity grants equity instruments such as its own shares or share options in return for goods or services received. Adoption of IFRS 2 is compulsory for fiscal years beginning on or after January 1, 2005. itelligence did not opt for early adoption in these consolidated financial statements.

On March 31, 2004, the IASB published IFRS 3, "Business Combinations", and the fundamentally revised IAS 36/IAS 38. The main changes are the abolition of the pooling of interests method and of goodwill amortization in favor of the impairment-only approach. As a rule, adoption of IFRS 3 is compulsory for all business combinations which were closed on or after March 31, 2004. itelligence did not enter into any business combinations after March 31, 2004 with respect to the fiscal years presented. In accordance with IFRS 3, goodwill resulting from business combinations closed before March 31, 2004 may no longer be amortized as of the first fiscal year beginning after March 31, 2004. Nevertheless, itelligence made use of the limited retrospective application set out in IFRS 3.85. As US GAAP was applied previously, this option may be interpreted, in conjunction with IFRS 1, in such a way that the amortized goodwill carried over from the previous US GAAP consolidated financial statements to the IFRS opening balance sheet as of January 1, 2003 is no longer amortized in the fiscal years presented in these financial statements presented (i.e. 2003 and 2004). As a result, no differences arose on consolidation between the IFRSs and previously applied US GAAP.

On March 31, 2004, the IASB published IFRS 4, "Insurance Contracts". This standard governs the financial reporting for insurance contracts (including reinsurance contracts) by insurers. Adoption of IFRS 4 is compulsory for fiscal years beginning on or after January 1, 2005; earlier adoption is encouraged. The Company does not expect adoption of IFRS 4 to affect recognition, measurement and disclosure in the consolidated financial statements.

On March 31, 2004, the IASB published IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations". This standard governs the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. Adoption of IFRS 5 is compulsory for fiscal years beginning on or after January 1, 2005. As a rule, IFRS 5 prescribes prospective application only. Nevertheless, itelligence made use of the restrictive exception under IFRS 5.43 and opted for retrospective application since, having previously applied US GAAP, the information needed to apply IFRSs was obtained at those times by application of SFAS 144, "Accounting for the Impairment or Disposal of Long-lived Assets".

On December 9, 2004, the IASB published IFRS 6, "Exploration for and Evaluation of Mineral Resources". IFRS 6 governs the financial reporting for expenses from the exploration for and evaluation of mineral resources. Adoption of the standard is compulsory for fiscal years beginning on or after January 1, 2006; earlier adoption is encouraged with simplifications for comparative information. The Company does not expect adoption of IFRS 6 to affect recognition, measurement and disclosure in the consolidated financial statements.

On May 27, 2004, the International Financial Reporting Interpretation Committee (IFRIC) published the interpretation IFRIC 1, "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The interpretation governs the accounting for changes in decommissioning, restoration and similar liabilities, recognized both under IAS 16, "Property, Plant and Equipment", and under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Adoption of IFRIC 1 is compulsory for fiscal years beginning on or after September 1, 2004; earlier adoption is encouraged. The Company does not expect adoption of this interpretation to affect recognition, measurement and disclosure in the consolidated financial statements.

On November 11, 2004, the IFRIC published the interpretation, "Amendment to the Scope of SIC-12 – Consolidation - Special Purpose Entities". This amendment now includes equity compensation plans in the scope of SIC-12. Post-employment benefit plans as well as all other long-term employee benefits are no longer included in the scope of SIC-12. Adoption of the interpretation is compulsory for fiscal years beginning on or after January 1, 2005. The Company does not expect adoption of this interpretation to affect recognition, measurement and disclosure in the consolidated financial statements.

On November 25, 2004, the IFRIC published the interpretation IFRIC 2, "Members' Shares in Co-operative Entities and Similar Instruments". This interpretation explains how to apply IAS 32, "Financial Instruments: Disclosure and Presentation", to co-operative shares, i.e. the circumstances under which they should be classified as debt or equity. Adoption of IFRIC 2 is compulsory for fiscal years beginning on or after January 1, 2005; earlier adoption is encouraged. The Company does not expect adoption of this interpretation to affect recognition, measurement and disclosure in the consolidated financial statements.

On December 2, 2004, the IFRIC published the interpretations IFRIC 3, "Emission Rights", and IFRIC 4, "Determining Whether an Arrangement Contains a Lease". IFRIC 3 sets out the accounting for emission rights, while IFRIC 4 defines the contracts that should be treated as leases even if they are not termed as such (especially supplier and outsourcing agreements). IFRIC 3 must be applied to fiscal years beginning on or after March 1, 2005, while IFRIC 4 is compulsory for fiscal years starting on or after January 1, 2006. Earlier adoption is encouraged in both interpretations. The Company does not expect adoption of this interpretation to affect recognition, measurement and disclosure in the consolidated financial statements.

On December 16, 2004, the IFRIC published the interpretation IFRIC 5, "Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds". IFRIC 5 specifies how to account for expected reimbursements from funds set up to cover future decommissioning, restoration and similar obligations. Adoption of IFRIC 5 is compulsory for fiscal years beginning on or after January 1, 2006; earlier adoption is encouraged. The Company does not expect adoption of this interpretation to affect recognition, measurement and disclosure in the consolidated financial statements.

Consolidated Group and changes to Group Structure

In addition to itelligence AG, all domestic and foreign entities in which itelligence AG holds the majority of voting rights either directly or indirectly as of December 31, 2004 or controls on the basis of other rights within the meaning of IAS 27 have been included in the consolidated financial statements.

The following entities have been included in the consolidated financial statements as of December 31, 2004:

	Shares in %	Equity KEUR	Net profit or loss before profit transfer KEUR
Fully consolidated subsidiaries			
itelligence Services GmbH, Bielefeld (formerly APCON Nielsen Consulting GmbH, Hamburg)	100	305	924*
APCON International Business Systems Gesellschaft für DV-Beratung mbH, Hamburg	100	832	30*
APCON Business Consulting Gesellschaft für Managementberatung mbH, Hamburg	100	105	-11*
ASECON GmbH, Bielefeld	100	-230	-32
itelligence AG, Urdorf, Switzerland	100	2,011	1,213
itelligence AS, Oslo, Norway	100	-910	-26
itelligence Business Software Inc., Westchester, USA	100	2,696	30
itelligence Business Solutions GmbH, Vienna, Austria	100	-1,336	-539
itelligence Business Solutions Ltd., London, England	100	-2,945	-672
itelligence Business Solutions s.p.r.l., Brussels, Belgium	100	286	-41
itelligence BV, Eindhoven, Netherlands	100	245	9
itelligence d.o.o., Ljubljana, Slovenia	100	222	-219
itelligence Erste Beteiligungs GmbH, Frankfurt	100	105	0
itelligence Hungary Kft., Budapest, Hungary	100	515	75
itelligence Inc. Cincinnati, USA	100	10,557	1,030
itelligence Innovative Solutions Inc., Dallas, USA	100	1,170	-159
itelligence Int'l, Kiev, Ukraine	100	226	-64
itelligence Ltd. Moskau, Russia	100	90	89
itelligence Outsourcing Inc., USA	100	-258	76
itelligence Outsourcing und Services GmbH, Bautzen	100	1,226	2,110*
itelligence S.A., Paris, France	100	-1,248	-157
itelligence S.A., Sao Paolo, Brazil	100	-903	-42
itelligence s.r.o., Bratislava, Slovakia	100	879	109
itelligence s.r.o., Prague, Czech Republic	100	-319	24
itelligence SP.Z.o.o., Warsaw, Poland	100	1,807	789
ENERCOM SP.Z.o.o., Warsaw, Poland	81	46	17
itelligence VC-Holding GmbH, Frankfurt	100	-65	-245
Servicios informaticos itelligence S.A., Barcelona, Spain	100	-923	-48
it-go GmbH, Hamburg	100	110	-23
ITC Information Technology Consulting GmbH, Detmold	56	734	17

* Net profit or loss (equity) before profit transfer/loss absorption

	Shares in %	Equity KEUR	Net profit transfer KEUR
Investments (using the equity method or at cost)			
Dr. Lindner & Partner GmbH, Oerlinghausen	50	70	14*
BfL GmbH & CO, Eschborn	Less than 1%	12,402	2,608

* Consolidated in accordance with the equity method.

The following changes have occurred since the last fiscal year:

- On January 8, 2004, the Company sold its 90 percent investment in itelligence Italia S.r.l.
- On March 3, 2004, the Company sold its 51 percent investment in Honico Systems GmbH.
- On March 30, 2004, the Company acquired another 15 percent of the shares in it-go GmbH, Hamburg. The Company holds 100 percent of the shares.
- On July 8, 2004, the Company founded itelligence Ltd. Moscow. The Company holds 100 percent of the shares.

Principles of Consolidation

The Company's consolidated financial statements include itelligence AG and all subsidiaries under the legal or substantive control of the Company.

The effects from intercompany transactions were eliminated. Receivables and liabilities between the consolidated entities were offset, intercompany profits and losses on non-current assets and inventories were eliminated and intercompany income and expenses were offset. The necessary deferred taxes were recognized for temporary differences arising on consolidation in accordance with IAS 12.

When subsidiaries are consolidated for the first time, the cost of the investment is offset against the Group's share in the carrying amount of the equity of each of the entities. Any difference arising between cost and the share of equity, provided it relates to hidden reserves or hidden charges, is allocated to the assets and liabilities of the respective subsidiary. Any remaining debit difference is recognized as goodwill and tested for impairment once a year or more often when there are indications of impairment in accordance with IAS 36.

Investments in entities in which the Company holds between 20 percent to 50 percent of equity are consolidated using the equity method provided that significant influence is exercised by the Company. The cost of the investments is increased or decreased each year by the changes to the respective associate's equity attributable to the Group.

Investments in entities in which the Company holds less than 20 percent of equity are consolidated at cost provided that significant influence is not exercised by the Company.

Currency translation

The financial statements of the group entities were translated into euros in accordance with the functional currency concept of IAS 21. As the subsidiaries operate as independent entities in financial, economic and organizational terms, the functional currency is generally the national currency of these entities.

Assets and liabilities were translated at the closing rates as of the balance sheet date and the items of the income statement were translated at average annual rates. Equity was translated at historical rates.

Any differences arising from the translation of the income statements at average annual rates and the balance sheets at the closing rates on the balance sheet date are recognized directly under other comprehensive income. Any foreign exchange differences arising from equity translation at historical rates are also recognized under other comprehensive income.

Monetary items in foreign currency are translated at the closing rate. Translation differences are recognized in the profit or loss in the period in which they arise.

The development of the exchange rates of the key currencies used in the consolidated financial statements to the euro is illustrated below:

Country	Currency	Average annual rates		Closing rates	
		2004	2003	Dec. 31, 2004	Dec. 31, 2003
USA	USD	1.2418	1.1212	1.3605	1.2499
Switzerland	CHF	1.5439	1.5114	1.5457	1.5600
UK	GBP	0.6784	0.6882	0.7086	0.7038
Norway	NOK	0.0836	0.0775	0.0823	0.0842
Hungary	HUF	0.2516	0.2519	0.2456	0.2612
Poland	PLN	4.5211	4.3473	4.0760	4.6820
Czech Republic	CZK	0.3188	0.3176	0.3045	0.3254
Slovakia	SKK	0.4002	0.4155	0.3875	0.4115
Slovenia	SIT	0.2391	0.2336	0.2398	0.2367

Accounting policies

The financial statements of itelligence AG and the domestic and foreign subsidiaries have been prepared in accordance with uniform accounting policies pursuant to IAS 27.

Use of Judgment and Main Sources of Estimating Uncertainties

In preparing the consolidated financial statements, assumptions and estimates have been made which have had an effect on the recognition and carrying amounts of assets and liabilities, income and expenses and contingent liabilities. These assumptions and estimates generally relate to the determination of the progress of projects in accordance with the stage-of-completion method, the determination of the economic useful lives of assets, the measurement of provisions and the recoverability of trade receivables. The actual values may in some cases differ from the assumptions and estimates. Any changes will be recognized in profit or loss as and when better information is available.

Material estimates are made in determining the progress of projects in accordance with the stage-of-completion method. The percentage of completion is determined by comparing the actual hours worked and the estimated total number of hours to be worked (input-oriented determination of the stage of completion). The quotient of these two figures gives the project income to be recognized as of the balance sheet date. The estimate of the total number of hours to be worked is based on the Company's past experience and the experience of the employees concerned as well as a special assessment of the project being valued.

Another significant prospective assumption in the consolidated financial statements pertains to the goodwill impairment test. Under IAS 36, acquired goodwill is subject to an impairment test once a year – or more often when there are indications of impairment. An impairment loss is recognized as soon as the carrying amount of a cash-generating unit exceeds the recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is based on a calculation of the future cash flows to be received from the unit concerned. The DCF method was used to determine value in use.

