



Annual Financial Statements December 31, 2006  
and Management Report of itelligence AG

**itelligence AG Management Report  
for Fiscal Year 2006**

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**Annual Financial Statements of itelligence AG**

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**ITELLIGENCE AG MANAGEMENT  
REPORT FOR FISCAL YEAR 2006**



## Full Year 2006 – Highlights at a Glance

- Substantial increase in revenues by +15.6% to MEUR 60.3
- Total performance rises by MEUR +9.1 (+15.7%) to MEUR 66.6
- Profit from ordinary operations climbs +28.5% to MEUR 3.3
- Net profit for the period improves by +16.4% to MEUR 3.3
- Equity ratio soars from 44.8% to 45.5%

## General

itelligence AG, Bielefeld, has been a listed company since September 2000. Its shares are listed on all German stock exchanges in the Prime Standard trading segment, the prime sector Software and the industry sector IT Services.

As the parent company of the Group, itelligence AG holds shares in subsidiaries and associates within and outside Germany and has operations itself in SAP consulting, SAP licenses sales and outsourcing & services.

As the parent company, itelligence AG performs Group-wide corporate functions in the areas of finance, controlling and marketing.

The key figures used to manage itelligence's operating business are revenues growth and growth in operating profit (EBIT). The management parameters are coordinated with each other to achieve profitable growth.

## Performance of itelligence AG in the Economy as a Whole

The general market trend in the IT services segment was highly positive in 2006. The increasing propensity to invest in IT projects which was emerging in the second half of 2005 could also be seen to continue throughout the individual quarters in fiscal year 2006. According to studies by the German Information and Telecommunication Industry Association BITKOM, growth in the software & IT services market in the past fiscal year was at 4.8% in Germany. Itelligence benefited from this market performance more than average due to the stronger growth in the SAP environment, particularly in the midmarket, and SAP's new hybrid sales model. In fiscal year 2006, for instance, itelligence AG generated an increase in revenues of +15.6%, thus further consolidating its position in the specific SAP midmarket segment against the competition and gaining market shares.

The early adaptation of the new SAP go-to-market approach in the midmarket together with the strategic staff development played a key role in the success of the past fiscal year. Along with measures to increase employee loyalty and the focused training and further education of our existing employees, human resources management also concentrated on recruiting talents for itelligence.

## The Positioning of itelligence AG

itelligence considers itself to be excellently positioned as one of the leading international full-service IT providers for SAP, particularly in the classical and upper midsize market. itelligence offers its customers a coordinated solution and service portfolio over the entire life cycle of an IT investment. In addition

to consulting, development and system integration in the SAP environment, the SAP licenses business and the Outsourcing & Services segment form the core of the itelligence portfolio. Due to its profound industry expertise and qualified SAP industry solutions, itelligence is the strategic partner for the classical and upper midsize market in Germany, the USA and Eastern and Western Europe. 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 through various factors. These include its sophisticated technological competence in the SAP environment, its knowledge of integrating complementary software products, its profound process expertise in itelligence's core industries, the developed industry solutions and especially the ability to offer these factors combined, completed by the Licenses and Outsourcing & Services business, from one source internationally.

## Partnerships

### SAP partnership

Itelligence's service portfolio enables it to focus on SAP products. The resulting importance of this partnership for itelligence is documented by the highest partner statuses and diverse awards bestowed by SAP. In addition to the two most important partner statuses to date that itelligence has been awarded with by SAP – SAP Global Partner Services and SAP Global Partner Hosting – itelligence achieved the highest Gold status in Germany as part of the introduction of the new partner edge program for value-added resellers (VARs). A status is allocated within the partner edge program for value-added

resellers based on the number of points obtained with a catalog of eight different criteria that reflect the overall commitment of the partners with SAP. This allocation is effective once the new partner agreements are signed in the individual country subsidiaries and are subject to examination at regular intervals.

Along with the sponsoring of marketing activities, the main benefits of a high Partner Edge status is the targeted training support, special support from SAP and in particular higher discounts in the Licenses business.

The partner statuses in the Partner Edge program are of particular importance with regard to the hybrid model introduced at the same time. SAP lifts the historical value-added reseller limits of customer revenues totaling MEUR 130 and allows partners with the corresponding potential and expertise to address directly the market with customer revenues totaling up to MEUR 500 after agreeing this with SAP. In these cases, the partners conclude license and service agreements directly with the end customers.

The first positive effects of this new go-to-market approach from SAP were already visible in the third quarter at itelligence AG.

In the first half of 2006, itelligence received the highest partner award – the Pinnacle Award – for its services in sales, marketing, development and innovation in the EMEA region. This documents the close and successful partnership between SAP and itelligence at all levels. For instance itelligence also supported SAP development in the final acceptance tests of the new A1 (All-in-One) midmarket product. In so doing, itelligence was also SAP's sparring partner for design issues concerning the scope, target group and sales approach from the point of view

of one of its biggest midmarket partners. The Company also cooperated closely on an international scale with the SAP SME solution centers as regards best practices in the industries consumer products-durable goods, machinery & construction-express production and chemicals, in order to be able to offer customers an optimized solution portfolio.

As in previous years, itelligence obtained a large number of new SAP special expertise partnerships and recertified respective existing SAP special expertise partnerships. In appointing itelligence as a special expertise partner, SAP is rewarding both its outstanding industry knowledge and technology knowledge. The special expertise program enables SAP to pursue the goal of developing market fields together with partners. SAP partners must demonstrate their service capability for each individual special expertise partnership again in audits carried out every year.

#### Other partnerships

In addition to its close partnership with SAP, itelligence maintains further technology partnerships to expand its own solution portfolio. The aim of these partnerships is firstly to provide existing itelligence customers with additional services and complementary solutions beyond the full service offering. Secondly, the focus is on gaining new customers via technology issues, SAP industry solutions, partner marketing and partner recommendations. itelligence does this by means of customer information days, trade fairs, marketing on partner portals and marketing campaigns with the partners of itelligence, including Adobe Systems, Fujitsu Siemens Services, Axon Group plc, Cycos AG and Prologa.

## Course of Business

### Result of Operations

In accordance with Handelsgesetzbuch (HGB – German Commercial Code), the revenues of itelligence AG amount to MEUR 60.3 (previous year: MEUR 52.1). Consulting revenues before sales deductions rose due to high consultant capacity utilization and the expansion of consultant capacity from MEUR 33.4 in the previous year to MEUR 37.6 in the current fiscal year. The Outsourcing & Services segment lifted its revenues by MEUR 1.0. Due to the positive effects of SAP's new partner model and hybrid sales approach in the second half of the year, revenues rose in the Licenses segment from MEUR 9.1 in fiscal year 2005 to MEUR 12.4 in fiscal year 2006. MEUR 1.1 (PY: MEUR 0.6) of the sales deductions primarily related to the Licenses business and MEUR 0.4 (PY: MEUR 0.7) to the Consulting business.

The costs of purchased merchandise and purchased services climbed 17% from MEUR 18.0 to MEUR 21.1 in the current fiscal year. This rise was in connection with the increased license sales and the resulting higher costs for licenses.

Sales and consultant capacity in particular were developed last year. As a result, the number of employees climbed by 13 to 438 at the year-end, which among other things was due to a rise in staff costs from MEUR 30.2 in the previous year to MEUR 33.8 in the current fiscal year. Furthermore, the variable remuneration of the employees rose as a result of the sound earnings and capacity situation which also led to an increase in staff costs. The staff costs ratio now amounts to 56% (PY: 58%). Other operating expenses remain unchanged year-on-

year at 9%. At MEUR -3.4, operating earnings (EBIT) in accordance with HGB were above those of the previous year (PY: MEUR -4.0).

