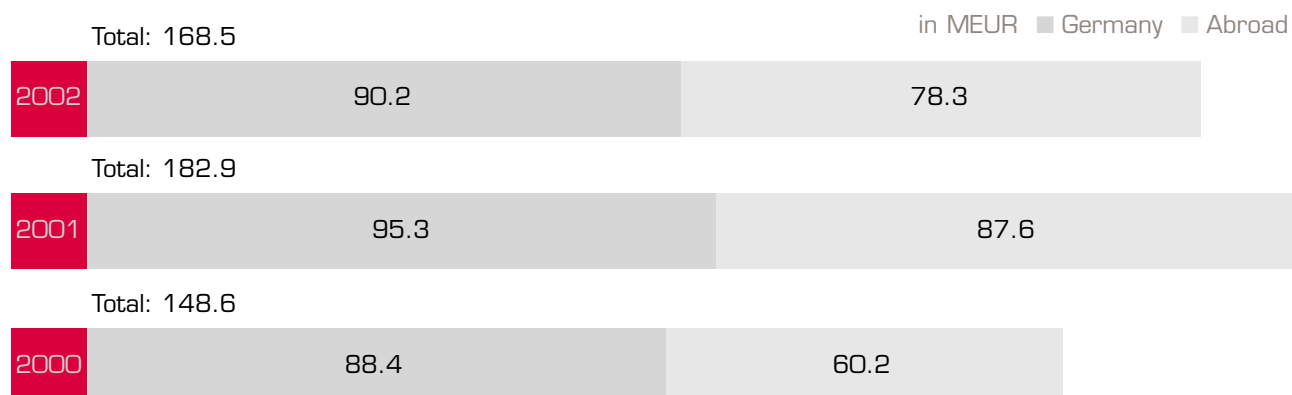


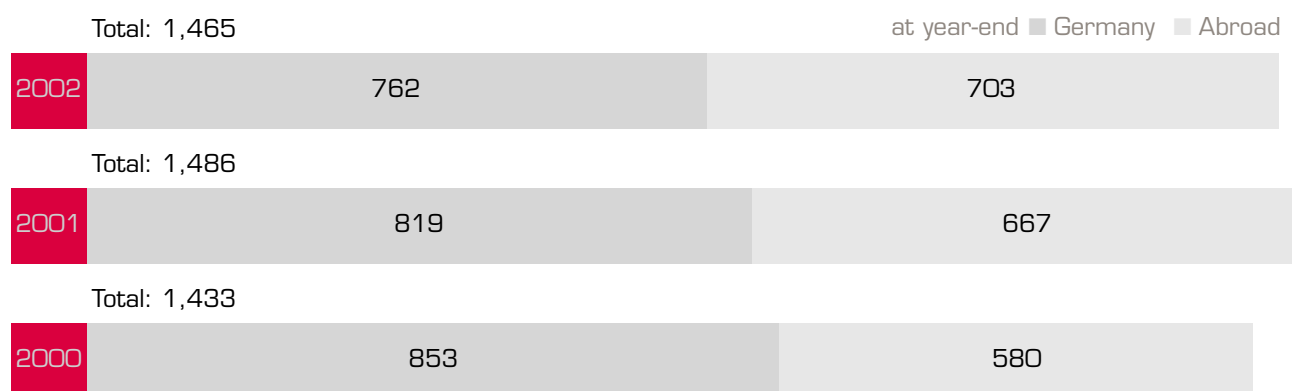
itelligence

Annual Report 2002

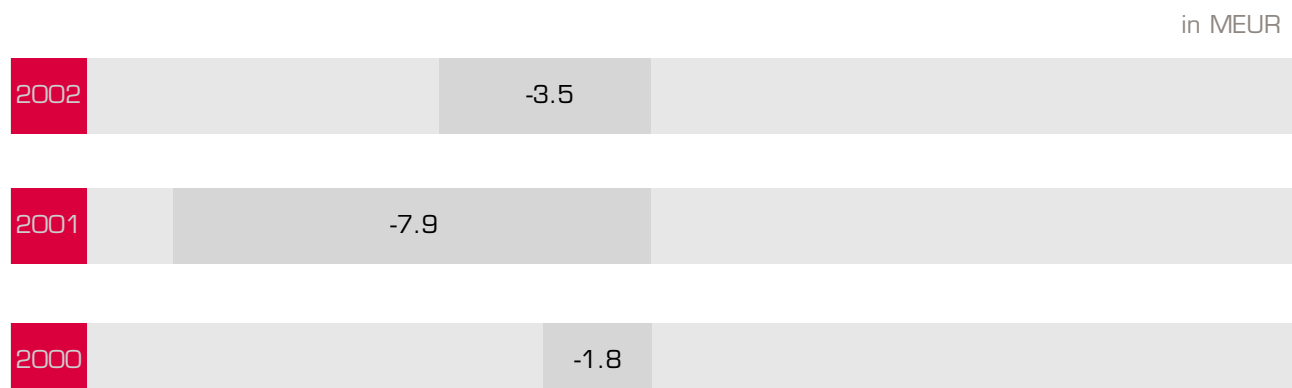
Sales



Employees



EBIT



	2002	2001	2000
Sales in MEUR	168.5	182.9	148.6
Germany	90.2	95.3	88.4
Abroad	78.3	87.6	60.2
EBITDA in MEUR	1.4	-0.05	3.5
EBIT in MEUR	-3.5	-7.9	-1.8
Net income in MEUR	-16.1	-5.7	-1.7
Return on sales	-9.6%	-3.1%	-1.2%
DVFA / SG earnings in MEUR	-16.1	-5.7	1.4
Cash flow in MEUR	-0.3	-0.3	-22.1
Total assets in MEUR	76.7	98.5	110.7
Shareholders` equity in MEUR	19.7	33.3	39.7
Return on equity	-81.7%	-17.1%	-4.3%
Capital expenditure in MEUR	4.7	8.5	15.4
Employees at year-end	1,465	1,486	1,433
Average	1,460	1,541	1,189
Germany	762	819	853
Abroad	703	667	580
Earnings per share in EUR	-0.96	-0.34	-0.11
DVFA / SG earnings per share in EUR	-0.96	-0.34	0.09
Cash flow per share in EUR	-0.02	-0.02	-1.35

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Letter to the Shareholders

Dear shareholders and business partners,

Fiscal year 2002 was an eventful and decisive year for itelligence. We set ourselves clear objectives for the operating business and positioning and consistently pursued these objectives over the course of the months. In the first nine months we reported stable business development and an exceptionally high number of new customers in all divisions. We centered our efforts in 2002 on increasing profitability, which led in particular to increased stability in the international business. We strengthened our strategic partnership with SAP AG in 2002 and will continue to focus on acting as a global partner in 2003.

The successful development of itelligence was dampened by the unexpectedly weak fourth quarter in 2002. Although we were able to expect over proportionally high year-end revenues and orders in the past, we did not meet our targets at the end of 2002.

The typically strong seasonal demand failed to materialize in the fourth quarter of 2002. In spite of the difficult market situation, itelligence's revenues remained constant over the prior year during the first three quarters but fell by 25 percent year-on-year during the last quarter of 2002. As a result, itelligence was unable to meet the annual forecasts. In particular, all of the subsidiaries reported an unusually downward business development in December. At year-end, budgets were cut and numerous projects were postponed – in particular, in the license business and the consulting business for midmarket customers. The United States, Spain and Italy were considerably below target. France, the United Kingdom and Brazil also reported an unusually weak per-