The cash flows used in the measurement of DCF are based on current business plans and internal plans for the next five years. This involved making assumptions as to future revenues and costs. Assumptions as to future investments in the Company's operations were made on the basis of past figures, and past income patterns were projected into the future. If significant assumptions differ from actual figures, impairment losses may have to be recognized in the future. The terminal growth rate (5 percent to 8 percent) does not exceed the long-term growth rates of the industry in which the cash-generating units operate. Average costs of capital of between 20 percent and 26 percent were used to discount the cash flows.

Income and Expense Recognition

Revenues and other operating income are recognized when performance has been rendered and the risks have been transferred to the customer.

Revenues from service and support contracts and outsourcing contracts are spread equally over the period of the individual contracts.

Revenues from the sale of licenses are recognized after delivery of the software when the software has been installed on the customers' premises or when the customer is provided with the installation key and receipt of payment is probable.

Consulting revenues are directly connected to implementation and installation services performed on the basis of separate service contracts. Consulting and service revenues are recognized when the service is rendered.

Revenues from services rendered from long-term projects are recognized according to the stage-of-completion method pursuant to IAS 18 in conjunction with IAS 11. The percentage of completion is determined by dividing the number of hours worked by the total number of hours estimated for the contract. Applying this result (percentage) to total revenues gives the income to be recognized as of the balance sheet date.

Operating expenses are recognized when a service is used or when costs are incurred. Interest income and expenses are recognized on an accrual basis. Income and expenses from profit and loss transfer agreements are recognized at the end of the fiscal year and dividends are recognized as of the date of distribution.

Government Grants

itelligence AG was granted an investment subsidy from funds of Sächsische Aufbank 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 German Investment Grant Act (InvZulG). The authorities are entitled to review the use of the payments received.

Under IAS 20, government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. They are treated as income and recognized over the periods necessary to match them with the related costs which they are intended to compensate. Subsidies are disclosed separately on the liabilities side under current liabilities.

Earnings (Loss) per Share

Earnings (loss) per share are calculated in accordance with IAS 33 by dividing the earnings attributable to the bearers of ordinary shares by the weighted average number of ordinary 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 are 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.

Intangible Assets

Under IAS 38, acquired and internally generated intangible assets are recognized when a future economic benefit is probable and the cost of the asset can be measured reliably.

Acquired intangible assets include franchises, licenses and standard software. They are measured at cost and amortized on a straight-line basis over their expected useful lives, generally three to five years.

Internally generated assets are not recognized as they do not satisfy the criteria of IAS 38. Development expenditure in connection with existing industry solutions of itelligence AG does not satisfy the main recognition criterion concerning control over the intangible assets. itelligence's industry solutions do not represent a product but rather default parameters in the SAP system which offer additional functionalities for specific industries. The SAP software forms the basis for the solutions which would be unusable without the SAP software.

Financing costs are not recognized as assets.

The excess of the cost of a business combination over the Company's interest in the fair value of the net identifiable assets and liabilities acquired as of the date of the transaction is recorded as goodwill and recognized as an intangible asset. Under IAS 36, acquired goodwill is subject to an impairment test once a year – or more often when there are indications of impairment. For measurement purposes, goodwill is allocated to the internal cash-generating units (CGUs). A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows of other assets or groups of assets. The Company has identified the following CGUs: SAP Services (Americas), Outsourcing & Services (Americas), SAP Services (Spain), SAP Services (Germany), Outsourcing (Germany), SAP Services (rest of Europe) and Outsourcing (rest of Europe) as well as Other (Germany).

Impairment losses are recognized when the carrying amount of a CGU exceeds the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The net selling price is the amount recoverable from the sale of an asset in an arm's length transaction less costs to sell and can therefore not be considered for the measurement of a CGU. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The Company determines the value in use of a CGU on the basis of a DCF method in accordance with IAS 36.

Property, Plant and Equipment

In accordance with IAS 16, property, plant and equipment which are used in operations for longer than one year are measured at cost net of straight-line depreciation. Financing costs are not recognized.

The useful lives used correspond to the expected economic useful lives in the Group. Depreciation based solely on tax rulings is not recognized.

The useful lives applied can be seen in the following table:

Useful life in years

Buildings	15 to 40
Leasehold improvements	8 to 10
IT hardware	3
Office equipment	8 to 10
Vehicles	4 to 6

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognized in profit or loss to reduce the asset to its recoverable amount in accordance with IAS 36.

When property, plant and equipment are sold or disposed of, the related costs and accumulated depreciation are removed from the respective accounts. Gains or losses on the disposal of non-current assets are disclosed as other operating income or expenses. Servicing or maintenance expenses are recognized in profit or loss.

Finance Leases

With regard to leases in which the Group is the lessee, the lessee is considered to be the beneficial owner of the leased assets when the lessee bears all the risks and rewards incident to ownership of that asset (finance lease) in accordance with IAS 17. The Company recognizes leases as assets and liabilities in its balance sheet at amounts equal at the inception of the lease to the fair value of the lease property or, if lower, at the present value of the minimum lease payments. The depreciation methods and useful lives used for the assets recognized are the same for similar purchased assets. The corresponding lease obligations are disclosed under other liabilities. The interest portion of the lease payments is disclosed over the term of the lease in profit or loss.

If the lessor has beneficial ownership of the leased asset (operating lease), it is recognized by the lessor. The related lease expenses are expensed in full.

Financial Instruments

At itelligence, the term "financial instruments" covers cash and cash equivalents, available-for-sale securities, trade receivables, trade payables, other borrowings, finance leases and derivative financial instruments. The individual accounting methods pursuant to IAS 39 in conjunction with IAS 32 are discussed under each specific item.

Under IAS 19, financial assets are classified into the following categories:

- Held-to-maturity investments
- Financial assets or financial liabilities held for trading
- Loans and receivables originated by the entity
- Available-for-sale financial assets

Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held-to-maturity investments. Financial assets acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading.

All other investments, other than loans and receivables originated by the Company, are classified as available for sale.

Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date. Financial assets that are held for trading are included under current assets. Available-for-sale financial assets are classified as current assets if management intends to realize them within 12 months of the balance sheet date.

Financial assets are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Available-for-sale and held-for-trading financial assets are subsequently measured at fair value without any deduction for transaction costs by reference to their quoted market price on the balance sheet date.

Gains or losses on fair value measurement of available-for-sale financial assets are recognized directly under other comprehensive income, until the financial asset is sold, redeemed or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in profit or loss.

Changes in the fair values of financial assets held for trading are recognized in the financial result. Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Financial instruments are classified as liabilities or equity on initial recognition in accordance with the substance of the contractual arrangement.

The Company occasionally uses derivative financial instruments to hedge interest and foreign currency risks.

Interest, dividends, gains and losses relating to financial instruments classified as financial liabilities are reported in profit or loss. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and duties regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instruments are classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is not very likely at the time of issuance, in which case, the instrument is to be classified as equity.

In accordance with IAS 32, convertible bonds which contain both a liability and an equity element are separated into two components on initial issuance based on the fair value of the convertible bond and each is accounted for separately.

In accordance with IAS 39, all derivative financial instruments are accounted for at fair value irrespective of the purpose or the intention for which they were concluded.

If the financial instruments used are effective cash flow hedges in accordance with the provisions of IAS 39, the fluctuations in fair value will not affect profit or loss during the term of the derivative.

If the financial instruments used do not qualify as effective hedges under IAS 39, all fluctuations in fair value are recognized directly in profit or loss.

The Group's hedging policy only entails concluding effective derivatives to hedge interest and foreign currency risks.

As of the balance sheet date, itelligence had not hedged any risks arising from foreign currency transactions. A cap was concluded which was measured at fair value which does not, however, satisfy the special definitions of effectiveness under IAS 39. Fluctuations in fair value from this transaction are recognized directly in profit or loss.

Inventories

Inventories mainly relate to merchandise (software licenses held for sale) and are measured at their individual cost in accordance with IAS 2.

If the cost of the inventories exceeds the value derived on the basis of the realizable selling prices less the costs to be incurred to make the sale (net realizable value), the lower fair value is recognized.

Receivables and Other Assets

Receivables and other assets are stated at nominal value or cost. Trade receivables are disclosed net of bad debt allowances. Non-interest bearing or low interest-bearing receivables due in more than one year are discounted.

Customer receivables from service contracts for consulting projects not completed as of the balance sheet date are measured in accordance with the stage-of-completion method and reported as receivables from as yet unbilled trade under trade receivables.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank deposits with original terms of three months or less. Foreign currency liabilities are translated at the closing rate on the balance sheet date.

Costs of Capital Increase

The transaction costs of equity transactions, other than in the context of a business combination, are accounted for as a deduction from equity, net of any related income tax benefit in accordance with SIC-17. Equity transaction costs only comprise those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Minority Interests

Minority interests include their proportion of the fair values of identifiable assets and liabilities recognized upon acquisition of a subsidiary. The proportionate share in losses applicable to the minority interests in a consolidated entity may exceed the equity portion of the minority interest in the entity. The excess, and any further losses applicable to the minority, are netted against the majority interest except to the extent that the minority interest has a binding obligation to, and is able to, make good the losses. If the entity subsequently generates profits, all profits are initially applicable to the majority interest until the losses originally borne by the majority interest for the minority interest are equalized. Minority interests are presented within equity in the consolidated balance sheet, separately from the equity of the parent company.

Pension Provisions

Pension provisions are measured on the basis of the projected unit credit method prescribed by IAS 19 for defined benefit plans. Pension obligations relate to defined benefit obligations towards members of the Management Board. These include retirement, invalidity and survivors' pensions.

Other Provisions

In accordance with IAS 37, tax provisions and other provisions are recognized if a present legal or constructive obligation towards a third party as a result of a past event exists, which will probably result in a future outflow, and whose expected amount can be reasonably estimated.

Long-term provisions due in more than one year are carried at their discounted settlement amount on the balance sheet date.

The provision for phased retirement carried under other provisions is measured in accordance with the provisions of IAS 19.

Liabilities

Liabilities are carried at nominal value or at the amount repayable.

Prepaid Expenses and Deferred Income

Prepaid expenses relate to expenses recorded before the balance sheet date which represent expenses for a specific period after the balance sheet date.

Deferred income relates to income recorded before the balance sheet date which represents income for a specific period after the balance sheet date.

Deferred Taxes

The income tax charge is based on profit for the year and includes deferred taxes. In accordance with IAS 12, deferred taxes are calculated using the liability method. The deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of an asset or a liability for financial reporting purposes and its tax base. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, as of the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to reverse. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities in the balance sheet.

Deferred tax assets are recognized for all deductible temporary differences when it is probable that sufficient taxable profits will be available against which the

deferred tax assets can be utilized. On each balance sheet date, the Company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Segments

For the purposes of segment reporting, the activities of itelligence are broken down in accordance with IAS 14 by geographical region as the primary segment reporting format and by division as the secondary segment reporting format.

The income and risks of itelligence are mainly shaped by the activities in the different countries and geographical regions. Return on equity is also largely shaped by the situation in the respective country. Management in the entities is structured regionally. The foreign subsidiaries are run by local general managers and the markets worked by own personnel. The location of customers is consistent with that of the resources.

Internal financial reporting to the management and supervisory bodies is thus performed on a regional basis.

The primary segment reporting format is broken down by the geographical regions in which the itelligence Group operates, namely the Americas, Germany and the rest of Europe.

The secondary segment reporting format is broken down by division, namely:

- **Consulting** (SAP consulting in connection with implementation, training and technical advice)
- **Licenses** (SAP licensing)
- **Outsourcing & Services** (hosting and servicing SAP software)

Non-Current Assets Held for Sale

Non-current assets held for sale represent assets which can be sold immediately and whose sale is highly probable, i.e. already specified by certain objective features. The current carrying amount is calculated in accordance with the relevant legal provisions applicable to date immediately prior to measurement in accordance with IFRS 5. The asset is subsequently measured at the lower carrying amount or fair value less costs to sell. The assets are disclosed separately in the balance sheet.

Cash Flow Statement

The cash flow statement shows how the cash and cash equivalents of itelligence have changed in the course of the year under review due to inflows and outflows of funds. In this regard, the effects of acquisitions, divestments and other changes in the consolidated group have been eliminated. For the initial inclusion of subsidiaries, only the actual cash flows are shown in the cash flow statement. The amount from the sale or purchase of entities that affects liquidity, i.e. the purchase price less/plus the financial resources acquired/sold with the entity are recorded as cash outflows/inflows from investing activities. In accordance with IAS 7, a distinction is drawn between cash flows from operating, investing and financing activities.

The cash and cash equivalents disclosed relate to cash on hand, checks, bank balances and securities classified as current assets.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements, but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is very remote.

Contingent assets are not recognized in the financial statements, but are recognized in the notes when an inflow of economic benefits is probable.

Subsequent Events

Subsequent events which bring about new findings and affect the Group's financial position as of the balance sheet date are recognized in the consolidated

financial statements. Subsequent events which are not recognized as of the balance sheet date in the consolidated financial statements are disclosed in the notes and management report if material.