Profit from ordinary operations in the past fiscal year amounts to MEUR 3.3, following profit of MEUR 2.6 in 2005. The profit was primarily due to the profit distributions from subsidiaries within Germany of MEUR 5.7 (previous year: MEUR 5.4) and the distributions of profit by the subsidiary in Switzerland of MEUR 0.6 (previous year: MEUR 1.2). The 28.5% rise in profit from ordinary operations is due to the increase in other operating income in connection with Group allocations. Influenced by the higher cash and cash equivalents over the course of 2006, net interest income increased by 55%.

itelligence AG's taxes include tax refunds for previous years related to the SEStEG (German Act on the Tax Features for the Introduction of the European Company and Amendment of Other Tax Rules) and as a result positively impacted the net profit for the year by MEUR 0.1. The sales margin remained unchanged at a rate of 6%. The net profit for the period increased to MEUR 3.3 (previous year: MEUR 2.8).

#### Finance Management

itelligence has central finance management for global liquidity management. The most important goal is to ensure minimum liquidity. For this purpose, the itelligence companies participate in central cash management. Cash and cash equivalents are monitored throughout the Group and investments are made in line with standard principles. Long-term investments are always financed in the long term to build up itelligence's liquidity reserves further.

	Jan. 1 to Dec. 31, 2006	Jan. 1 to Dec. 31, 2005
	KEUR	KEUR
Consulting	37,568	33,423
Licenses	12,361	9,121
Outsourcing & Services	11,033	10,050
Other	1,002	840
Sales deductions	-1,709	-1,325
	<b>60,255</b>	<b>52,109</b>

Constantly holding cash and cash equivalents has enabled itelligence to improve its flexibility, security and independence over the past few years. The focus is always on a conservative investment strategy. The liquidity reserves are committed solely in the short term. Therefore market-related fluctuations of the interest rates on the money and capital markets influence itelligence's net interest income.

#### Financial Position

Cash flow from operating activities amounted to MEUR +3.9 in 2006, up from MEUR 0.1 in 2005. At MEUR -0.8 in 2006, net cash used in investing activities remained stable at the previous year's level. Cash flow from financing activities amounted to MEUR -1.9 in 2006, down from MEUR -1.6 in 2005. In fiscal year 2006, positive cash flow was generated (PY: MEUR -1.9) overall primarily as a result of increased provisions. Cash and cash equivalents rose from MEUR 6.9 in the previous year to MEUR 8.0 as of December 31, 2006.

As of the 2006 reporting date, itelligence AG had credit lines of MEUR 4.0 at its disposal. The credit lines can be utilized by choosing between loans or guarantees. MEUR 0.8 was used as of December 31, 2006 through issued guarantees. There were no long-term borrowings from banks as of the reporting date.

To strengthen its financial flexibility, the company issued a convertible bond on November 29, 2004 with a total nominal amount of EUR 6,000,000.00. A total of 60,000 bonds with a nominal amount of EUR 100.00 were issued at an issue price of 100%. The bond matures in five years and bears interest of 7% p.a. It was not possible to convert the bond until after the Annual General Meeting in 2005, at a conversion price of EUR 2.60 into a maximum of 2,307,692 shares from the Company's contingent capital. 4,665 convertible bonds were converted in the course of fiscal year 2006. On December 31, 2006 a total of 55,335 convertible bonds vesting the right to conversion into 2,178,273 new shares of itelligence AG were outstanding.

#### Financial position

The total assets of itelligence AG amounted to MEUR 59.1 at the end of the year under review. They comprise non-current assets of MEUR 17.0 (PY: MEUR 16.7), of which non-current financial assets account for MEUR 15.4 (PY: MEUR 15.5). Current assets relate to work in progress of MEUR 7.7 (PY: MEUR 6.1), trade receivables of MEUR 12.0 (PY: MEUR 8.2), receivables from subsidiaries of MEUR 11.7 (PY: MEUR 11.7) and other assets of MEUR 2.5 (PY: MEUR 2.0). The 20% increase in current assets year-on-year is primarily due to a higher number of trade receivables and work in progress as a result of the rise in the project business.

The equity of itelligence AG amounts to MEUR 26.9 compared with MEUR 23.2 in the previous year. The equity ratio thus increased to 45.5% (previous year: 44.8%).

Other financial obligations primarily include the annual costs for the office building in Bielefeld of KEUR 795 and leasing obligations for company vehicles of KEUR 1,689 a year.

Liabilities rose by MEUR 1.0 to MEUR 22.5. The debt/equity ratio thus decreased to 54% (previous year: 55%) as a result of the increased total assets.

#### Employees

The company had 438 employees as of December 31, 2006. On average, it employed 422 persons.

To be able to confront the increasingly growing competition for talented graduates at an early stage, the cooperation with universities and universities of applied sciences in Germany was advanced in 2006. itelligence's graduate recruitment day thus marked the beginning of the international higher-education initiative it.university, which is the basis of long-term partnerships with universities in the regions of our national and international locations.

## Remuneration Report of the Management Board and Supervisory Board

### Remuneration of the Management Board

The remuneration of the Management Board members recognized as an expense amounted to KEUR 1,076 in 2006. It comprises fixed salary components of KEUR 522, performance-related components of KEUR 491 and pension benefits of KEUR 63. The amount of the performance-related remuneration is geared towards the company's short-term and long-term success. The variable short-term remuneration depends on itelligence's earnings in the past fiscal year. The variable long-term remuneration depends on the three-year performance of the average unweighted Xetra closing rate of itelligence's shares. The variable long-term remuneration can only be paid after the third Annual General Meeting is concluded. Pension obligations to former members of executive bodies amounted to KEUR 293.

### Remuneration of the Supervisory Board

The remuneration of itelligence AG's Supervisory Board is regulated in Article 16 of the Articles of Association. In line with this provision, Supervisory Board members receive remuneration comprising one fixed and one variable component in addition to reimbursement for their expenses. The amount of the variable remuneration is geared towards the company's short-term and long-term success. The variable short-term remuneration depends on the consolidated earnings per share if positive consolidated earnings per share can be reported. The variable long-term remuneration depends on the three-year performance of the average unweighted Xetra closing rate of itelligence's shares. Higher amounts are designated for the Chairman of the Supervisory Board and his deputy than for the other Supervisory Board members as regards both the fixed and the variable remuneration components.

Broken down, the remuneration of the Management Board for fiscal year 2006 was as follows:

CEO	2006 KEUR	2005 KEUR
Fixed remuneration	322	322
Performance-related remuneration	271	153
Pension benefits	38	46
	<b>631</b>	<b>521</b>

  

CFO	2006 KEUR	2005 KEUR
Fixed remuneration	200	200
Performance-related remuneration	220	128
Pension benefits	25	44
	<b>445</b>	<b>372</b>

The fixed remuneration amounts to EUR 30,000 for the Chairman, EUR 15,000 for his deputy and EUR 10,000 for the rest of the Supervisory Board members. As in previous years, a Staff Committee, a Strategy Committee and an Audit Committee were also formed in this fiscal year. The fixed remuneration for the committees amounts to EUR 15,000 for the respective chairmen of the committees, EUR 7,500 for their deputies and EUR 5,000 for the rest of the committee members. The fixed remuneration is payable once the fiscal year has ended.

The variable remuneration amounts to EUR 36,228 for the Chairman, EUR 20,646 for his deputy and EUR 13,764 for the rest of the Supervisory Board members. The variable short-term remuneration is payable on the first working day following the Annual General Meeting. The variable long-term remuneration can only be paid after the third Annual General Meeting is concluded.