formance at year-end. By contrast, Germany, Switzerland and central and eastern Europe enjoyed a positive performance and achieved the targets forecast.

We do not wish to solely blame the poor business development in the last quarter of 2002 on the generally weak economic situation and the ensuing significant fall in IT investments. We analyzed the reasons for the poor business development at the end of the fiscal year in detail and responded accordingly. At the beginning of 2003 we reviewed the order situation, the sales and marketing and cost structures and the utilization of consulting capacity at each itelligence AG subsidiary. Appropriate cost-cutting measures are currently being implemented and market adjustments made. For instance, additional extensive changes are being implemented at sales and marketing, consulting, and management levels in western and southern Europe and in the Americas. The German business was successfully restructured and organized in a more efficient manner in 2001/2002. On the basis of this success, we are confident that the loss-making foreign subsidiaries will return to profitability. We expect that the concrete effects of these measures will be reflected in the figures from the second half of the year.

In spite of the weak development in the fourth quarter of 2002, I do not wish to forget the successes achieved by itelligence in 2002. The entire itelligence team pursued our objectives with outstanding commitment. And with a positive result: winning an exceptionally high number of new

Letter to the Shareholders

customers and numerous long-term projects in fiscal year 2002. 2003 thus kicked off with a positive development in all the divisions - Consulting, Licensing and Outsourcing & Services.

Defying the strained situation on the IT market, the SAP business enjoyed an excellent performance in the first few months – in particular, in Germany and central and eastern Europe.

The consulting business, representing 72 percent of total revenues, is itelligence's core business. This business reported a stable utilization of consulting capacity coupled with a good order situation in the first nine months of 2002. In the midmarket business alone, we won 28 new customers in Germany alone thanks to itelligence's industry solutions and special service lines. In recognition of its excellent performance, SAP AG awarded itelligence the prize for the most successful system house in the midmarket in 2002. itelligence thus continues to be one of SAP AG's most successful midmarket partners, as it has been since 1995.