Notes to the income statement

The income statement has been prepared in accordance with the function of expense method.

1 Revenues

Revenues by product division break down as follows:

	2004 KEUR	2003 KEUR
Consulting	78,114	99,486
Licenses	16,782	15,606
Outsourcing & Services	35,413	29,223
Other	736	1,277
	131,045	145,591

2 Cost of Sales

Cost of sales comprises the following expenses:

	2004 KEUR	2003 KEUR
Purchased merchandise and services	33,849	31,578
Personnel expenses	54,080	74,098
Amortization/depreciation	2,748	1,811
Other expenses	5,129	828
	95,806	108,315

3 Marketing and Selling Expenses

Marketing and selling expenses break down as follows:

	2004 KEUR	2003 KEUR
Personnel expenses	6,891	9,007
Amortization/depreciation	136	154
Other expenses	3,662	2,853
	10,689	12,014

4 Administrative Expenses

Administrative expenses break down as follows:

	2004 KEUR	2003 KEUR
Personnel expenses	8,995	12,946
Amortization/depreciation	491	1,219
Other expenses	8,995	13,205
	18,481	27,370

5 Goodwill Impairment

Goodwill amortization amounted to KEUR 200 in the fiscal year (prior year: MEUR 1,467). The annual impairment test was performed on June 30, 2004. This resulted in an impairment loss of KEUR 200 on the goodwill of the cash-generating unit "Spain".

6 Other Operating Income/Expenses, Net

	2004 KEUR	2003 KEUR
Investment subsidies	361	235
Expenses/income from the disposal of non-current assets	-150	173
Exchange differences, net	-80	-290
Other, net	-112	-283
	19	-165

7 Investment Income

	2004	2003
	KEUR	KEUR
Result from measuring financial assets using the equity method	7	-1
Other investment income	1	17
	8	16

8 Interest Income/Expenses, Net

	2004	2003
	KEUR	KEUR
Interest income	223	192
Income expenses	-1,415	-1,521
	-1,192	-1,329

9 Income Tax Expense

Income taxes break down as follows:

	2004	2003
	KEUR	KEUR
German corporate income tax	-19	-194
German trade tax	-5	-97
Foreign income taxes	-1,917	-1,104
	-1,941	-1,395
Deferred taxes	-28	326
Income taxes, total	-1,969	-1,069

Deferred taxes are determined on the basis of the tax rates which, under the current legislation, apply in the individual countries at the time of realization or which are expected.

The following table shows a reconciliation of the expected to the actual tax expense disclosed. Applying German income tax rates to the consolidated result before taxes 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:

	2004	2003
	KEUR	KEUR
Profit/loss before income taxes	5,410	-5,484
Notional tax expense/income	-2,224	2,254
Differences due to goodwill	-82	-603
Difference due to write-downs on deferred tax assets	-532	-1,993
Utilization of unrecognized loss carryforwards	1,061	0
Differences due to different foreign tax rates	286	-257
Differences due to non-tax-deductible expenses	-226	-418
Tax expense for prior year	-348	0
Other differences	96	-52
Income taxes, total	-1,969	-1,069

10 Earnings per Share

Basic Earnings per Share

	2004	2003
Net profit/loss after minority interests and before discontinued operations	3,427 KEUR	-6,541 KEUR
Net profit/loss after minority interests	3,427 KEUR	-9,834 KEUR
Weighted average per share number of ordinary shares	No. 21,167,764	No. 16,780,519
Basic earnings per share before discontinued operations	0.16 EUR	-0.39 EUR
Basic earnings per share	0.16 EUR	-0.59 EUR

Diluted Earnings per Share

The potential ordinary shares from the issue of convertible bonds and warrant-linked bonds are included in the calculation of diluted earnings if they have a dilutive effect within the meaning of IAS 33.

Diluted earnings per share are only calculated for 2004 as the potential shares did not have a dilutive effect in 2003.

Diluted Earnings per Share

	2004
Net profit for the year	KEUR 3,427
Adjustments for interest paid potential ordinary shares net of tax effects	KEUR 71
Adjusted net profit for the year	KEUR 3,498
Weight average number of ordinary shares and potential ordinary shares	No. 21,733,492
Diluted earnings per share	EUR 0.16

11 Assets Held for Sale

In fiscal year 2003, the Management Board decided to focus on core divisions by selling entities and pulling out of the Italian market entirely. In applying IFRS 5, non-current assets and liabilities held for sale as well as the profit or loss of the following entities sold are disclosed in the consolidated financial statements under "assets held for sale":

- 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 closed the sale of its wholly-owned subsidiary itelligence S.r.l., Italy, for a notional amount of EUR 1. The sale agreement is final and itelligence no longer holds an interest in the entity sold. The Company recognized a loss on disposal of KEUR 285 for this sale in fiscal year 2003. The Company no longer holds any assets or liabilities in itelligence S.r.l., Italy. itelligence S.r.l., Italy, used to be included in the cash-generating unit "Rest of Europe". The sale had no effect on the goodwill of this CGU.

On September 22, 2003, the Company sold its 24 percent investment in it-WPS Workplace Solutions Gesellschaft for a cash payment of KEUR 165. The sale agreement is final and itelligence no longer holds an interest in the entity sold. The Company recognized a gain on disposal of KEUR 162 for this sale in fiscal year 2003. The Company no longer holds any assets or liabilities in it-WPS Workplace Solutions GmbH. it-WPS Workplace Solutions GmbH used to be included in the CGU "Other (Germany)".

On November 25, 2003, the Company sold its 52 percent investment in itelligence Financial Solutions GmbH for a cash payment of KEUR 2. The sale agreement is final and itelligence no longer holds an interest in the entity sold. The Company recognized a loss on disposal of KEUR 6 for this sale in the fiscal year ended December 31, 2003. The Company no longer holds any assets or liabilities in itelligence Financial Solutions GmbH. itelligence Financial Solutions GmbH used to be included in the CGU "Other (Germany)".

In November 2003, itelligence approved and formally concluded a plan to sell its wholly-owned subsidiary itelligence Italia S.r.l. The analysis of the fair value less costs to sell did not give rise to a write-down requirement. On January 7, 2004, itelligence closed the sale of itelligence Italia S.r.l. for a notional amount of EUR 1. The sale agreement is final and itelligence no longer holds an interest in the entity sold. The Company no longer holds any assets or liabilities in itelligence Italia S.r.l. The sale price achieved in 2004 was almost equal to the residual carrying amount of the assets and liabilities sold. itelligence Italia S.r.l. used to be included in the CGU "Rest of Europe". The sale had no effect on the goodwill of this CGU.

In November 2003, itelligence approved and formally concluded a plan to sell its 51 percent investment in HONICO SYSTEMS GmbH. The analysis of the fair value less costs to sell did not give rise to a write-down requirement. The 51 percent investment in Honico SYSTEMS GmbH was sold in return for a cash payment of a nominal amount of EUR 1. The sale agreement is final and itelligence no longer holds an interest in the entity sold. HONICO SYSTEMS GmbH used to be included in the CGU "Other (Germany)".

The following tables contain additional information relating to the income statement with regard to the divisions classified as "assets held for sale":

	2003
	KEUR
itelligence S.r.l., Italy	1,040
itelligence Italia S.r.l., Italy	768
it-WPS Workplace Solutions GmbH	1,152
itelligence Financial Solutions GmbH	736
HONICO SYSTEMS GmbH	1,528
Revenues, total	5,224

Income Statement

	2003 TEUR
Revenues	5,224
Cost of sales	-5,582
Gross profit	-358
Total operating expenses	-3,108
Operating loss	-3,466
Other income/expenses	-13
EBIT	-3,479
Income taxes	-16
Minority interests	202
Net loss from discontinued operations	-3,293

The table below contains the main asset items from non-current assets held for sale:

December 31, 2003

	intelligence Italia S.r.l., Italy KEUR	HONICO KEUR	Total KEUR
Cash and cash equivalents	26	107	133
Trade receivables	987	377	1,364
Other assets	81	20	101
Software and property, plant and equipment	38	39	77
Assets, total	1,132	543	1,675

Notes to the balance sheet

12 IT Software

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Acquisition cost	2,114	2,274
Accumulated amortization	-1,331	-1,307
IT software, net	783	967

The average amortization period for IT software is three years. Amortization of IT software came to KEUR 497 in the fiscal year (prior year: KEUR 311).

The carrying amounts of the IT software of the non-current assets held for sale came to KEUR 8 as of December 31, 2003 (prior year: KEUR 4).

13 Goodwill

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Goodwill, net	12,782	12,867

The cash-generating units were measured on the basis of a DCF method within the meaning of IAS 36 and show the following results:

	Americas		Spain	Rest of Europe			Germany		Total
	SAP Services	Outsourcing & Services	SAP Services & Customized Solutions	SAP Services & Customized Solutions	Outsourcing	SAP Services & Customized Solutions	Outsourcing	Other	
Balance sheet as of Dec. 31, 2002	0	9,696	1,467	2,430	0	1,052	820	0	15,465
Impairment test:									
Impairment loss within the operating result	0	0	-1,467	0	0	0	0	0	-1,467
Additions	0	349		0	0	0	0	0	349
Exchange differences	0	-1,480	0	0	0	0	0	0	-1,480
Balance sheet as of Dec. 31, 2003	0	8,565	0	2,430	0	1,052	820	0	12,867
Impairment test:									
Impairment loss within the operating result	0	0	-200	0	0	0	0	0	-200
Additions	0	570	200	0	0	0	0	0	770
Exchange differences	0	-655	0	0	0	0	0	0	-655
Balance sheet as of Dec. 31, 2004	0	8,480	0	2,430	0	1,052	820	0	12,782

The additions result from earn-out purchase price payments in the United States. The purchase agreements stipulated that part of the purchase price was payable immediately and another part would be based on the degree of performance.

Goodwill impairment amounted to KEUR 200 in the fiscal year (prior year: KEUR 1,467). The annual impairment test was performed on June 30, 2004. This resulted in an impairment loss of KEUR 200 on the goodwill in Spain.

The Company acquired the shares in Sapryma S.L., Barcelona, Spain, under an agreement dated July 28, 2000. Goodwill resulted on first-time consolidation of this investment which was treated as a reporting unit for the purposes of the annual impairment tests performed as of June 30, 2002 and 2003. An impairment loss on goodwill of KEUR 1,462 and KEUR 1,467 was charged in fiscal year 2002 and 2003, respectively. At the time Sapryma S.L. was acquired, business was expected to develop very well in Spain, and the Company's market share was planned to increase as part of the globalization strategy. As a result of a very difficult environment, the targets were not achieved and the Spanish entity has been making losses. Restructuring in Spain is expected to make the Spanish entity profitable again, but the expected profitability is not sufficient proof of the value of the goodwill.

14 Property, Plant and Equipment, Net

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Cost		
Land and buildings	4,465	4,110
Leasehold improvements	556	573
IT hardware	11,265	11,251
Furniture and fixtures	5,869	6,217
Vehicles	12	12
	22,167	22,163
Less:		
Accumulated depreciation	-12,265	-11,892
Property, plant and equipment, net	9,902	10,271

15 Financial Assets

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Shares in associates	43	37
Investments	21	21
Securities	4	548
Financial assets, net	68	606

The shares in associates relate to the 50 percent investment in Dr. Lindner & Partner Consult Gesellschaft für Organisation und Technologieberatung mbH.

The investments comprise interests in BfL Gesellschaft des Bürofachhandels mbH & Co. (<1 percent), which are measured at cost.

Securities in the prior year comprised shares in Heiler Software AG (approx. 3 percent). The securities in Heiler Software AG were sold in fiscal year 2004. The share block served as collateral for the credit line from a syndicate bank in Germany.

16 Deferred Taxes

Deferred taxes comprise:

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Deferred tax assets from:		
Bad debt allowances	141	144
Tax loss carryforwards	295	0
Write-downs	37	137
Total	473	281
Deferred tax liabilities from:		
Adjustment to the stage-of-completion method	93	133
General warranty provision	24	21
General allowance	0	2
Write-downs	489	230
Total	606	386

Irrespective of the probability of expected utilization, the potential utilization of tax loss carryforwards totals KEUR 9,742.

The potential utilization of tax loss carryforwards (tax loss carryforwards measured at the relevant tax rate) mainly originates from the following countries:

	KEUR	Vesting period
Germany	6,014	Vested
Spain	1,100	After 15 years
UK	863	After 5 years
France	463	Vested
Total	8,440	
Other, each item being < KEUR 300	1,302	
Total	9,742	

17 Other Long-Term Receivables and Non-Current Assets

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Issue of long-term loans	938	0
Long-term deposits	565	1,861
Other long-term receivables and non-current assets	1,503	1,861
of which to be deposited for financing abroad	0	960
of which to be deposited for bank guarantees	565	901

Long-term deposits are restricted and are linked to the maturity of the underlying transaction. The decrease against the prior year is due to the return of bank guarantees. The deposits bear interest of between 1.45 and 2 percent.