Broken down, the remuneration recognized as expense for fiscal year 2006 was as follows:

	Fixed remuneration component KEUR	Variable remuneration component KEUR	Total KEUR
Prof. Dr.-Ing. Peter-Jürgen Kreher (Chairman)	75.0	36.2	111.2
Johannes Cordes (Deputy Chairman)	22.5	20.6	43.1
Fritz Fleischmann	17.5	13.8	31.3
Erwin Gunst	20.0	13.8	33.8
Dr. Lutz Mellinger	27.5	13.8	41.3
Anke Ruff	15.0	13.8	28.8
	<b>177.5</b>	<b>112.0</b>	<b>289.5</b>

itelligence AG also reimburses the members of the Supervisory Board for the value-added tax incurred by their Supervisory Board remuneration.

In fiscal year 2006, itelligence AG did not grant any advances on future remuneration or loans to Supervisory Board members, nor did it enter any contingent liabilities in favor of these persons.

#### Information for the Takeover Directive Implementation Act

The capital stock amounted to EUR 22,466,954.00 as of December 31, 2006 and is divided into 22,466,954 no-par value bearer shares, each with a notional share of EUR 1.00 in the capital stock. Each share vests one voting right and a right to dividends in resolved distributions.

In accordance with the Articles of Association of itelligence AG, the Management Board is authorized – with the approval of the Supervisory Board – to

increase the capital stock once or in partial amounts on several occasions until April 20, 2009 by up to a total of EUR 11,143,767.00 by issuing new ordinary shares. The Company's contingent capital amounted to EUR 6,806,897.00 as of December 31, 2006.

The Supervisory Board is authorized to resolve changes to the Articles of Association that only affect the version. In other matters, we refer you to sections 133 and 179 of the Aktiengesetz (AktG – German Stock Corporation Act). Furthermore, the Supervisory Board decides whether to conclude, amend or terminate employment contracts with members of the Management Board. In other matters, we refer you to sections 84 and 85 of the AktG.

The partner agreements with SAP include change of control agreements that grant termination rights if a change to the partner's shareholder structure significantly impairs SAP's business interests.

## Shareholdings

As of December 31, 2006 itelligence's shares were held as follows:

Credit Suisse	13.6 percent
Vogel family	11.2 percent
Nobel SA, Paris	9.8 percent
Free float	65.4 percent

In August 2006, the Credit Suisse Group exceeded the threshold of 5% of shares in itelligence for the first time. In December 2006, the Credit Suisse Group reported that it had exceeded the 10% threshold.

Ratio Asset Management LLP exceeded the threshold of 5% of shares in itelligence AG for the first time on February 2, 2007. Its interest amounted to 5.02% on this date.

The members of the Management Board and Supervisory Board listed below held itelligence shares as of December 31, 2006:

	Shares:
Herbert Vogel (CEO)	1,908,286
Johannes Cordes (Deputy Chairman of the Supervisory Board)	833

## Opportunities and Risks

### Internal policies and methods

As an international full-service IT provider for SAP, itelligence is exposed to both risks from the normal course of business and market risks. Implementing an opportunities and risk management system allows opportunities and risks to be detected and analyzed in good time as well as corresponding

measures to be taken. This system is implemented company-wide and comprises a number of components, such as the recording, monitoring and management of internal company processes and business risks. Examples of this are the Group-wide standard planning and periodic forecasting process as well as regular monitoring of changes in orders on hand and the sales pipeline of the individual companies.

These processes are rounded off by various management and control systems which are integrated into the existing managerial and structural organization, the results of which are tracked, discussed and processed in regular management meetings at different hierarchy levels.

Along with the half-yearly business reviews, this includes holding annual strategy meetings at the highest management level where market trends and itelligence's future focus at Group level can be discussed and adopted. In addition to the half-yearly business reviews, implementation is also checked in international field operations management meetings that take place at regular intervals.

Along with these aforementioned management control systems, the process of a structured Group audit was further developed. In line with an annually adopted audit plan, individual reporting units and respective companies undergo an internal audit according to a defined audit plan.

The process of risk inventory and of quarterly updates at subsidiary level were also introduced in 2006.

The cooperation between the Management Board and the Supervisory Board and the individual committees at monitoring and control level are also part of the process of an integrated opportunities and risk management system.

We have summarized the main opportunities and risks which we are currently aware of and which could affect the performance of itelligence over the next few years below. However, there is no guarantee that all the opportunities and risks have been identified and taken advantage of or can be respectively counteracted as some of the opportunities and risks are beyond the itelligence's control.

The main opportunities and risks of itelligence's future performance are in the following areas:

#### SAP partnership

itelligence is clearly positioned as a full-service IT provider for SAP with the classical and upper mid-size market target customer segment.

itelligence's service portfolio is largely geared towards SAP products. This applies to all revenues segments. From this narrow focus on and connection with SAP, there is also a high dependency on strategic SAP decisions with a potential influence on the revenues, earnings and asset position of itelligence. SAP's new go-to-market approach in the classical and upper midsize market area in the form of a hybrid model can entail considerable opportunities, but also risks, for itelligence. In line with the initial experience from active cooperation as part of the new model in Germany, the Management Board and the management expect that the new approach will have more of a positive effect on itelligence's revenues development and results of operations. However, depending on the actual practice of the partnership model at the individual hierarchical levels and in the individual regions, a negative impact on itelligence's revenues development and results of operations cannot be ruled out.

#### Competitiveness of SAP products and technological developments

Due to the positioning and narrow focus of the service portfolio on SAP products, itelligence's commercial success largely depends on the competitiveness of these products and also on the future developments and technologies of SAP. With the SAP Enterprise-Service-Oriented-Architecture and the SAP NetWeaver components, the composition platform and the service repository, the development of SAP is heading in a direction that experts consider forward-looking. Acceptance of this technology by customers is crucial and thus also creation of confidence in the investment security of the contemporary SAP solution. Despite all efforts by SAP and its partners, the fact that another product competitor may carry out a development or create products that is more accepted in our target customer segment cannot be ruled out.

#### Opportunities and risks related to human resources management

As an innovative IT service company, itelligence's main assets are the expertise, creativity and motivation of its employees and interlinking job organization.

itelligence's success in the future also largely depends on its ability to employ, integrate and further train skilled employees.

For this reason, one of the key focuses of our human resources management is on the further development of our employees' individual skills – geared towards the needs of the market and the business plans of the individual itelligence organizational units.

However, the high investments in staff development only generate their planned return on investment if the skills developed can be used for a reasonably long time for the purpose of itelligence's objectives. Our human resources management thus also focuses on controlling employee turnover combined with establishing an incentive system for optimized use of the skills for our customers' benefit, and thus for itelligence's. Along with the fair compensation and objectives systems, a structured skills management system also forms a fundamental basis for the optimized use and further development of our human capital. In the past fiscal year, the globally harmonized skills management system was rolled out in the individual organizational units.

To identify needs and to improve the working environment in a targeted fashion, a worldwide employee survey was carried out for the first time in 2006. The questions covered topics such as the personal working environment, management, attitude to itelligence, personal development and information and communication.

The findings established above-average satisfaction compared with the "Globe" benchmark study. Action plans are being developed from the areas with lower approval rates to achieve a structured improvement in the working environment and of the processes in the individual organizational units.

To be able to gain younger employees for itelligence, the first graduate recruitment day for interested students was held in Germany in fall 2006. In cooperation with the universities and universities of applied sciences in Bielefeld, Osnabrück, Paderborn and Hanover, an extensive program with talks on various topics and workshops was held at itelligence's premises to win students over to the IT field after they have concluded their studies. Around 70 students and graduates overall attended the event.