With regard to major customers, we intensified collaboration with SAP AG in our key industries and services lines. We were able to clearly position ourselves due to our consulting skills in special service lines such as process management, CRM, SCM and portal solutions. We also won more than 30 new major customers in Germany in 2002.

With increasing integration in complex IT landscapes and changes in the SAP development environment, the range of services offered in the Customized IT division is an ideal complement to our positioning as a full-service provider for SAP. Our teams design customized software and integrate this software in existing SAP components or in heterogeneous system landscapes. Alongside the traditional SAP services offered, itelligence's additional extended IT

solutions represent a key competitive advantage. We are able to cater to special industries, for example, with our service offering for Travel & Transport Management and Banking & Finance.

Due to the generally downward trend in IT investments, however, demand for highly-specialized customized IT solutions was not as high as expected in 2002.

Compared to the previously stable utilization of consulting capacity, the month of December was marked by excess capacity due to the fact that an unexpectedly high number of orders were postponed. In this connection, revenues of MEUR 121.4 from consulting activities were generated over the entire year, which represents a year-on-year fall of 14 percent. What is more, although revenues for the year of MEUR 85.5 from consulting activities in Germany and Switzerland surpassed expectation, this did not compensate for the drop in revenues within the itelligence Group.

On the whole, the license business stabilized in the past fiscal year. We won numerous license contracts, especially in Germany and central and eastern Europe. The license business was on target up until the end of the third quarter. However, the number of license contracts concluded was not as high as expected in the fourth quarter of 2002. Customers postponed their decisions in many cases until the new year. At MEUR 17.0, revenues in the license business matched the level achieved in the prior year. The fact that SAP made us a Global Services Partner in January 2003 points towards a promising basis for a successful year in the license business in 2003.

Outsourcing & Services again surpassed all expectations for the fiscal year recording year-on-year growth of 23 percent thereby making it the fastest growing division. Thanks to our global hosting and IT administration services, we are able to benefit from the current trend in customer demand

for efficiency-increasing IT services. Our decisive competitive edge is that, in our capacity as a full-service provider for SAP, we can offer customers outsourcing as an integrated service of our complete service offering – ranging from consulting, licensing and service/hotline through to outsourcing. Our services are thus a cut above the other typically pure implementation services available on the market. Outsourcing & Services already accounts for 16 percent of total revenues. The potential is there: in the long-term we expect these revenues to account for over 30 percent of total revenues. Highly specialized teams currently support our outsourcing processes on a technical and organizational level at six centers: Bielefeld, Hamburg, Walldorf, Bautzen, Cincinnati and Poznan. From these centers, we support customers throughout all of Europe and the US and service our multinational customers on the basis of a one-stop service organization. We also see potential for growth abroad, in particular in the United States, but also in Switzerland, France and the Netherlands.

We are now the most successful SAP system house for the midmarket and also an SAP Global Partner – Services. In these times of stiffening competition and flagging IT investment activities, companies must increasingly focus their attention on efficient organizational structures, rationalization effects and concrete added value potential. As a leading international full-service provider with clear industry and service lines, we add tangible value for our customers fast.

We will also continue to build on the good partnership - across all borders and at all levels - with our customers and SAP AG. In particular, we will strive for partnership relationships in our dealings with customers in order to be able to globally act as their competent contact partner and provide them with optimal solutions. Longstanding collaborations based on trust, respect and satisfaction is our objective and ultimately the key for our success.

Our employees also support the concept of a partnership-based cooperation. Our decentralized management structure promotes both open cooperation as well as employee initiative. itelligence's employees are the ultimate focus of its know-how. It is with their team spirit, communication skills, flexibility and professionalism that we are able to jointly meet the challenges posed each and every day. On this basis, we will also be able to establish new service lines and set new trends and demonstrate our flexibility on the market and to customers.

We plan to maintain our position as a leading international SAP midmarket partner in 2003. We will endeavor to stabilize foreign business and ensure constant capacity utilization in all divisions. Along with our operating success, our primary objective for 2003 is to further increase our profitability in all divisions and in all countries.

As it is difficult to forecast the political and economic development, our planning is currently based on a moderate growth rate in 2003. We are therefore aiming to generate a positive EBITA and a positive cash flow.

We believe that the measures we are currently implementing abroad set us in good position for the coming year. I am confident that itelligence will successfully meet all the challenges it may face in 2003 and look forward to a successful partnership with SAP AG, our employees, our customers, and with you, our shareholders and business partners.