18 Trade Receivables

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Trade receivables	22,809	23,644
Receivables from as yet unbilled trade	345	38
	23,154	23,682
Bad debt allowances	-1,945	-1,388
Trade receivables, net	21,209	22,294

19 Other Short-Term Receivables and Current Assets

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Current:		
Tax refund claims	510	815
Investment subsidy for computer center	270	605
Receivables from employees	200	145
Creditors with debit balances	135	102
Deposits	98	72
Receivables from third parties	0	937
Other	134	505
	1,347	3,181

20 Cash and Cash Equivalents

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Cash on hand and bank balances	10,550	7,526
Short-term deposits	4,980	0
Cash and cash equivalents	15,530	7,526

The short-term deposits bear interest of between 1.75 and 2.15 percent.

21 Subscribed Capital

The capital stock amounts to EUR 22,287,535 and is divided into 22,287,535 no-par value bearer shares each with a notional share of capital of EUR 1.

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 18,488,321 by issuing 1,677,119 new no-par value bearer shares each with a notional share of EUR 1 in capital in return for cash. The capital increase was entered in the commercial register of Frankfurt am Main on December 29, 2003.

By resolution of the Management Board on March 11, 2004 and resolution of the Supervisory Board on March 30, 2004, capital stock was increased by EUR 3,839,214 to EUR 22,287,535. The capital increase was entered in the commercial register of Frankfurt am Main on April 16, 2004.

On May 27, 2004, the general shareholders' meeting resolved to conditionally increase capital stock by up to EUR 6,986,316 which serves the granting of conversion rights and/or the settlement of conversion obligations vis-à-vis the bearers of convertible bonds and warrant-linked bonds whose issue was also resolved at the general shareholders' meeting. The Management Board, with the approval of the Supervisory Board, was authorized to increase the Company's capital stock by up to EUR 11,143,767 on one or several occasions by April 20, 2009 by issuing new bearer shares in return for cash and/or non-cash contributions (authorized capital).

As of December 31, 2004, the Company's conditional capital amounted to EUR 9,224,160 (prior year: EUR 2,237,844) and the authorized capital amounted to EUR 11,143,767 (prior year: EUR 3,839,214).

Employee Stock Option 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 five 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 accrue interest of 6 percent on their nominal amount. Each bond of EUR 1 entitles the bearer to convert it into a 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 may be detached from the bonds and transferred as of March 23, 2001. If the convertible bond or options are converted into shares, the strike 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.

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.

	EUR
Total convertible bonds issued as of Dec. 31, 2003	363,545
Total convertible bonds redeemed as of Dec. 31, 2003	-119,029
Total conversion rights exercised as of Dec. 31, 2003	0
Balance as of Dec. 31, 2003	244,516
Convertible bonds redeemed in 2004	-1,059
Conversion rights exercised in 2004	0
Balance as of Dec. 31, 2004	243,457

	EUR
Total warrant-linked bonds issued as of Dec. 31, 2003	60,960
Total warrant-linked bonds exercised as of Dec. 31, 2003	0
Balance as of Dec. 31, 2003	60,960
Warrant-linked bonds exercised in 2004	0
Balance as of Dec. 31, 2004	60,960

The agreed exercise prices are:

- 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

As stated in "New Accounting Standards", the Company did not opt for early adoption of IFRS 2, "Share-Based Payment".

22 Capital Reserve

The capital reserve contains the issue proceeds reduced by the external costs directly allocable to the equity transaction.

	Total KEUR
Balance as of Jan. 1, 2003	19,768
Capital increase	862
Issue costs	-81
Balance as of Dec. 31, 2003	20,549
Capital increase	3,071
Equity derivative	518
Issue costs	-388
Balance as of Dec. 31, 2004	23,750

23 Other Comprehensive Income

The differences from the currency translation of financial statements of foreign subsidiaries and the effects from the measurement of financial instruments after taxes not included in the income statement are disclosed under the item other comprehensive income.

	Exchange gains/losses KEUR	Price gains/ losses securities KEUR	Total KEUR
Balance as of Dec. 31, 2003	-2,228	-40	-2,268
Difference between the net result at annual average rates and closing rates at year-end	-35	0	-35
Other equity translation differences	-217	0	-217
Sale of securities	0	40	40
Balance as of Dec. 31, 2004	-2,480	0	-2,480

24 Liabilities to Banks and Borrowings

Current Liabilities to Banks and Borrowings

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Bank overdrafts in Germany	0	5,229
Bank overdrafts abroad	1	351
Liabilities to banks	1	5,580

Current portion of long-term financial liabilities

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
- to German banks	281	432
- to foreign banks	653	486
- other loans, Germany	2,444	1,563
Current portion of non-current liabilities	3,378	2,481

Long-Term Borrowings Excluding the Current Portion

Long-term borrowings comprise loans from banks and third parties. The amounts recognized correspond to the fair value.

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Non-current liabilities		
- to German banks	555	845
- to foreign banks	2,303	3,551
of which due in the short term	-934	-918
	1,924	3,478
- from other loans, Germany	4,949	5,992
of which due in the short term	-2,444	-1,563
	2,505	4,429
Long-term borrowings	4,429	7,907

Maturity of Non-Current Liabilities to Banks

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

Fiscal year	KEUR
2006	380
2007	295
2008	295
2009	295
2010	295
Thereafter	364
	1,924

The financial liabilities as of December 31, 2004 consist mainly of an earmarked loan of KEUR 1,937 to finance the construction of a computer center in Poznan. The loan is repayable in monthly installments until 2011. The interest rate is the 1-month EURIBOR rate plus a 2.25 margin for the entire term. In connection with the financing, the building was pledged as collateral and itelligence AG issued a letter of comfort.

The Company also received a loan of KEUR 375 to finance the office equipment and the 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 of the administrative building in Bielefeld has been assigned to the financing bank as collateral.

In addition, assistance loans of KEUR 180 for investments in the computer center in Bautzen were concluded in connection with an assistance program. Interest is charged at 4.75 percent and 9.25 percent. The loans have a redemption-free period of two and seven years, respectively. Office equipment has been pledged as collateral and there is a blanket assignment of the receivables of itelligence Outsourcing und Services GmbH.

Maturity of Other Loans

Other non-current liabilities mainly relate to a loan of KEUR 4,429. The interest rate is 5 percent p.a. The loan is repayable in quarterly installments until 2007.

Fiscal year	KEUR
2006	2,016
2007	489
	2,505

The shares in itelligence AG Schweiz and Apcon International Business Systems Gesellschaft für DV-Beratung mbH have been pledged in favor of the lender.

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

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Germany		
Credit lines available as of December 31	2,000	9,642
Drawings	0	-5,229
Undrawn credit lines	2,000	4,413
Abroad		
Credit lines available as of December 31	2,097	2,386
Drawings	-1	-351
Undrawn credit lines	2,096	2,035
Average interest rate	4.25%-7%	4.25%-10.75%

The credit lines abroad were secured by a letter of comfort from itelligence AG and the pledge of the office equipment.

25 Convertible Bonds

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Convertible bonds 2004/2009	5,075	0
Convertible bonds employees	243	442
Warrant-linked bonds employees	61	67
	5,379	509

The Company issued a convertible bond with a total par value of EUR 6,000,000 on November 29, 2004. A total of 60,000 bonds with a nominal value of EUR 100.00 were issued at an issue price of 100 percent nominal. The term is five years and the interest rate is 7 percent p.a. The bond may only be converted after the general shareholders' meeting in 2005 at a strike price of EUR 2.60 in up to 2,307,692 new shares from the Company's conditional capital.

On December 31, 2004, a total of 60,000 convertible bonds were outstanding which contain a vested right to acquire 2,307,692 new shares in itelligence AG.

The value of the convertible bond is divided into a portion for a normal fixed-rate bond (non-derivative component) with a nominal interest rate of 7 percent and a portion for the option (derivative component) entitling the bearer to convert his/her bond into shares at any time after the ordinary shareholders' meeting in 2005.

As of the date of issue, the value of the derivative components came to KEUR 925 and the value of the non-derivative components KEUR 5,075.

During the period from November 29, 2004 to December 21, 2004, the derivative components were recognized as a liability at fair value because itelligence AG, as the issuer, had the right to pay the bearers of the convertible bond the stock price in cash in the event of the conversion right being exercised (net cash settlement).

Measurement at fair value in the above period resulted in income of KEUR 407. After itelligence AG had waived the option of a net cash settlement with legal effect on December 21, 2004, the derivative component was classified as an equity instrument and consequently transferred to the capital reserve.

itelligence AG issued a convertible bond to employees 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 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 these tranches, convertible bonds of EUR 243,457 were still on hand as of December 31, 2004 (December 31, 2003: EUR 244,516). 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 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.

26 Pension Provisions

The pension obligations exist in respect of members of the Company's Management Board who, upon 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.

As the employer's pension liability insurance policies have been pledged to the beneficiaries, they were included in the measurement of assets and netted against the obligations.

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

	2004 KEUR	2003 KEUR
Service cost	53	24
Interest expenses	36	31
Amortization of the unrecognized net obligation	9	0
Expected investment income	-19	-17
Net pension expenses	79	38

The following table shows the status of the pension provisions and the assumptions used to determine the pension provisions.

	2004 KEUR	2003 KEUR
Projected pension obligations as of January 1	538	500
Net pension expenses	79	38
Projected benefit obligations as of December 31	617	538
Cash surrender value of the employer's pension liability insurance policy	-483	-414
Pension provisions	134	124

Assumptions	2004	2003
Interest	5.75%	5.75%
Return on plan assets	4.00%	4.00%
Pension increases	1.5%	1.5%

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

27 Trade Payables

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Trade payables to third parties	8,115	8,611
Trade payables from as yet unbilled trade	543	578
Trade payables to associates	7	40
	8,665	9,229

28 Other Liabilities

	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
Bonuses and wages	5,510	5,172
Payments received on account	3,430	3,198
Taxes	2,512	3,037
Social security	1,519	2,726
Accrued vacation	1,173	1,485
Liabilities to employees	702	509
Legal, consulting and audit costs	256	231
Employer's liability insurance	178	348
Remuneration of the Supervisory Board	125	54
Levy in lieu of employing the severely disabled	48	62
Claims for refunds of investment subsidies	0	198
Other	844	1,136
Other current liabilities	16,297	18,156

29 Other Provisions

Other provisions developed as follows in fiscal year 2004:

	As of Jan. 1, 2004	Allo- cation	Utili- sation	Reversal	As of Dec. 31, 2004
Provisions for potential losses	620	459	-415	0	664
Credit notes to be issued	91	256	0	-91	256
Severance payments	591	0	-351	0	240
Warranties	84	280	-52	-139	173
Court costs	211	39	-121	0	129
Phased retirement	38	0	0	0	38
Miscellaneous other provisions	607	111	-141	-100	477
	2,242	1,145	-1,080	-330	1,977

Provisions for potential losses were recognized for probable losses in project realization and for vacant properties.

The provision for credit notes to be issued was recognized for probable credit notes to customers in connection with customer bonuses.

Other disclosures

30 Financial Instruments

On February 28, 2002, the Company concluded an interest rate cap 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 came to KEUR 0.0 as of the balance sheet date (prior year: KEUR 0.5).

In connection with the issue of the convertible bond on November 29, 2004, the resulting derivative component for the period from November 29, 2004 to December 20, 2004 was measured at fair value. Income of KEUR 407 resulted from measurement at fair value.

31 Other Financial Obligations and Contingent Liabilities

As of December 31, 2004 the Company had the following future obligations from rental and leasing agreements:

	KEUR
2005	4,300
2006	3,042
2007	2,106
2008	1,620
2009	1,415
Thereafter	7,078
	19,561

The other financial obligations mainly relate to the annual costs of KEUR 716 for the office building in Bielefeld.

There are contingencies from guarantees in the amount of KEUR 1,656 (prior year: KEUR 1,986). One of the main guarantees secures potential earn-out purchase price obligations of KEUR 400 resulting from the purchase of shares in Sapryma S.L., Spain (prior year: KEUR 400). Other guarantees mainly relate to lease and performance guarantees.

32 Segment Reporting

Information on revenues, profit or loss from ordinary activities, segment assets, segment liabilities, capital expenditure and depreciation/amortization by geographical segment is shown in the following table:

	Americas KEUR	Germany KEUR	Rest of Europe KEUR	Other KEUR	Group 2004 KEUR
Segment revenues	34,034	66,904	33,907	13	134,858
Intersegment trade	0	-2,034	-1,779	0	-3,813
External segment revenues	34,034	64,870	32,128	13	131,045
Segment result	2,018	3,011	1,051	-192	5,888
Financial result*					-478
Profit from ordinary operations					5,410
Minority interests					-14
Income taxes					-1,969
Net profit for the year					3,427

*including the investment result of KEUR 7 calculated using the equity method.

The segment result for "Rest of Europe" contains an impairment loss on goodwill of KEUR 200.