The aspiration of our human resources management to establish employee life-cycle management at itelligence means that work is permanently being carried out to improve the motivation factors for our employees.

With demand for IT services rising in general, itelligence also believes that it is exposed to increasing competition for talent.

With all its staff-related measures, itelligence aims to be able to present itself as an attractive employer for all existing and new employees.

Despite all these measures, it cannot be ruled out that skilled employees will leave the Company, which could have negative financial effects, such as increased recruitment costs, project hold-ups and sales shortfalls and the increased use of third-party service providers etc.

#### Project risks

Implementing software solutions is often linked to preparation of resources by the customer and is subject to a large number of risks which are partially beyond itelligence's control. The risks which are within its control are addressed as part of the project manager training sessions and the project manager is made aware of these accordingly. The project reviews that are regularly carried out, the further development of the project quality assurance process and the permanent expansion of the project controlling function create the necessary transparency which enables the corresponding countermeasures. Potential losses arising from individual project situations are regularly taken into account by recognizing provisions according to the best professional judgment.

Despite all precautions, the risk of a project escalation and the resulting negative effect on the net assets and results of operations for various reasons cannot be completely ruled out.

#### General market risks

General market risks may influence itelligence's net assets and results of operations. The general market risks can be divided into two categories:

**a) Market risks on the part of the customer**

This includes general economic cycles, changes in customer behavior etc.

**b) Supplier-dependent or resource-dependent market risks**

This includes pricing and availability of supplier services, general development of raw material costs, service quality etc.

The early detection of changes in the both the customer and supplier environment can affect the asset and earnings position of itelligence. Despite intensive efforts and a partnership-like relationship with our customers and suppliers, it cannot be fully guaranteed that all developments can be foreseen in good time and that corrective measures could be introduced in a timely manner.

#### Financing, liquidity and equity base

The capital increases implemented in the past and the positive course of business led to an increase in the equity ratio and to a further improvement in the key balance sheet ratios. Although the cash flow in the past fiscal year was negative, the Group had sufficient cash and cash equivalents at all times to finance the operating business.

#### Risk of payment default

The credit checks carried out in debtor management and the close monitoring of our accounts receivables positively counters the risk of default. With the help of the trade credit insurance, the del credere risk in Germany is limited to the extent that in the event of customer insolvency, 80% of the potential default is secured. In the course of accounting risk provisioning, bad debt allowances are regularly charged on receivables, depending on the aging of the receivable. In addition, specific valuation allowances are charged according to the best professional judgment of the project situation and the related impairment test of the respective receivable.

#### Risks in the Outsourcing & Services segment

The Outsourcing & Services segment is exposed to both risks from data center operation and data transfer. These risks are minimized through extensive security measures. Nevertheless, despite all economically justifiable precautions taken, risk of reduced service quality or a lack of system availability cannot be completely ruled out.

#### Other operational risks

itelligence protects its property through a large number of measures. This mainly includes limiting damage and liability risks, which are limited through corresponding electronic, business and IT liability insurance, commercial and property insurance and D&O insurance.

### Political risks

As with every global company, itelligence is also subject to political risks and thus its effects on the net assets and financial situation. Due to its very international position in particular, itelligence is notably subject to political effects in the individual countries and their impact on the economy and legal conditions. However, events in world politics can also influence the economy and thus itelligence's business prospects.

### General management risks

Like every company in the economy, itelligence is subject to general management risks as it is to political risks. However, a company can actively provide for risks through improved management, control and steering systems. It is itelligence's professed aim, to anchor this continuous improvement process as a fundamental component in the company philosophy. Nevertheless, despite continuously improved management, control and steering systems, future undesirable developments in individual areas cannot be completely ruled out.

### Events after the reporting date

No significant events occurred after the end of the fiscal year.

### Forecast Report

Growth of 4.8% in the software and IT services market has been forecasted for Germany according to BITKOM. While the growth rates among the major customers are considered to be somewhat more muted, almost all analysts expect a significantly higher propensity to invest in the classical and upper midsize market. IDC believes that the growth rates in the IT services field in particular will increase sharply among companies with up to 500 employees.

As a consequence of SAP's midmarket campaign and initial experiences in the new partner model, itelligence expects that due to the intensified market development and target-oriented product development of SAP and its partners, the relative market share in this special customer segment will be further improved compared with rival products. Service providers with a full service offering in particular, which also comprises the operation and support of customer solutions, can grow at an above-average pace in the midmarket.

For more details of future risks, we refer you to the information contained in the Risk Report.

As a result of itelligence's excellent position in this market environment and the positive development of orders and hand (23% increase year-on-year) and the sales pipeline, the Management Board expects to further boost revenues and earnings. This is assuming sound economic performance in Germany.

itelligence AG

Bielefeld, February 23, 2007

The Management Board

## Balance Sheet as of December 31, 2006

Assets	EUR	Dec. 31, 2006 EUR	EUR	Dec. 31, 2005 EUR
<b>A. Non-current assets</b>				
I. Intangible assets				
1. Concessions, industrial and similar rights and assets and licenses in such rights and assets		382,519.00		55,589.00
II. Property, plant and equipment				
1. Leasehold improvements	106,562.00		138,985.00	
2. Operating and office equipment	1,160,764.00	1,267,326.00	1,050,832.00	1,189,817.00
III. Financial assets				
1. Investments in subsidiaries	15,363,092.48		15,443,092.48	
2. Investments	10,225.84	15,373,318.32	35,790.43	15,478,882.91
		<b>17,023,163.32</b>		<b>16,724,288.91</b>
<b>B. Current assets</b>				
I. Inventories				
1. Work in progress	7,717,159.80		6,058,120.64	
2. Merchandise	0.00	7,717,159.80	73,030.83	6,131,151.47
II. Receivables and other assets				
1. Trade receivables	11,964,355.07		8,180,466.31	
– of which due in more than one year EUR 80,512.59 (PY: EUR 0.00)				
2. Receivables from subsidiaries	11,674,255.61		11,707,782.78	
– of which due in more than one year EUR 7,361,734.68 (PY: EUR 8,397,441.02)				
3. Other assets	2,470,915.70	26,109,526.38	1,986,245.59	21,874,494.68
– of which due in more than one year EUR 2,255,437.98 (PY: EUR 1,719,075.71)				
III. Cash in hand, bank balances and checks		7,972,857.26		6,872,679.01
		<b>41,799,543.44</b>		<b>34,878,325.16</b>
<b>C. Prepaid expenses</b>				
		294,991.62		137,589.37
		<b>59,117,698.38</b>		<b>51,740,203.44</b>

Equity & Liabilities	Dec. 31, 2006 EUR	Dec. 31, 2005 EUR
<b>A. Equity</b>		
I. Capital subscribed	22,466,954.00	22,287,535.00
II. Capital reserves	16,703,917.68	16,416,836.68
III. Net accumulated losses	-12,262,729.42	-15,524,136.63
	<b>26,908,142.26</b>	<b>23,180,235.05</b>
<b>B. Provisions</b>		
1. Provisions for pensions and similar obligations	766,855.00	691,303.00
2. Tax provisions	327,362.33	37,200.00
3. Other provisions	8,616,117.75	6,293,924.52
	<b>9,710,335.08</b>	<b>7,022,427.52</b>
<b>C. Liabilities</b>		
1. Bonds	5,533,500.00	6,304,417.00
– of which with a remaining maturity of less than one year EUR 5,533,500.00 (PY: EUR 6,304,417.00)		
– of which convertible EUR 5,533,500.00 (PY: EUR 6,304,417.00)		
2. Amounts due to banks	0.00	93,717.87
– of which with a remaining maturity of less than one year EUR 0.00 (PY: EUR 93,717.87)		
3. Advance payments received on orders	7,647,429.98	5,489,820.88
– of which with a remaining maturity of less than one year EUR 7,647,429.98 (PY: EUR 5,489,820.88)		
4. Trade payables	6,036,554.90	4,069,576.41
– of which with a remaining maturity of less than one year EUR 6,036,554.90 (PY: EUR 4,069,576.41)		
5. Amounts due to subsidiaries	601,697.30	1,315,151.04
– of which with a remaining maturity of less than one year EUR 601,697.30 (PY: EUR 1,315,151.04)		
6. Amounts due to companies in which investments are held	0.00	13,275.30
– of which with a remaining maturity of less than one year EUR 0.00 (PY: EUR 13,275.30)		
7. Other liabilities	2,680,038.86	4,251,582.37
– of which with a remaining maturity of less than one year EUR 2,298,314.96 (PY: EUR 3,740,753.11)		
– of which from taxes EUR 1,676,715.30 (PY: EUR 964,502.62)		
– of which from social security EUR 3,108.65 (PY: EUR 580,430.56)		
	<b>22,499,221.04</b>	<b>21,537,540.87</b>
	<b>59,117,698.38</b>	<b>51,740,203.44</b>

## Income Statement for the period from Jan. 1 to Dec. 31, 2006

	EUR	2006 EUR	EUR	2005 EUR
1. Revenues		60,254,771.63		52,109,124.23
2. Increase or reduction in inventories of work in progress and merchandise		1,659,039.16		1,664,257.74
3. Other operating income		4,645,815.00		3,735,839.45
4. Cost of materials				
a) Cost of purchased merchandise	-7,497,852.03		-5,728,497.08	
b) Cost of purchased services	-13,569,677.08	-21,067,529.11	-12,297,460.87	-18,025,957.95
5. Staff costs				
a) Wages and salaries	-29,582,371.43		-26,242,465.89	
b) Social security contributions and expenses for retirement benefits and support of which for retirement benefits EUR 64,417.05 (PY: EUR 86,936.95)	-4,200,615.15	-33,782,986.58	-3,931,058.75	-30,173,524.64
6. Amortization and depreciation expense, write-downs				
a) Depreciation and amortization of non-current intangible assets and property, plant and equipment	-513,636.78		-536,210.99	
b) Write-downs of current assets to the extent that these exceed the usual write-downs in the corporation	-449,025.85	-962,662.63	-585,048.45	-1,121,259.44
7. Other operating income		-14,094,484.08		-12,231,847.30
8. Income from investments of which from subsidiaries EUR 535,338.73 (PY: EUR 1,206,140.35)		571,310.83		1,206,825.24
9. Income from profit and loss transfer agreements		5,695,409.42		5,399,636.37
10. Other interest and similar income of which from subsidiaries EUR 523,227.03 (PY: EUR 581,240.94)		816,776.30		861,560.13
11. Write-downs of financial assets		0.00		-26,107.38
12. Disposal of financial assets		113,649.84		0.00
13. Interest and similar expenses of which from subsidiaries EUR 19,840.58 (PY: EUR 40,025.64)		-521,921.94		-808,846.90
<b>14. Profit from ordinary operations</b>		<b>3,327,187.84</b>		<b>2,589,699.55</b>
15. Income taxes		-65,780.63		133,176.62
16. Other taxes (PY: tax refunds)		0.00		77,961.12
<b>17. Net profit for the period</b>		<b>3,261,407.21</b>		<b>2,800,837.29</b>
18. Loss carryforward		-15,524,136.63		-18,324,973.92
<b>19. Net accumulated losses</b>		<b>-12,262,729.42</b>		<b>-15,524,136.63</b>

# Notes to the Annual Financial Statements for fiscal year 2006

## A. General Information

### General standard

The financial statements have been prepared in accordance with the provisions of the third book of the Handelsgesetzbuch (HGB – German Commercial Code) and the supplementary provisions of the Aktiengesetz (AktG – German Stock Corporation Act). The Company is a large corporation as defined by section 267 (3) of the HGB. The classification of the annual financial statements is in line with the provisions of sections 266 and 275 of the HGB. We chose to present the income statement according to the total cost format.

## B. Accounting policies

The accounting policies correspond to those of the previous year.

The carrying values used in the balance sheet as of December 31, 2005 were carried over unchanged.

Intangible assets and property, plant and equipment are recognized at cost. Depreciation and amortization are charged on a straight-line basis over the expected useful life of the asset and in line with tax provisions. Low-value assets are written down in full in the year of acquisition.

Non-current financial assets are measured at the lower of cost or market on the reporting date, if permanent impairment can be expected.

Merchandise is measured at cost, taking the principle of lower of cost or market into account.

Work in progress is measured at production cost. Direct costs based on hours worked plus overheads eligible for capitalization, excluding administrative overheads, are taken into account. Consideration is given to the principle of lower of cost or market. Interest costs are not recognized.

Receivables and other current assets are reported at their principal amount. Specific risks that can be detected are accounted for by valuation allowances. The general credit risk is covered by a global valuation allowance on receivables.

Prepaid expenses are calculated by allocating expenses to the periods to which they are attributable.

Provisions for pensions are recognized in accordance with the tax provisions under section 6a of the Einkommensteuergesetz (EStG – German Income Tax Act) at net present value, and are based on an interest rate of 6% and the 2005 mortality tables of Prof. Heubeck.

Tax provisions and other provisions are recognized in the amount that is likely to be utilized and take all further identifiable risks and uncertain obligations into account.

Liabilities are carried at their amounts repayable. If the closing rate in the case of foreign currency liabilities is above the rate when the obligation arises, the liability is measured at the higher closing rate.

Foreign currency monetary items are posted at the exchange rate on the day of the transaction. Losses incurred as a result of exchange rate fluctuations are taken into account in measurement as of the reporting date. Unrealized exchange rate gains remain unrecognized.

## C. Balance sheet disclosures

### Non-current assets

The breakdown and changes of non-current assets in accordance with section 268 (2) of the HGB in fiscal year 2006 can be found in the accompanying State-

ment of Changes in Non-current Assets. Depreciation and amortization were charged over the probable useful life of the asset using the straight-line method.

The standard useful lives applied for this are:

<b>Software and industrial rights</b>	3–5 years
<b>IT hardware and customer systems</b>	
Workstations, PCs etc.	3 years
Mainframe computers and routers	5 years
Data-processing systems	5 years
Network technology	10 years
<b>Leasehold improvements</b>	8–15 years
<b>Operating and office equipment</b>	8–10 years
<b>Technical equipment and machinery</b>	7–10 years

	Shares in %	Equity KEUR	Profit/ Loss for the year KEUR
<b>Investments &gt; 20%</b>			
it-go GmbH i. G., Bielefeld	25.2	50	24
<b>Investments &lt; 20%</b>			
Bfl. Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn	Below 1	13,169	3,132

In fiscal year 2006, shares in Dr. Lindner & Partner GmbH, Oerlinghausen – on the business and financial policy of which itelligence does not exert a dominating influence but a decisive one (“associate”) – were sold.

The list of shareholdings in accordance with section 285 no. 11 of the HGB is annexed to these Notes to the Financial Statements.