	Americas KEUR	Germany KEUR	Rest of Europe KEUR	Other KEUR	Group 2003 KEUR
Segment revenues	37,205	75,821	38,670	1,256	152,952
Intersegment trade	0	-4,138	-2,842	-381	-7,361
External segment revenues	37,205	71,683	35,828	875	145,591
Segment result	2,190	-4,726	-1,009	-195	-3,740
Financial result*					-1,744
Result from ordinary activities					-5,484
Minority interests					12
Income taxes					-1,069
Net loss for the year					-6,541

*including the investment result of KEUR -996 calculated using the equity method.

The segment result for "Rest of Europe" contains an impairment loss on goodwill of KEUR 1,467.

	Americas KEUR	Germany KEUR	Rest of Europe KEUR	Other KEUR	Group 2004 KEUR
Segment assets	14,910	40,532	9,343	112	64,897
Segment liabilities	7,315	26,322	9,834	182	43,653
Capital expenditure and investments in intangible assets	785	1,886	790	0	3,461
Amortization/depreciation	322	2,348	904	1	3,575

	Americas KEUR	Germany KEUR	Rest of Europe KEUR	Other KEUR	Group 2003 KEUR
Segment assets	14,188	35,585	12,321	615	62,709
Segment liabilities	6,771	32,042	12,001	909	51,723
Capital expenditure and investments in intangible assets	755	2,571	526	19	3,871
Amortization/depreciation	362	2,019	2,257	13	4,651

The depreciation/amortization for the segment "Rest of Europe" includes goodwill impairment of KEUR 200 for fiscal year 2004 (prior year: TEUR 1,467).

Intersegment trade is disclosed separately and eliminated. Assets and liabilities should be clearly allocated to the segments where possible. Additions to non-current assets relate to intangible assets, property, plant and equipment and other capital expenditure.

Information on revenues, segment assets and capital expenditure by business segment is shown in the following table:

	Con- sulting KEUR	Licenses KEUR	Outsour- cing & Services KEUR	Other Non- allocated KEUR	Group 2004 KEUR
Segment revenues	78,114	16,782	35,413	736	131,045
Segment assets	32,312	0	32,473	112	64,897
Capital expenditure and investments in intangible assets	1,081	0	2,380	0	3,461

	Con- sulting KEUR	Licenses KEUR	Outsour- cing & Services KEUR	Other Non- allocated KEUR	Group 2003 KEUR
Segment revenues	99,485	15,606	29,223	1,277	145,591
Segment assets	34,912	0	27,182	615	62,709
Capital expenditure and investments in intangible assets	846	0	3,005	20	3,871

The segment "Licenses" does not have any segment assets as no assets are required to generate revenues.

33 Restructuring Measures

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 it during the fiscal year. The strategy comprised structural and operational measures in the itelligence Group. External 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 0 of this expense was still included in liabilities at year-end. The restructuring also resulted in further expenses of KEUR 2,126 due to redundancies. KEUR 240 of this amount was still contained in provisions as of the balance sheet date. In addition, costs of KEUR 205 were incurred for rental premises that are no longer required and were included in the provisions for potential losses as of the balance sheet date.

The following table shows how restructuring expenses in 2003 have been accounted for in the consolidated financial statements as of December 31, 2004:

	Restructuring expenses 2003			Of which included in Liabilities/provisions as of the balance sheet date
	Cost of sales	Administrative expenses	Total	
	KEUR	KEUR	KEUR	KEUR
Severance payments	1,426	700	2,126	240
Vacant offices	0	205	205	205
Total restructuring expenses	1,426	905	2,331	445
Cost of external consultants	0	3,087	3,087	0
Total	1,426	3,992	5,418	445

34 Notes to the Cash Flow Statement

The outflows of KEUR 1,633 for discontinued operations relate to payments for the winding up of the former subsidiary in Italy.

The outflows for purchase price payments of KEUR 582 mainly relate to earn-out payments in connection with acquisitions in the United States.

35 Disclosures Pursuant to Sec. 160 (1) No. 8 of the German Stock Corporation Act (AktG)

Ms. Petra Berner, Hamburg, notified itelligence on March 1, 2004 that her voting rights had fallen below the 5 percent threshold. Ms. Berner held 4.88 percent of the voting rights in itelligence AG as of February 25, 2004.

Julius Baer Multistock, Luxembourg, (an investment company under Luxembourg law – publicly offered funds) notified itelligence on March 24, 2004 that its voting shares in itelligence had exceeded the 5 percent threshold on March 19, 2004 and has since held 5.06 percent of the voting rights.

Ms. Christel Lamb, Hamburg, notified itelligence on March 29, 2004 that her voting shares had fallen below the 5 percent threshold. She held 4.26 percent of the voting rights in itelligence AG as of March 25, 2004.

Nobel SA, Paris, notified itelligence on April 5, 2004 that its voting shares in itelligence had exceeded the 5 percent threshold on April 1, 2004. The entity holds 6.11 percent of the voting rights. Nobel SA, Paris, is a wholly-owned subsidiary of CCF SA, Paris.

Ms. Karin Vogel, Bad Salzuflen, notified itelligence on April 7, 2004 that her voting shares had fallen below the 5 percent threshold on December 23, 2003. She held 4.48 percent of the voting rights in itelligence AG as of December 23, 2003.

Mr. Herbert Vogel, Bad Salzuflen, notified itelligence on April 30, 2004 that his voting shares had fallen below the 10 percent threshold subsequent to the entry of the capital increase in the commercial register (notarized excerpt entered in the commercial register on April 23, 2004). He holds 8.55 percent of the voting rights in itelligence AG.

COMINVEST Asset Management GmbH, Frankfurt am Main, notified itelligence on June 9, 2004 that its voting shares in itelligence had exceeded the 5 percent threshold on June 7, 2004 and has since held 5.08 percent of the voting rights. Pursuant to Sec. 22 (1) Sentence 1 No. 6 of the German Securities Trading Act (WpHG), 2.63 percent of the voting rights are attributable to COMINVEST Asset Management GmbH.

Mr. Wolfgang Schmidt, Bielefeld, notified itelligence on August 20, 2004 that his voting shares had fallen below the 5 percent threshold on August 20, 2004. Mr. Schmidt held 0.22 percent of the voting rights in itelligence AG as of August 20, 2004.

Deutsche Bank AG, Frankfurt am Main, notified itelligence on September 9, 2004 that the voting rights of its subsidiary DWS Investment GmbH, Frankfurt, in itelligence had fallen below the 5 percent threshold and has since held 4.77 percent of the voting rights.

COMINVEST Asset Management GmbH, Frankfurt, notified itelligence on February 9, 2005 that its voting shares in itelligence had fallen below the 5 percent threshold on February 8, 2005 and has since held 4.74 percent of the voting rights. Pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG, 2.07 percent of the voting rights are attributable to COMINVEST Asset Management GmbH.

36 Other Disclosures

Risk management

The Group operates internationally, giving rise to exposure to market risks from changes in interest and foreign exchange rates.

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Company within the normal terms of trade. To manage this risk, the Company concluded a credit sale insurance policy in Germany. In the event of a customer covered by this policy becoming insolvent, 80 percent of the possible default is covered. In addition, the Company periodically assesses the solvency of its customers and performs strict debtor management. Trade receivables from customers in bankruptcy proceedings are written off in full. Specific provisions for bad debts are recorded for usually 25 percent to 50 percent of receivables from customers whose solvency is in doubt.

The Group has adequate cash and cash equivalents and is not exposed to any significant credit risk. Cash and cash equivalents have been deposited at banks.

The equity base is adequate for the development of business and also for countering any negative developments.

The carrying amount of the following financial assets and liabilities corresponds to their fair market value: cash and cash equivalents, trade receivables and payables, other assets and liabilities and finance lease liabilities.

As an IT service company, itelligence is reliant on highly qualified employees. itelligence's success is highly dependent on whether the Company will be in a position to align staff development with business development.

To minimize damages and liability risks, the Company 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 itelligence's infrastructure.

The close ties to SAP AG may have an impact on itelligence's revenues and earnings.

Cost of materials

Cost of materials determined according to the nature of expense method amounted to KEUR 33,849 in fiscal year 2004 (prior year: KEUR 31,578).

Personnel expenses

Personnel expenses determined according to the nature of expense method amounted to KEUR 69,966 in fiscal year 2004 (prior year: KEUR 96,051).

Number of employees

The itelligence Group employed an average of 943 persons (salaried employees) in fiscal year 2004 (prior year: 1,232). As of December 31, 2004, the Company employed 936 persons (salaried employees).

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 under Sec. 161 AktG stating that the recommendations of the "German Corporate Governance Code" issued by the Federal Ministry of Justice in the official section of the electronic version of the Federal Gazette have been implemented as well as which recommendations have not yet been implemented and disclosed this on the internet on itelligence AG's homepage.

Related parties

The Company did not make any further payments to related parties in the fiscal year other than the above supervisory board remuneration and consulting fees.

Subsequent events

No significant events occurred after the balance sheet date.

Management Board and Supervisory Board

Management Board
 Membership of supervisory boards and other comparable German and foreign supervisory boards of business enterprises not belonging to the itelligence Group (as of December 31, 2004)

Herbert Vogel
 CEO
 Chairman of the supervisory board of ALUTECH-BELTE AG

Jörg Vandreier
 CFO

The remuneration paid to the members of the Management Board in 2004 amounted to KEUR 529 (prior year: KEUR 812). It is broken down into fixed and variable salary components of KEUR 473 and KEUR 56, respectively. Accruals of KEUR 293 were recognized in 2004 for other variable salary components. There are pension obligations to former board members of KEUR 234. Remuneration for fiscal year 2004 amounted to:

CEO	KEUR	322
CFO	KEUR	207

Supervisory Board

Prof. Dr.-Ing. Peter-Jürgen Kreher
 Chairman
 Independent consulting engineer

Johannes Cordes
 Deputy chairman
 Employee representative
 SAP consultant

Fritz Fleischmann (since May 27, 2004)
 Head of central European operations
 Adobe Systems GmbH

Erwin Gunst (since May 27, 2004)
 SAP President of EMEA NEWS
 SAP AG

Dr. Lutz Mellinger
 Divisional manager at
 Deutsche Bank Retired

Anke Ruff
 Employee representative
 SAP consultant

Hans-Holger Lamb (until March 31, 2004)
 Independent businessman

Wolfgang Schmidt (until May 27, 2004)
 Independent businessman

Prof. Dr. Karl Peter Grottemeyer (from April 1, 2004 to May 27, 2004)
 Retired rector of the University of Bielefeld

The remuneration paid to the members of the Supervisory Board in the fiscal year amounted to KEUR 169 (prior year: KEUR 66). The Supervisory Board received remuneration of KEUR 27 in 2004 for consultancy work (prior year: KEUR 56).

Remuneration for fiscal year 2004 amounted to:

Prof. Dr.-Ing. Peter-Jürgen Kreher	KEUR	49
Johannes Cordes	KEUR	31
Fritz Fleischmann	KEUR	16
Erwin Gunst	KEUR	18
Dr. Lutz Mellinger	KEUR	25
Anke Ruff	KEUR	21
Hans-Holger Lamb	KEUR	3
Prof. Dr. Karl Peter Grottemeyer	KEUR	2
Wolfgang Schmidt	KEUR	4
		169

Other Boards:

Deputy chairman of the supervisory board of Dürkopp Adler AG
 Chairman of the advisory board of Albert Ziegler GmbH & Co. KG

Chairman of the supervisory board of Heller & Partner AG

Member of the supervisory board of ADK, Immobilienverwaltungs GmbH
 Member of the supervisory board of AGIV Real Estate 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 Kufner Textilwerke KG
 Member of the advisory board of IVG AG, Beirat Süd

Bielefeld, February 25, 2005

The Management Board

Statement of non-current assets for fiscal year 2004

Acquisition and production cost						
	Balance carried forward	Foreign currency translation	Additions	Reclass- ifications	Disposals	Dec. 31, 2004
	Jan. 1, 2004 KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Intangible assets						
IT software	2,274	8	359	0	-527	2,114
Goodwill	20,738	-817	770	0	0	20,691
	23,012	-809	1,129	0	-527	22,805
Property, plant and equipment						
Land and buildings	4,110	350	18	0	-13	4,465
Leashold improvements	573	-6	3	0	-14	556
IT hardware	11,251	-24	2,011	0	-1,973	11,265
Fixtures and fittings	6,217	149	300	0	-797	5,869
Vehicles	12	0	0	0	0	12
	22,163	469	2,332	0	-2,797	22,167
Financial assets						
Shares in associates	37	0	6	0	0	43
Investment	21	0	0	0	0	21
Securities	4,196	0	0	0	-4,192	4
	4,254	0	6	0	-4,192	68
Total	49,429	-340	3,467	0	-7,516	45,040

Accumulated amortization/depreciation					Net carrying amounts		
Balance carried forward	Foreign currency translation	Additions	Reclassifications	Disposals			
Jan. 1, 2004 KEUR	Jan. 1, 2004 KEUR	KEUR	KEUR	KEUR	Dec. 31, 2004 KEUR	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
1,307	5	497	0	-478	1,331	783	967
7,871	-162	200	0	0	7,909	12,782	12,867
9,178	-157	697	0	-478	9,240	13,565	13,834
680	31	205	0	-10	906	3,559	3,430
116	-2	49	0	-14	149	407	457
6,820	13	1,984	0	-1,856	6,961	4,304	4,431
4,265	65	639	0	-732	4,237	1,632	1,952
11	0	1	0	0	12	0	1
11,892	107	2,878	0	-2,612	12,265	9,902	10,271
0	0	0	0	0	0	43	37
0	0	0	0	0	0	21	21
3,648	0	0	0	-3,648	0	4	548
3,648	0	0	0	-3,648	0	68	606
24,718	-50	3,575	0	-6,738	21,505	23,535	24,711

Report of Independent Auditors

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statement of changes in equity and cash flow statement as well as the notes to the financial statements, prepared by itelligence AG, Bielefeld, for the fiscal year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements are the responsibility of the Company's Management Board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRSs) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and the generally accepted German 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 it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. 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. The evidence supporting the amounts and the disclosures in the consolidated financial statements are examined 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 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 and results of operations and cash flows of the Group for the fiscal year in accordance with IFRSs.