### Receivables and other current assets

Receivables from subsidiaries include loan receivables of KEUR 7,362 (PY: KEUR 8,397) and trade receivables and receivables from a joint cash pooling arrangement of KEUR 4,312 (PY: KEUR 3,310). Other current assets include receivables from the tax office of KEUR 435 (PY: KEUR 54). Receivables and other current assets are due within one year. Receivables from subsidiaries resulting from loan receivables of KEUR 7,362 have a remaining maturity of more than one year. Other current assets include receivables with a remaining maturity of more than one year of KEUR 2,255 (PY: KEUR 1,719).

### Prepaid expenses

Prepaid expenses primarily include maintenance expenses of KEUR 115, fees in the amount of KEUR 58 and interest of KEUR 56.

### Capital stock

The capital stock amounted to EUR 22,466,954.00 as of December 31, 2006 and is divided into 22,466,954 no-par value bearer shares, each with a notional share of EUR 1.00 in the capital stock. Each share vests one voting right and a right to dividends in resolved distributions.

Due to the exercise of conversion rights that were granted as part of the convertible bond issued on November 29, 2004 at a total nominal amount of EUR 6,000,000.00, the number of shares rose by 179,419. The nominal value of the capital stock rose accordingly by EUR 179,419.00.

#### Authorized capital

In accordance with the Articles of Association of itelligence AG, the Management Board is authorized – with the approval of the Supervisory Board – to increase the capital stock once or in partial amounts on several occasions until April 20, 2009 by up to a total of EUR 11,143,767.00 by issuing new ordinary shares. The authorization of the Management Board to raise capital through authorized capital was not used in fiscal year 2006.

#### Contingent capital

The capital stock of itelligence AG is the object of a contingent increase. The capital was only increased contingently in this respect as the holders of conversion rights that itelligence AG issued as part of the convertible bond exercised their conversion rights. The conversion rights and options for the contingent capitals totaling EUR 2,237,844.00 (contingent capital of up to EUR 602,013.00, contingent capital I over up to EUR 591,026.00 and contingent capital II over up to EUR 1,044,805.00) have lapsed, with the result that these contingent capitals can no longer be used.

The table below shows the changes to the contingent capital in fiscal years 2006 and 2005:

	EUR
Contingent capital on December 31, 2005	9,224,160.00
Exercise	-179,419.00
Reduction	-2,237,844.00
Contingent capital on December 31, 2006	6,806,897.00

#### Capital reserves

The capital reserves contain the premiums from the shares issued:

	EUR
Balance as of January 1, 2005	16,416,837.00
Capital increase	0.00
Balance as of December 31, 2005	16,416,837.00
Contingent capital increase	287,081.00
Balance as of December 31, 2006	16,703,918.00

In the course of fiscal year 2006, 4,665 convertible bonds were converted at a nominal amount of EUR 466,500, raising the nominal value of the capital stock by EUR 179,419.00. This resulted in a premium of EUR 287,081.00.

#### Provisions for pensions

There are individual defined-benefit pension plans for Management Board members for which provisions are recognized. The provision amount posted at the reporting date corresponds to the net present values of the obligations calculated for tax purposes by an independent actuary (section 6a of the EStG) using a reference rate of 6% p.a. and the 2005 mortality tables published by Heubeck Richttafeln GmbH, Cologne.

#### Other provisions

Other provisions primarily include provisions for staff of KEUR 5,738 (PY: KEUR 4,265), rental obligations for vacant premises of KEUR 556 (PY: KEUR 456), provisions for outstanding invoices of KEUR 380 (PY: KEUR 451) and for warranties of KEUR 325 (PY: KEUR 300).

#### Liabilities

The Company had the following liabilities as of the reporting date:

	Of which with a remaining maturity				
	Total amount Dec. 31, 2006 KEUR	Less than 1 year KEUR	Between 1 to 5 years KEUR	More than 5 years KEUR	Of which secured amounts KEUR
Bonds	5,534	5,534	0	0	0
Advanced payments received on orders	7,647	7,647	0	0	0
Trade payables	6,037	6,037	0	0	0
Amounts due to subsidiaries	602	602	0	0	0
Other liabilities	2,680	2,298	382	0	1,003 <sup>(A)</sup>
	22,499	22,117	382	0	1,003

<sup>(A)</sup> Secured by bank guarantees and retention of title.

Other liabilities primarily include liabilities from taxes of KEUR 1,677 and other borrowings of KEUR 1,003.

The bond liability comprised the following as of December 31, 2006:

	KEUR
2004/2009 convertible bond	5,533,500

On November 29, 2004 the Company issued a convertible bond with a total nominal amount of EUR 6,000,000.00. A total of 60,000 bonds with a nominal amount of EUR 100.00 were issued at an issue price of 100%. It matures in five years and bears interest of 7% p.a. It was not possible to convert the bond until after the Annual General Meeting in 2005, at a conversion price of EUR 2.60 into a maximum of 2,307,692 shares from the Company's contingent capital.

On December 31, 2006 a total of 55,335 convertible bonds vesting the right to conversion into 2,178,273 new shares of itelligence AG were outstanding. 4,665 convertible bonds were converted in the course of fiscal year 2006.

#### Contingent liabilities and other financial obligations

There are contingent liabilities from guarantees of KEUR 1,330 (PY: KEUR 1,054), KEUR 55 (PY: KEUR 374) of which was to subsidiaries. The written-down loans to itelligence Austria, itelligence Spain, itelligence Brazil, itelligence England and itelligence France will still have subordinate status in the event of insolvency.

In a letter of comfort issued to DZ Bank Polska S.A. dated November 30, 2004, the Company undertook always to support itelligence Poland financially such that it is in a position to meet its obligations to banks at all times. The maximum amount is EUR 2.2 million plus interest and ancillary costs. The letter of comfort dated November 30, 2004 replaces the letter dated December 3, 2002.

itelligence Outsourcing & Services concluded development loans for investments in the data center in Bautzen of KEUR 2,135 in connection with a development program. The inventory has been assigned and the receivables of itelligence Outsourcing & Services are globally assigned. Furthermore, itelligence AG is recorded as another borrower here and has undertaken to help make the agreed interest and principal repayments.

The rental and leasing obligations with fixed and indefinite terms are spread over the next few years as follows:

	KEUR
Payable in 2007	3,578
Payable in 2008	3,475
Payable in 2009	2,547
Payable in 2010	1,219
Payable in 2011	814
Thereafter	5,235
	16,868

Other financial obligations primarily include the annual costs for the office building in Bielefeld of KEUR 795 and leasing obligations for company vehicles of KEUR 1,689 a year.

#### D. Income statement disclosures

Revenues

Divided by segments, the revenues are:

	2006 KEUR	2005 KEUR
Consulting	37,568	33,423
Licenses	12,361	9,121
Outsourcing & Services	11,033	10,050
Other	1,002	840
Sales deductions	-1,709	-1,325
	60,255	52,109

KEUR 1,893 of the revenues (PY: KEUR 586) were generated outside Germany.

Write-downs of current assets

Write-downs of current assets are comprised as follows:

	Dec. 31, 2006 KEUR	Dec. 31, 2005 KEUR
Write-downs of loans itelligence Austria	441	467
Write-downs of loans itelligence VC-Holding GmbH	8	80
Write-downs of loans ASECON	0	38
	449	585

#### E. Other disclosures

Annual average number of employees

In fiscal year 2006, 422 (PY: 421) staff were employed on average. The Company had 438 employees at the year-end on December 31, 2006.

Derivative financial instruments

itelligence AG leased developed property from BIL Leasing GmbH & Co. ITYS KG on which an administration and training center was constructed in a lease dated February 29, 2000. The lease installments comprise quarterly payments of KEUR 115,973.65 and CHF 125,740.00. The lease installments in CHF constitute an embedded foreign currency derivative. The market value of the exchange rate components as of the reporting date amounted to EUR 193,117.07 in the Company's favor.

The market value was calculated on the basis of market data from December 31, 2006 using financial methods. In so doing, the relevant market conditions as of the reporting date were compared to calculate the gains and losses resulting from the changes in exchange rates.

#### Consolidated Financial Statements

The consolidated financial statements of itelligence AG prepared in accordance with International Financial Reporting Standards are entered in the Commercial Register at the Local Court in Bielefeld and can be obtained from the Company.

The Company's Executive Bodies

Management Board

Membership on supervisory boards and other comparable German and foreign supervisory boards of business enterprises not belonging to the itelligence Group (as of December 31, 2006)

Herbert Vogel  
CEO

Chairman of the Supervisory Board of ALUTECH-BELTE AG

Jörg Vandrei  
CFO

Supervisory Board

Other Boards:

Prof. Dr.-Ing. Peter-Jürgen Kreher  
Chairman  
Independent Consulting Engineer

Chairman of the Advisory Board of Albert Ziegler GmbH & Co. KG

Johannes Cordes  
Deputy Chairman  
Employee Representative  
SAP Consultant

Fritz Fleischmann  
Managing Director Central  
and Eastern Europe  
Adobe Systems GmbH

Erwin Gunst  
President EMEA NEWS SAP AG  
Managing Director of SAP Italy S.p.A.  
Managing Director of SAP France S.A.  
Managing Director of SAP Hellas S.A.  
Managing Director of SAP Türkiye  
Yazilim Uretim ve Ticaret A.S.

Supervisory Board of SAP Systems  
Integration AG  
Administration Board SAP  
(Switzerland) AG

Dr. Lutz Mellinger  
Divisional Manager at  
Deutsche Bank Retired

Chairman of the Supervisory Board of Heller & Partner AG  
Chairman of the Supervisory Board of Quantum Immobilien Kapitalanlage-gesellschaft mbH  
Member of the Advisory Board of GLL Real Estate Partners GmbH  
Member of the Advisory Board of Kufner Textilwerke KG

Anke Ruff  
Employee Representative  
SAP Consultant

#### Remuneration of the Management Board and Supervisory Board

The total compensation of the Management Board members in 2006 amounted to KEUR 1,076 and that of the Supervisory Board to KEUR 290.

Detailed information on the remuneration is part of the company's Management Report.

In fiscal year 2006, itelligence did not grant any advances on future remuneration or loans to Management Board or Supervisory Board members, nor did it enter any contingent liabilities in favor of these persons.

#### Related parties

Several members of itelligence AG's Supervisory Board are or were employed in responsible and influential positions at other companies, with which itelligence AG maintains normal dealings. In so doing, software and services are purchased under conditions as with external third parties.

#### Declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the AktG

The Management Board and Supervisory Board issued the declaration required in accordance with section 161 of the AktG that the recommendations of the "German Corporate Governance Code Government Commission" published in the official section of the electronic Bundesanzeiger (German Federal Gazette) by the Federal Ministry of Justice were complied with, specifying which recommendations are not implemented at present. The declaration was also made permanently available to the shareholders of itelligence AG on the Company's homepage.

#### Disclosures in accordance with section 160 (1) no. 8 of the Aktiengesetz (AktG – German Stock Corporation Act)

The CREDIT SUISSE Group, CH-8070 Zurich, informed itelligence AG on August 7, 2006 in accordance with section 21 (1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) that its share of voting rights in itelligence AG exceeded the threshold of 5% on August 1, 2006 and now amounts to 5.27%. In accordance with section 22 (1) sentence 1 no. 1 of the WpHG, 4.89% of the voting rights and 0.38% of the voting rights respectively are attributable to CREDIT SUISSE.

In accordance with sections 21 (1) and 24 of the WpHG on its own behalf and in the name and on behalf of the companies listed below, the CREDIT SUISSE Group, CH-8070 Zurich, informed itelligence AG of the following on August 17, 2006:

The share of voting rights held by Credit Suisse Securities (Europe) Limited, One Cabot Square, London, E14 4QJ, England, in itelligence AG exceeded the threshold of 5% on August 14, 2006 and now amounts to 5.06%.

As a result of Credit Suisse Securities (Europe) Limited exceeding the 5% threshold, as reported above, we also inform you that the share of voting rights held by its subsidiaries – Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland, Credit Suisse (International) Holding AG, Bahnhofstrasse 17, 6300 Zug, Switzerland, Credit Suisse Investments (UK), One Cabot Square, London E14 4QJ, England, and Credit Suisse Investment Holdings (UK), One Cabot Square, London E14 4QJ, England – in itelligence AG also exceeded the threshold of 5% on August 14, 2006 and now amounts to 5.06%. In accordance with section 22 (1) sentence 1 number 1 of WpHG, this share of voting rights can be fully attributed to the companies mentioned in this section.

In accordance with sections 21 (1) and 24 of the WpHG on its own behalf and in the name and on behalf of the companies listed below, the CREDIT SUISSE Group, CH-8070 Zurich, informed itelligence AG of the following on October 6, 2006:

The share of voting rights held by Credit Suisse Securities (Europe) Limited, One Cabot Square, London, E14 4QJ, England, in itelligence AG fell below the threshold of 5% on October 2, 2006 and now amounts to 4.60%.

As a result of Credit Suisse Securities (Europe) Limited falling below the 5% threshold, as reported above, we also inform you that the share of voting rights held by its subsidiaries – Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland, Credit Suisse (International) Holding AG, Bahnhofstrasse 17, 6300 Zug, Switzerland, Credit Suisse Investments (UK), One Cabot Square, London E14 4QJ, England, and Credit Suisse Investment Holdings (UK), One Cabot Square, London E14 4QJ, England – in itelligence AG also fell below the threshold of 5% on October 2, 2006 and now amounts to 4.60%. In accordance with section 22 (1) sentence 1 number 1 of WpHG, this share of voting rights can be fully attributed to the companies mentioned in this section.

Furthermore, the share of voting rights held by the Credit Suisse Group, Paradeplatz 8, 8070 Zurich, Switzerland, on October 2, 2006 also fell below the 5% threshold and now totals 4.84%. In accordance with section 22 (1) sentence 1 number 1 of the WpHG, all the voting rights can be fully attributed.

The CREDIT SUISSE Group, CH-8070 Zurich, informed itelligence AG on October 20, 2006 in accordance with section 21 (1) of the WpHG that its share of voting rights in itelligence AG on October 18, 2006 again exceeded the threshold of 5% and now amounts to 5.23%. In accordance with section 22 (1) sentence 1 number 1 of the WpHG, all the voting rights can be fully attributed.

In accordance with sections 21 (1) and 24 of the WpHG in the name and on behalf of the companies listed below, the CREDIT SUISSE Group, CH-8070 Zurich, informed itelligence AG of the following on October 25, 2006:

The share of voting rights held by Credit Suisse Securities (Europe) Limited, One Cabot Square, London, E14 4QJ, England, in itelligence AG again exceeded the threshold of 5% on October 19, 2006 and now amounts to 5.46%.

As a result of Credit Suisse Securities (Europe) Limited exceeding the 5% threshold, as reported above, we also inform you that the share of voting rights held by its subsidiaries – Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland, Credit Suisse (International) Holding AG, Bahnhofstrasse 17, 6300 Zug, Switzerland, Credit Suisse Investments (UK), One Cabot Square, London E14 4QJ, England, and Credit Suisse Investment Holdings (UK), One Cabot Square, London E14 4QJ, England – in itelligence AG also exceeded the threshold of 5% again on October 19, 2006 and now amounts to 5.46%. In accordance with section 22 (1) sentence 1 number 1 of WpHG, this share of voting rights can be fully attributed to the companies mentioned in this section.