Our audit, which also extends to the group management report prepared by the Management Board for the fiscal year from January 1 to December 31, 2004, has not led to any reservations. The Company made use of the option to combine the Company's management report with the group management report. In our opinion, on the whole the group management report together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks to future development. In addition, we confirm that the consolidated financial statements and the group management report for the fiscal year from January 1 to December 31, 2004 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a group management report in accordance with German law.

Eschborn/Frankfurt am Main,
February 25, 2005
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Klein	Broßius
Wirtschaftsprüfer	Wirtschaftsprüfer

Balance Sheet as of December 31, 2004 and 2003 (HGB)

Assets	EUR	Dec. 31, 2004 EUR	Dec. 31, 2003 KEUR
A. Fixed assets			
I. Intangible assets			
Software and industrial rights	137,647.63		253
		137,647.63	253
II. Property, plant and equipment			
1. Leasehold improvements	187,545.00		246
2. Furniture and fixtures	1,098,062.17		1,280
		1,285,607.17	1,526
III. Financial assets			
1. Shares in affiliated companies	15,469,199.86		15,480
2. Investments	35,790.43		36
		15,504,990.29	15,516
		16,928,245.09	17,295
B. Current assets			
I. Inventories			
1. Work in process	4,393,862.90		4,514
2. Merchandise	183,207.84		333
		4,577,070.74	4,847
II. Accounts receivable and other assets			
1. Trade accounts receivable	7,738,635.70		7,409
2. Accounts receivable from affiliated companies	13,956,411.85		15,193
– thereof due in more than one year:			
EUR 9,264,295.82 (prior year: KEUR 10,102)			
3. Other assets	1,732,237.97		1,878
– thereof due in more than one year:			
EUR 1,449,328.02 (prior year KEUR 1,376)			
		23,427,285.52	24,480
III. Cash on hand, bank balances and checks		8,766,628.68	4,454
		36,770,984.94	33,781
C. Prepaid expenses			
		123,065.54	7
		53,822,295.57	51,083

Equity and liabilities	EUR	Dec. 31, 2004 EUR	Dec. 31, 2003 KEUR
A. Equity			
I. Subscribed capital *		22,287,535.00	18,448
II. Capital reserve		16,416,836.68	13,253
III. Accumulated deficit		-18,324,973.92	-18,011
		20,379,397.76	13,690
B. Accruals			
1. Accruals for pensions and similar obligations	622,222.00		554
2. Other accruals	6,570,401.03		6,393
		7,192,623.03	6,947
C. Liabilities			
1. Bonds	6,304,417.00		509
– thereof due within one year:			
EUR 6,304,417.00 (prior year: KEUR 509)			
– thereof convertible			
EUR 6,304,417.00 (prior year: KEUR 509)			
2. Liabilities due to banks	374,932.47		6,009
– thereof due within one year:			
EUR 0,00 (prior year: KEUR 5,349)			
3. Advance payments received on account of orders	5,250,790.66		5,150
– thereof due within one year:			
EUR 5,250,790.66 (prior year: KEUR 5,150)			
4. Trade accounts payable	4,153,448.30		4,359
– thereof due within one year:			
EUR 4,153,448.30 (prior year: KEUR 4,359)			
5. Liabilities due to affiliated companies	3,937,934.12		4,132
– thereof due within one year:			
EUR 3,937,934.12 (prior year: KEUR 4,132)			
6. Liabilities due to companies in which investments are held	19,582.40		53
– thereof due within one year:			
EUR 19,582.40 (prior year: KEUR 53)			
7. Other liabilities	6,168,352.27		10,182
– thereof due within one year:			
EUR 3,709,889.57 (prior year: KEUR 5,753)			
– thereof for taxes: EUR 946,476.69 (prior year: KEUR 1,292)			
– thereof for social security:			
EUR 547,816.69 (prior year: KEUR 784)			
		26,209,457.22	30,394
D. deferred income			
		40,817.56	52
		53,822,295.57	51,083

* Conditional capital: EUR 9,224,160.00 (prior year: KEUR 2,238)

Statement of Income for Fiscal Year 2004 and 2003 (HGB)

	EUR	Jan. 1 to Dec. 31, 2004 EUR	Jan. 1 to Dec. 31, 2003 KEUR
1. Revenues	53,711,653.64		63,858
2. Cost of revenues	-120,591.25		1,474
3. Other operating income	4,194,132.44		2,610
		57,785,194.83	67,942
4. Cost of materials			
a) Cost of purchased merchandise	-4,605,971.22		-3,985
b) Cost of purchased services	-11,883,564.33		-9,742
5. Personnel expenses			
a) Wages and salaries	-25,744,902.31		-35,676
b) Social security and other pension costs thereof for old-age pensions: EUR 60,289.77 (prior year: KEUR 44)	-3,806,915.34		-5,493
6. Amortization/depreciation			
a) on intangible assets and property, plant and equipment	-655,796.53		-858
b) on current assets in excess of depreciation which is normal for the Company	-1,609,426.75		-8,922
7. Other operating expenses	-13,494,010.85		-17,932
		-61,800,587.33	-82,608
8. Income from investments	777,655.82		348
thereof from affiliated companies: EUR 777,005.28 (prior year KEUR 340)			
9. Income from profit transfer agreements	3,068,980.19		437
10. Other interest and similar income	1,112,264.01		1,265
thereof from affiliated companies: EUR 997,173.77 (prior year: KEUR 1,155)			
11. Amortization of financial assets	-111,410.74		-3,551
12. Expenses from loss absorption	-10,697.32		-3,012
13. Interest and similar expenses	-1,105,663.11		-1,147
thereof to affiliated companies EUR 112,698.06 (prior year: KEUR 110)			
		3,731,128.85	-5,660
14. Result from ordinary activities		-284,263.65	-20,326
15. Extraordinary income		0.00	10,295
16. Income taxes	1,321.92		-46
17. Other taxes	-30,555.04		13
		-29,233.12	-33
18. Net loss for the year		-313,496.77	-10,064
19. Loss carryforward		-18,011,477.15	-7,947
20. Accumulated deficit		-18,324,973.92	-18,011

Notes to the Financial Statements

I. General Information

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 items of the balance sheet and statement of operations 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.

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, Spain, the United Kingdom, Norway, the Czech Republic, Slovakia, the Netherlands, Belgium, Poland, Slovenia, Hungary, Russia and the Ukraine. The subsidiaries in Norway, France and Brazil have been closed.

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, 2003 have been carried over unchanged as the opening balances.

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 2004 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 bank balances are recorded at nominal value.

Prepaid expenses are determined on an accrual basis.

Pension accruals are recognized at carrying value 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 2004 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			
itelligence Service GmbH, Bielefeld (formerly APCON Nielsen Consulting GmbH, Hamburg)	100	305	924 *
APCON International Business Systems Gesellschaft für DV-Beratung mbH, Hamburg			
APCON Business Consulting Gesellschaft für Managementberatung mbH, Hamburg	100	105	-11 *
ASECON GmbH, Bielefeld	100	-230	-32
itelligence AG, Urdorf, Switzerland	100	2,011	1,213
itelligence AS, Oslo, Norway	100	-910	-26
itelligence Business Software Inc., Westchester, USA			
itelligence Business Solutions GmbH, Vienna, Austria	100	2,696	30
itelligence Business Solutions Ltd., London, UK	100	-1,336	-539
itelligence Business Solutions s.p.r.l., Brussels, Belgium	100	-2,945	-672
itelligence BV, Eindhoven, Netherlands	100	286	-41
itelligence d.o.o., Ljubljana, Slovenia	100	245	9
itelligence s.r.o., Bratislava, Slovakia	100	222	-219
itelligence Ersteeteiligungs GmbH, Frankfurt	100	105	0
itelligence Hungary Kft., Budapest, Hungary	100	515	75
itelligence Inc. Cincinnati, USA	100	10,557	1,030
itelligence Innovative Solutions Inc., Dallas, USA	100	1,170	-159
itelligence Int'l, Kiev, Ukraine	100	226	-64
itelligence Ltd. Moscow, Russia	100	90	89
itelligence Outsourcing Inc., USA	100	-258	76
itelligence Outsourcing und Services GmbH, Bautzen			
itelligence S.A., Paris, France	100	1,226	2,110 *
itelligence S.A., Sao Paulo, Brazil	100	-1,248	-157
itelligence S.A., Bratislava, Slovakia	100	-903	-42
itelligence s.r.o., Prague, Czech Republic	100	879	109
itelligence s.r.o., Warsaw, Poland	100	-319	24
itelligence SP.Z.o.o., Warsaw, Poland	100	1,807	789
ENERCOM SP.Z.o.o., Warsaw, Poland	81	46	17
itelligence VC-Holding GmbH, Frankfurt	100	-65	-245
Servicios informaticos itelligence S.A., Barcelona, Spain			
it-go GmbH, Hamburg	100	-923	-48
ITC Information Technology Consulting GmbH, Detmold			
	56	734	17

* Net income/loss before profit transfer/loss absorption

	Share in %	Equity KEUR	Net income KEUR
Investments >20%			
Dr. Lindner & Partner GmbH, Oerlinghausen	50	70	14

	Share in %	Equity KEUR	Net income KEUR
Investments <20%			
BfL GmbH & Co. KG, Eschborn	Less than 1%	2,402	2,608

On January 8, 2004, the Company sold its 90 percent investment in itelligence Italia S.r.l.

On March 3, 2004, the Company sold its 51 percent investment in Honico Systems GmbH.

On March 30, 2004, the Company acquired another 15 percent of the shares in it-go GmbH, Hamburg. The Company now holds 100 percent of the shares. Due to permanent impairment, the carrying value of itelligence VC-Holding was written down.

Accounts Receivable and Other Assets

Accounts receivable from affiliated companies include loan receivables of KEUR 9,265 (prior year: KEUR 10,102), trade accounts receivable of KEUR 1,207 (prior year: KEUR 1,225) and accounts receivable of KEUR 168 (prior year: KEUR 3,376) from a joint cash pooling arrangement. Other assets contain receivables from the tax office of KEUR 82 (prior year: KEUR 188).

Capital Stock

By resolution of the Management Board on March 11, 2004 and resolution of the Supervisory Board on March 30, 2004, capital stock was increased by EUR 3,839,214 to EUR 22,287,535. The capital increase was entered in the commercial register of Frankfurt am Main on April 16, 2004.

On May 27, 2004, the general shareholders' meeting resolved to conditionally increase capital stock by up to EUR 6,986,316 which serves the granting of conversion rights and/or the fulfillment of conversion obligations vis-à-vis the bearers of convertible bonds and warrant-linked bonds.

Capital stock as of January 1, 2004	18,448,321 EUR
Capital increase as of April 16, 2004	3,839,214 EUR
Capital stock as of December 31, 2004	22,287,535 EUR

Following the capital increase, the Company's capital stock amounted to EUR 22,287,535 and is divided into 22,287,535 no-par value bearer shares each with a notional share of capital of EUR 1. Authorized capital amounts to EUR 11,143,767.

Capital Reserve

The Company received a premium of EUR 0.80 per share as part of the capital increase. In addition, a premium of EUR 92,506.65 was transferred to the capital reserve due to the issue of the convertible bond on the basis of Sec. 272 (2) No. 2 HGB. As a result, the capital reserve increased as follows:

Capital reserve as of January 1, 2004	13,252,958.83 EUR
Premium from capital increase as of April 16, 2004	3,071,371.20 EUR
Premium from convertible bond as of November 29, 2004	92,506.65 EUR
Capital reserve as of December 31, 2004	16,416,836.68 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 4,257 (prior year: KEUR 4,175), rent obligations for vacant premises of KEUR 528 (prior year: KEUR 205), outstanding invoices of KEUR 366 (prior year: KEUR 309) and warranties of KEUR 312 (prior year: KEUR 351).