In accordance with section 21 (1) in conjunction with section 24 of the WpHG on its own behalf and in the name and on behalf of the companies below, the CREDIT SUISSE Group, CH-8070 Zurich, informed itelligence AG of the following on December 8, 2006:

The share of voting rights held by Credit Suisse Securities (Europe) Limited in itelligence AG exceeded the threshold of 10% on December 4, 2006 and now amounts to 11%.

As a result of Credit Suisse Securities (Europe) Limited exceeding the 10% threshold, as reported above, we also inform you that the share of voting rights held by its subsidiaries – Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland, Credit Suisse (International) Holding AG, Bahnhofstrasse 17,

6300 Zug, Switzerland, Credit Suisse Investments (UK), One Cabot Square, London E14 4QJ, England, and Credit Suisse Investment Holdings (UK), One Cabot Square, London E14 4QJ, England – in itelligence AG also exceeded the threshold of 10% on December 4, 2006 and now amounts to 11%. In accordance with section 22 (1) sentence 1 number 1 of WpHG, this share of voting rights can be fully attributed to the companies mentioned in this section.

For this reason, the share of voting rights held by the Credit Suisse Group, Paradeplatz 8, 8070 Zurich, Switzerland, on December 4, 2006 also exceeded the 10% threshold and now totals 11%. In accordance with section 22 (1) sentence 1 number 1 of the WpHG, this share of voting rights can be fully attributed to the Credit Suisse Group.

#### Proposal for appropriation of loss

The net profit for the period of KEUR 3,261 together with the loss carryforward of KEUR 15,524 results in a net accumulated loss of KEUR 12,263. The Management Board shall propose to the Annual General Meeting that the net accumulated loss be carried forward to new account.

#### Fees and services of the auditor

The shareholders of itelligence AG elected KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the auditor of the annual and consolidated financial statements of itelligence AG for fiscal year 2006 in the Annual General Meeting on May 30, 2006. With respect to the auditor as defined in section 319 (1) sentences 1 and 2 of the Handelsgesetzbuch (HGB – German Commercial Code), the following fees were incurred in the current fiscal year:

	2006 KEUR	2005 KEUR
Audit fees	85	85
Fees for tax consultancy services	59	15
Fees for audit-related services	8	8
Fees for other services	12	40
	164	148

Bielefeld, February 23, 2007

itelligence Aktiengesellschaft, Bielefeld

Vogel  
CEO

Vandreier  
CFO

Fully-consolidated companies	Shares %	Equity KEUR	Profit/ loss for the year before profit transfer KEUR
itelligence Services GmbH, Bielefeld	100	305	1,889*
APCON International Business Systems Gesellschaft für DV-Beratung mbH, Bielefeld	100	841	238*
itelligence Outsourcing & Services GmbH, Bautzen	100	1,226	3,567*
itelligence AG, Regensdorf, Zurich, Switzerland	100	858	395
itelligence Business Software Inc., Westchester, New York, USA	100	2,415	-86
itelligence Business Solutions GmbH, Vienna, Austria	100	-1,803	-270
itelligence Business Solutions Ltd., England	100	-3,087	-394
itelligence Business Solutions s.p.r.l., Brussels, Belgium	100	278	-108
itelligence B.V., Netherlands	100	255	-31
itelligence d.o.o., Ljubljana, Slovenia	100	299	110
itelligence Erste Beteiligungs GmbH, Bielefeld	100	104	0
itelligence Hungary Kft., Budapest, Hungary	100	822	168
itelligence Inc. Cincinnati, Ohio, USA	100	14,681	321
itelligence Innovative Solutions Inc., Dallas, Texas, USA	100	936	-64
TOP SAP Inc. Cincinnati, Ohio, USA	100	532	532
itelligence Int'l, Kiev, Ukraine	100	227	-45
itelligence Ltd. Moscow, Russia	100	515	242
itelligence Outsourcing Inc., Cincinnati, Ohio, USA	100	307	249
itelligence S.A., Paris, France	100	-1,144	139
itelligence Ltda.S.A., Sao Paolo, Brazil	100	-1,223	-30
itelligence s.r.o., Bratislava, Slovakia	100	1,123	-66
itelligence s.r.o., Prague, the Czech Republic	100	-107	102
itelligence SP.Z.o.o., Warsaw, Poland	100	3,066	710
itelligence VC-Holding GmbH, Frankfurt	100	-97	-14
Servicios informaticos itelligence S.A., Barcelona, Spain	100	-801	119
ITC GmbH Information Technology Consulting, Detmold	56	752	118

\* Profit/loss for the year before profit transfer/loss absorption

## Statement of Changes in non-current assets of the financial year 2006

<b>Acquisition Cost</b>				
	Jan. 1, 2006 EUR	Additions EUR	Disposals EUR	Dec. 31, 2006 EUR
<b>I. Intangible assets</b>				
Concessions, industrial and similar rights and assets and licenses in such rights and assets	686,451.13	400,556.86	-6,104.05	1,080,903.94
<b>II. Property, plant and equipment</b>				
1. Leasehold improvements	576,407.48	9,255.04	0.00	585,662.52
2. Operating and office equipment	3,526,570.95	520,207.88	-94,967.70	3,951,811.13
	<b>4,102,978.43</b>	<b>529,462.92</b>	<b>-94,967.70</b>	<b>4,537,473.65</b>
<b>III. Non-current financial assets</b>				
1. Investments in subsidiaries	19,780,441.08	20,000.00	-564,563.54	19,235,877.54
2. Investments	35,790.43	0.00	-25,564.59	10,225.84
	<b>19,816,231.51</b>	<b>20,000.00</b>	<b>-590,128.13</b>	<b>19,246,103.38</b>
	<b>24,605,661.07</b>	<b>950,019.78</b>	<b>-691,199.88</b>	<b>24,864,480.97</b>

Accumulated depreciation/amortization				Carrying amounts	
Jan. 1, 2006 EUR	Depreciation/ amortization in the fiscal year EUR	Disposals EUR	Dec. 31, 2006 EUR	Dec. 31, 2006 EUR	Dec. 31, 2005 EUR
630,862.13	73,626.86	-6,104.05	698,384.94	382,519.00	55,589.00
372,172.48	39,755.04	0.00	411,927.52	173,735.00	204,235.00
2,540,988.95	400,254.88	-83,023.70	2,858,220.13	1,093,591.00	985,582.00
<b>2,913,161.43</b>	<b>440,009.92</b>	<b>-83,023.70</b>	<b>3,270,147.65</b>	<b>1,267,326.00</b>	<b>1,189,817.00</b>
4,337,348.60	0.00	-464,563.54	3,872,785.06	15,363,092.48	15,443,092.48
0.00	0.00	0.00	0.00	10,225.84	35,790.43
<b>4,337,348.60</b>	<b>0.00</b>	<b>-464,563.54</b>	<b>3,872,785.06</b>	<b>15,373,318.32</b>	<b>15,478,882.91</b>
<b>7,881,372.16</b>	<b>513,636.78</b>	<b>-553,691.29</b>	<b>7,841,317.65</b>	<b>17,023,163.32</b>	<b>16,724,288.91</b>

## Auditor's Report

We audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of itelligence AG and its report on the position of the Company for the fiscal year from January 1 to December 31, 2006. 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 § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the 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 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, based on the findings of our audit, the annual financial statements comply with the legal requirements and 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. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Bielefeld, February 23, 2007

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Rehnen  
Auditor

Rotter  
Auditor