Liabilities

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

	Total amount as of Dec. 31, 2004 KEUR	up to one year KEUR	Thereof due in more than one to five years KEUR	more than five years KEUR	Amount thereof secured Beträge KEUR
Bonds	6,304	6,304	0	0	0
Liabilities due to banks	375	0	375	0	375 ^(A)
Advance payments received on account of orders	5,251	5,251	0	0	0
Trade accounts payable	4,154	4,154	0	0	0
Liabilities due to affiliated companies	3,938	3,938	0	0	0
Liabilities due to companies in which investments are held	20	20	0	0	0
Other liabilities	6,168	3,710	2,458	0	4,429 ^(B)
	26,210	23,377	2,833	0	4,804

A) Assignment as security of inventories stored in the administrative buildings in Bielefeld 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 243,457 were still on hand as of December 31, 2004. 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.

itelligence AG issued a convertible bond for a total par value of EUR 6,000,000 on November 29, 2004. The term of the convertible bond runs until November 29, 2009 and it bears 7 percent interest p.a. The bond may be converted after the general shareholders' meeting in 2005 at a strike price of EUR 2.60 into up to 2,307,692 shares from the Company's conditional capital.

Revenues

Revenues broken down by segment are as follows:

	Jan. 1 to Dec. 31, 2004 KEUR	Jan. 1 to Dec. 31, 2003 KEUR
Consulting	37,184	48,758
Licenses	8,582	6,391
Outsourcing & Services	7,388	7,867
Other	1,906	1,706
Sales deductions	-1,348	-864
	53,712	63,858

KEUR 580 (prior year: KEUR 861) of revenues was generated abroad.

Income/Expenses Relating to Other Periods

Income relating to other periods mainly relates to income of KEUR 1,005 from the reversal of accruals.

Extraordinary Income

Extraordinary income of KEUR 10,295 from the prior year results from the sale of the "Service" business on December 31, 2003 to itelligence Service GmbH (formerly APCON Nielsen GmbH).

III. 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 Justice in the official section of the electronic version of the Federal Gazette have been implemented as well as which recommendations have not yet been implemented. In addition, the declaration of compliance was made permanently available to the shareholders of itelligence AG on the Company's website.

Disclosures Pursuant to Sec. 160 (1) No. 8 AktG

Ms. Petra Berner, Hamburg, notified itelligence on March 1, 2004 that her voting rights had fallen below the 5 percent threshold. Ms. Berner held 4.88 percent of the voting rights in itelligence AG as of February 25, 2004.

Julius Baer Multistock, Luxembourg, (an investment company under Luxembourg law – publicly offered funds) notified itelligence on March 24, 2004 that its voting shares in itelligence had exceeded the 5 percent threshold on March 19, 2004 and has since held 5.06 percent of the voting rights.

Ms. Christel Lamb, Hamburg, notified itelligence on March 29, 2004 that her voting shares had fallen below the 5 percent threshold. She held 4.26 percent of the voting rights in itelligence AG as of March 25, 2004.

Nobel SA, Paris, notified itelligence on April 5, 2004 that its voting shares in itelligence had exceeded the 5 percent threshold on April 1, 2004. The company holds 6.11 percent of the voting rights. Nobel SA, Paris, is a wholly-owned subsidiary of CCF SA, Paris.

Ms. Karin Vogel, Bad Salzflun, notified itelligence on April 7, 2004 that her voting shares had fallen below the 5 percent threshold on December 23, 2003. She held 4.48 percent of the voting rights in itelligence AG as of December 23, 2003.

Mr. Herbert Vogel, Bad Salzflun, notified itelligence on April 30, 2004 that his voting shares had fallen below the 10 percent threshold subsequent to the entry of the capital increase in the commercial register (notarized excerpt entered in the commercial register on April 23, 2004). He holds 8.55 percent of the voting rights in itelligence AG.

COMINVEST Asset Management GmbH, Frankfurt, notified itelligence on June 9, 2004 that its voting shares in itelligence had exceeded the 5 percent threshold on June 7, 2004 and has since held 5.08 percent of the voting rights. Pursuant to Sec. 22 (1) Sentence 1 No. 6 of the German Securities Trading Act (WpHG), 2.63 percent of the voting rights are attributable to COMINVEST Asset Management GmbH.

Mr. Wolfgang Schmidt, Bielefeld, notified itelligence on August 20, 2004 that his voting shares had fallen below the 5 percent threshold on August 20, 2004. Mr. Schmidt held 0.22 percent of the voting rights in itelligence AG as of August 20, 2004.

Deutsche Bank AG, Frankfurt, notified itelligence on September 9, 2004 that the voting rights of its subsidiary DWS Investment GmbH, Frankfurt, in itelligence had fallen below the 5 percent threshold and has since held 4.77 percent of the voting rights.

COMINVEST Asset Management GmbH, Frankfurt, notified itelligence on February 9, 2005 that its voting shares in itelligence had fallen below the 5 percent threshold on February 8, 2005 and has since held 4.74 percent of the voting rights. Pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG, 2.07 percent of the voting rights are attributable to COMINVEST Asset Management GmbH.

Contingent Liabilities and Other Financial Obligations

There are contingencies from guarantees of KEUR 1,656 (prior year: KEUR 4,269), of which KEUR 432 are to affiliated companies (prior year: KEUR 1,923). In addition, the fully written off loans to itelligence Business Solutions GmbH, Austria, Servicios informaticos itelligence S.A., Spain, itelligence S.A., Brazil, Aseccon GmbH, Bielefeld, itelligence AS, Norway, itelligence Business Solutions Ltd., UK, and itelligence S.A., France, will have subordinate status in the event of insolvency.

Rental and leasing obligations from agreements with fixed or indefinite terms are spread over the following years as follows:

	KEUR
Payable in 2005	2,559
Payable in 2006	1,806
Payable in 2007	1,412
Payable in 2008	1,234
Payable in 2009	1,102
Thereafter	7,004
	15,117

Other financial obligations primarily contain the annual costs for the office building in Bielefeld of KEUR 716 and annual leasing obligations for company vehicles of KEUR 1,664.

In a letter of comfort issued to DZ Bank Polska S.A. on November 30, 2004, the Company undertook to always furnish itelligence Sp. Z.o.o., Warsaw, Poland, with funds such that it is able to satisfy liabilities due to banks at all times. The maximum amount is MEUR 2.2 plus interest and ancillary costs. The letter of comfort dated November 30, 2004 supersedes the letter issued on December 3, 2002.

Annual Average Number of Employees

An average of 413 salaried staff (prior year: 555) were employed in fiscal year 2004. As of December 31, 2004, the Company employed 404 persons.

Appropriation of Loss

The net loss for the year of KEUR 313 combined with the loss carryforward of KEUR 18,011 results in an accumulated deficit of KEUR 18,325. It is proposed to carry the accumulated deficit forward to new account.

Disclosures Concerning the Company's Executive Bodies

Management Board

Membership of supervisory boards and other comparable German and foreign supervisory boards of business enterprises not belonging to the itelligence Group (as of December 31, 2004)

Herbert Vogel
CEO

Chairman of the supervisory board of ALUTECH-BELTE AG

Jörg Vandreier
CFO

The remuneration paid to the members of the Management Board in 2004 amounted to KEUR 529 (prior year: KEUR 812). It is broken down into fixed and variable salary components of KEUR 473 and KEUR 56, respectively. Accruals of KEUR 293 were recognized in 2004 for other variable salary components. There are pension obligations to former board members of KEUR 234. Remuneration for fiscal year 2004 amounted to:

CEO	KEUR	322
CFO	KEUR	207

Supervisory Board

Prof. Dr.-Ing. Peter-Jürgen Kreher
Chairman
Independent consulting engineer

Johannes Cordes
Deputy chairman
Employee representative
SAP consultant

Fritz Fleischmann (since May 27, 2004)
Head of central European operations
Adobe Systems GmbH

Erwin Gunst (since May 27, 2004)
SAP President of EMEA NEWS
SAP AG

Dr. Lutz Mellinger
Divisional manager at
Deutsche Bank Retired

Other Boards:

Deputy chairman of the supervisory board of Dürkopp Adler AG
Chairman of the advisory board of Albert Ziegler GmbH & Co. KG

Member of the supervisory board of Systems Integration AG

Chairman of the supervisory board of Heller & Partner AG

Member of the supervisory board of ADK, Immobilienverwaltungs GmbH
Member of the supervisory board of AGIV Real Estate 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 Kufner Textilwerke KG
Member of the advisory board of IVG AG, Beirat Süd

Anke Ruff
Employee representative
SAP consultant

Hans-Holger Lamb (until March 31, 2004)
Independent businessman

Wolfgang Schmidt (until May 27, 2004)
Independent businessman

Prof. Dr. Karl Peter Grottemeyer (from April 1, 2004 to May 27, 2004)
Retired rector of the University of Bielefeld

The remuneration paid to the members of the Supervisory Board in the fiscal year amounted to KEUR 169 (prior year: KEUR 66). The Supervisory Board received remuneration of KEUR 27 in 2004 for consultancy work (prior year: KEUR 56).

Remuneration for fiscal year 2004 amounted to:

Prof. Dr.-Ing. Peter-Jürgen Kreher	KEUR	49
Johannes Cordes	KEUR	31
Fritz Fleischmann	KEUR	16
Erwin Gunst	KEUR	18
Dr. Lutz Mellinger	KEUR	25
Anke Ruff	KEUR	21
Hans-Holger Lamb	KEUR	3
Prof. Dr. Karl Peter Grottemeyer	KEUR	2
Wolfgang Schmidt	KEUR	4
		169

Bielefeld, February 25, 2005

The Management Board

Analysis of Fixed Assets for Fiscal Year 2004

Acquisition and production cost				
	Jan. 1, 2004 KEUR	Additions KEUR	Disposals KEUR	Dec. 31, 2004 KEUR
I. Intangible assets				
Software and industrial rights	1,114	106	517	703
	1,114	106	517	703
II. Property, plant and equipment				
1. Leasehold improvements	516	0	13	503
2. Furniture and fixtures	5,787	262	2,256	3,793
	6,303	262	2,269	4,296
III. Financial assets				
1. Shares in affiliated companies	19,811	100	131	19,780
2. Investments	36	0	0	36
	19,847	100	131	19,816
	27,264	468	2,917	24,815

Accumulated amortization/depreciation				Net carrying amounts	
Jan. 1, 2004 KEUR	Additions KEUR	Disposals KEUR	Dec. 31, 2004 KEUR	Dec. 31, 2004 KEUR	Dec. 31, 2003 KEUR
861	175	470	566	137	253
861	175	470	566	137	253
270	56	11	315	188	246
4,507	424	2,236	2,695	1,098	1,280
4,777	480	2,247	3,010	1,286	1,526
4,331	111	131	4,311	15,469	15,480
0	0	0	0	36	36
4,331	111	131	4,311	15,505	15,516
9,969	766	2,848	7,887	16,928	17,295

Report of Independent Auditors

We have audited the annual financial statements, together with the bookkeeping system, and the combined management report of itelligence AG, Bielefeld, for the fiscal year from January 1, 2004 to December 31, 2004. 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 suppor-

ting the disclosures 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 to future development.

Eschborn/Frankfurt am Main,
February 25, 2005
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Klein	Broßius
Wirtschaftsprüfer	Wirtschaftsprüfer

Shareholder Value

The Share

While 2004 was largely disappointing for investors, the itelligence share had climbed around 30 percent by year-end. The Company's good fundamental data had already convinced many investors in the first half of the year of the value of the share.

itelligence successfully implemented a capital increase with subscription rights for 3,839,214 new shares on March 31, 2004. The placement of the 3,839,214 shares increased the Company's capital stock to 22,287,535 shares. The capital increase led to a gross cash inflow of some MEUR 6.9.

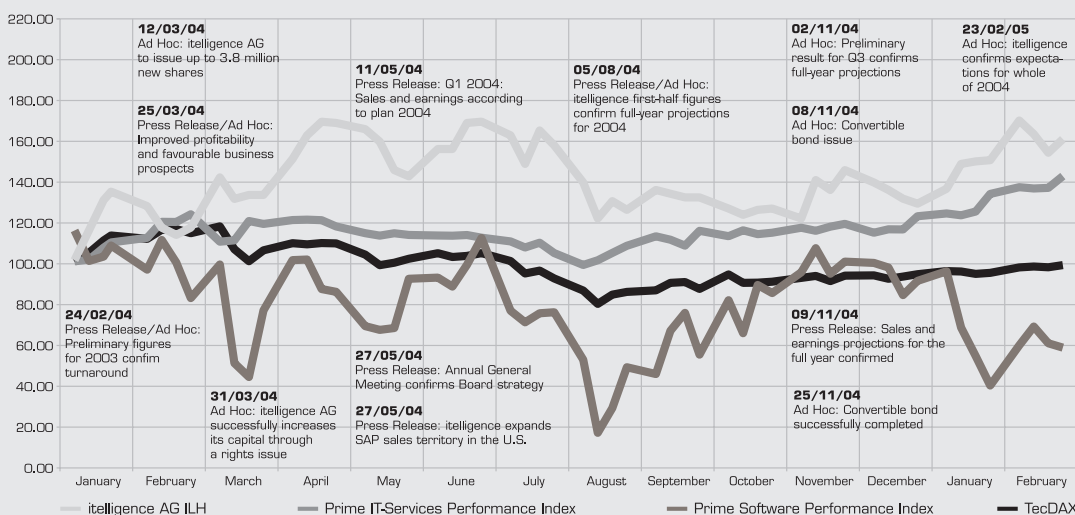
The share price reflected itelligence's good performance and its sustainable financial strength.

The issue of the convertible bond with a nominal volume of up to EUR 6,000,000.00 was resolved by the Management Board with the approval of

the Supervisory Board on November 8, 2004. The convertible bond was issued preserving the shareholders' subscription rights on the basis of the authorization of the general shareholders' meeting on May 27, 2004.

The cash is earmarked to be used to improve the operational and strategic financing possibilities. The bond may be converted after the general shareholders' meeting in 2005 at a strike price of EUR 2.60 into up to 2,307,692 new shares from the Company's conditional capital. The bond has a term of five years and bears interest of 7 percent p.a. The convertible bond is divided into up to 60,000 bearer bonds of EUR 100.00 each and the issue price amounts to 100 percent nominal.

The operating and financial position and the considerable increase in the Group's equity ratio are testimony to the success of the restructuring in 2003. This says much about the solid potential of the share. This opinion is also shared by most analysts and research agencies:



Performance of the itelligence share

Date	Institution	Comment	Rating
2005			
03.03.05	equinet Institutional Services	Positive development of market, company stands by 05 outlook	Buy
25.02.05	AC Research	Company analysis	Strong Buy
25.02.05	HBV Equity Research	Company Flash	Buy
24.02.05	citigroup Smith Barney	4Q prelims mixed, company stands by 05 outlook	Speculative Buy
17.01.05	HVB Equity Research	Undervaluation in spite of turnaround	Buy
2004			
26.11.04	equinet Institutional Services	Convertible bond successfully placed	Buy
18.11.04	equinet Institutional Services	Price target reduced to EUR 3	Buy
10.11.04	citigroup Smith Barney	intelligence Q3/2004 figures	Speculative Buy
09.11.04	HVB Equity Research	Convertible Bond and guidance for 2005 for the first time	Buy
03.11.04	equinet Institutional Services	Preliminary Q3 results published	Buy
03.11.04	HVB Equity Research	Preliminary Q3/04 report below our estimates, but EBIT margin with 3.8% nevertheless positive – turnaround scenario confirmed	Buy
26.10.04	citigroup Smith Barney	Back in the Black	Speculative Buy
05.08.04	HVB Equity Research	Turnaround approved, sequential decrease in sales as downer	Buy
05.08.04	equinet Institutional Services	intelligence: Back on track	Buy
29.06.04	Berenberg Bank	Company update	Monitored
07.06.04	Independent Research	Update Q1/2004	Buy
11.05.04	HVB Equity Research	Q1 figures confirm turnaround	Buy
07.05.04	equinet Institutional Services	intelligence: Go forward!	Buy
16.04.04	citigroup Smith Barney	Company visit	Monitored
14.04.04	HVB Equity Research	Underrated turnaround candidate	Buy
08.04.04	Independent Research	Update Annual Report 2003	Speculative Buy

Business valuations in 2004/2005

Stock Identity Number	730 040
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	Bayerische Hypo- und Vereinsbank AG, equinet Securities AG
Number of shares before capital increase	18.45 million
Number of shares (Dec. 31, 2004)	22.29 million
High	EUR 2.90 (April 16, 2004)
Low	EUR 1.66 (January 2, 2004)
Price at the beginning of the fiscal year	EUR 1.66
Price at the end of the fiscal year	EUR 2.19
Market capitalization/ stock market value at year-end*	MEUR 48.81
Earnings per share in EUR	0.16
Earnings per share in EUR (DVFA/SG)	0.14
Cash flow per share in EUR	0.38
Dividend per share in EUR	0
Capital stock in EUR	MEUR 22.29

* in relation to the price at year-end

Key Figures of the itelligence Share in 2004

Investor Relations

itelligence continued to communicate intensively with institutional investors, analysts, the business press and investors in 2004. We communicated itelligence's business strategy to international analysts and investors during presentations and one-on-one meetings, for example at SYSTEMS 2004 in Munich, at the Pan European Small/Mid Cap Conference of Citigroup Smith Barney in London, and for the first time at the "Eigenkapitalforum" (German Equity Forum) held by Deutsche Börse in Frankfurt. Management also maintains close contact with the financial press and regularly informs the media of developments in the Group.

The quarterly reports and press releases provide investors with regular information on the Company's performance.

At the general shareholders' meeting on May 27, 2004 which was held for the first time in Bielefeld, the Management Board together with the Supervisory Board sought direct dialog with itelligence shareholders. The shareholders present at the meeting approved the Management Board's policy. The shareholders' meeting also voted in favor of all the items on the agenda with a clear majority. The relocation of the Company's registered office from Frankfurt am Main to Bielefeld was approved. Another item on the agenda approved by the shareholders' meeting

was the authorization of the Management Board and the Supervisory Board to increase the Company's capital stock on one or several occasions by up to a maximum of EUR 11,143,767 up until April 20, 2009 by issuing new bearer shares in return for cash and/or non-cash contributions. In addition, the shareholders approved the proposal that the Company issue conditional capital for the issue of convertible and warrant-linked bonds and to increase the capital stock by conditional capital of EUR 6,986,316. The Supervisory Board was also reappointed at the shareholders' meeting. Erwin Gunst and Fritz Fleischmann were elected to the Supervisory Board as the successors of Hans-Holger Lamb and Wolfgang Schmidt.

In addition to the general shareholders' meeting, the Company also communicates with its shareholders on its homepage, where all documents on the general shareholders' meeting and corporate governance and up-to-date investor relations information can be obtained. The Company also offers its shareholders open dialogue through direct contact by e-mail and telephone.

Shareholder Structure

As of December 31, 2004, itelligence AG's shares were held by:

Vogel family	11.9 percent
Nobel SA, Paris	9.2 percent
Julius Baer Multistock	8.5 percent
COMINVEST	
Asset Management	6.0 percent
Free float	64.4 percent

According to the announcement made on February 9, 2005, the voting shares held by COMINVEST Asset Management fell below the 5 percent threshold on February 8, 2005. As a result, the free float has since stood at 70.4%.

Directors' Holdings

Members of the Management Board and Supervisory Board held the following itelligence shares as of December 31, 2004:

	Shares
Management Board	
Herbert Vogel	1,907,286
Jörg Vandreier	0
Supervisory Board	
Prof. Dr.-Ing. Peter-Jürgen Kreher (chairman)	0
Johannes Cordes (deputy chairman and employee representative)	833
Fritz Fleischmann	0
Erwin Gunst	0
Dr. Lutz Mellinger	0
Anke Ruff (employee representative)	0

The members of the Management Board did not hold convertible bonds of itelligence AG as of December 31, 2004. Only the employee representatives on the Supervisory Board hold convertible bonds of itelligence AG: Anke Ruff holds 1,230 and Johannes Cordes holds 1,000.



Germany, Bielefeld



USA, Cincinnati



Netherlands, Eindhoven



Poland, Poznan

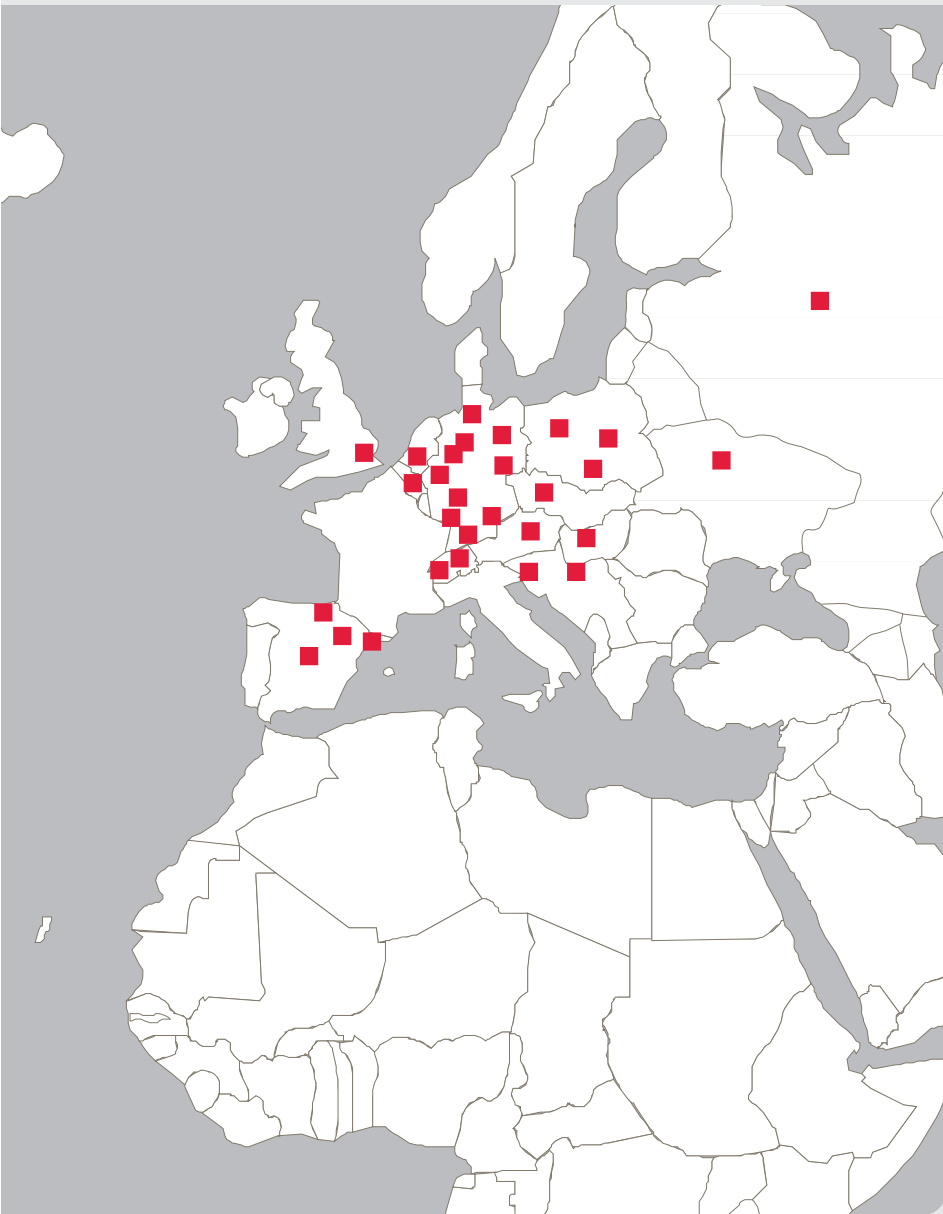


Germany/Austria

Berlin, Bielefeld, Dortmund, Bautzen, Frankfurt, Hamburg, Cologne, Munich, Stuttgart, Walldorf, Vienna

Western Europe

Barcelona, Bern, Bilbao, Brussels, Eindhoven, London, Madrid, Zaragoza, Zurich



Eastern Europe

Bratislava, Budapest, Katowice, Kiev, Ljubljana, Moscow, Posen, Prague, Warsaw

USA

Atlanta (GA), Chicago (IL), Cincinnati (OH), Dallas (TX), Minneapolis (MN)



Russia, Moscow



Spain, Madrid



United Kingdom, London



Hungary, Budapest

Important Events in 2005

May 4, 2005	Publication of the three-month report 2005
June 2, 2005	General Shareholder's Meeting 2005, Bielefeld
August 2, 2005	Publication of the six-month report 2005
November 8, 2005	Publication of the nine-month report 2005

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 to be added to the mailing list for news and press releases under Investor Relations/Contact. You will then receive the latest news by e-mail.

Contact Partners

Investor Relations

Katrin Schlegel, Investor Relations Manager

Tel: (+49) 521 / 9144 8106

Fax: (+49) 521 / 9144 5201

E-mail: katrin.schlegel@itelligence.de

Public Relations

Silvia Dicke, Press Spokesperson

Tel: (+49) 521 / 9144 8107

Fax: (+49) 521 / 9144 5201

E-mail: silvia.dicke@itelligence.de

Company Address

itelligence AG, Königsbreite 1, D-33605 Bielefeld

Concept and text:

Haubrok Investor Relations,
Düsseldorf
itelligence AG,
Investor Relations, Bielefeld

Graphics,
realization, photos:

no.nonsense
Thedestraße 13–17
22767 Hamburg

Print:

Mundschenk Druck+Medien
Mundschenkstraße 5
06895 Kropstädt