Herbert Vogel
CEO



SERVICESTM
SAP
GLOBAL PARTNER

SERVICESTM
SAP
ALLIANCE PARTNER

CHANNELTM
SAP
PARTNER
VALUE ADDED RESELLER

HOSTINGTM
SAP
PARTNER

SUPPORTTM
SAP
ALLIANCE PARTNER

CHANNELTM
SAP
PARTNER
HOSTED SOLUTIONS

itelligence – A Strong Partner

Partner of SAP AG

itelligence AG has been a longstanding and innovative partner of SAP AG for over ten years.

Today itelligence successfully collaborates with the Walldorf-based Group as a leading international SAP partner company in all areas – from analysis, consulting and development and licensing through to outsourcing and services. To ensure optimal customer support, itelligence is structured by industry and professional SAP competencies. This enables itelligence to clearly focus on core industries and service lines and quickly and flexibly adapt to changes in the market. As itelligence is involved in the marketing phase of new SAP solutions from an early stage, it possesses the high level of technical expertise required for fast market implementation.

The strengths of the full-service provider for SAP do not only lie in technical implementation. The strengths of itelligence also lie in strategic consulting and the design of SAP-based industry solutions to optimize the business processes of midmarket customers.

itelligence advises both large and midmarket companies. As an SAP Alliance Partner - Services and Special Expertise Partner, itelligence's business with major customers is extremely successful thanks to its sound industry experience and high level of technical expertise. itelligence generated around 60 percent of the SAP business in 2002 with national and international groups.

itelligence AG is one of the front-runners in the implementation and marketing of new software solutions of SAP AG. The full-service provider for SAP sets itself apart from other providers with its leading edge expertise in special service lines such as customer relationship management, supply chain management and the implementation of portal solutions.

itelligence has been the new SAP Global Partner - Services since the beginning of January 2003, another international success. To date only a select number of international companies have attained an SAP Global Services Partnership which entails a joint business plan with SAP and coordinated sales and marketing activities. itelligence expects the very early marketing activities with SAP AG to provide it with access to new countries and allow it to further penetrate existing markets.

At the SAP partner information day in November 2002, itelligence, as the strongest sales partner for the midmarket in 2002, was awarded the prize of SAP Channel Partner Smart Business Solutions 2002. The close partnership is also underlined by the exceptionally high number of SAP certifications received. Among other things, itelligence is a certified VAR (Value Added Reseller), Channel Partner Hosted Solutions, Support Alliance Partner and SAP Alliance Partner – Services.

itelligence – A Strong Partner

Partner for the Midmarket

itelligence AG has positioned itself as one of the most successful partners of SAP AG since 1995. Some 40 percent of itelligence's total revenues are generated from the SAP mid-market business alone. The provision of SAP services to the midmarket requires high customer orientation and special industry know-how. The specific profile of a midmarket company presents new challenges to the consultant in terms of service. The services offered by itelligence are geared towards the needs of the midmarket. The itelligence teams pool sound industry expertise with extensive technical competence and quality in a fast and flexible manner. Our regional proximity and numerous reference customers attract midmarket customers. The optimization and expansion of SAP system landscapes are important for the adaptation of SAP solutions should a company expand. In particular, solutions with an attractive cost to use ratio are in demand: the measurable added value from long-term solutions is important to midmarket companies. itelligence therefore views its close partnership cooperation with midmarket customers as a long-term commitment.

The full-service provider for SAP also provides customers with follow-up services after the implementation phase.

itelligence's industry solutions are adapted to meet the needs of the respective industry using SAP software. The mySAP All-in-One industry solutions are geared towards midmarket companies with complex, industry-specific requirements. The focus on national and international customers from the automotive supplier industry, the chemicals industry, the machine and equipment manufacturers, high-tech industry, the services industry, the wholesale industry, the wood and furniture industry and the steel and non ferrous metals industries underpins itelligence's sound industry know how. itelligence is able to demonstrate its experience in the implementation of complex projects for mid-market customers in its customized customer solutions. itelligence is a key player in the SAP Partner Program and has to date been able to develop most SAP-certified industry solutions.

■ **itelligence industry solutions**

it.automotive supplier - Automotive supplier industry

it.chemicals - Process industry, chemicals

it.consumer - Consumer products industries

it.trade - Wholesalers and retailers

it.service - Service providers

it.metal - Metal industry

it.engine - Machine and equipment manufacturers

it.wood - Wood and furniture industry

"it.wood", for example, meets the requirements of the wood and furniture industry: it offers an extensive array of customized production options for customers while maintaining the complexity of corporate processes. itelligence has demonstrated its expertise to firms such as Westag & Getalit AG, Rheda-Wiedenbrück and Poggenpohl Möbelwerke GmbH in Herford. it.automotive supplier and it.chemicals are two certified industry solutions which are well

established on the midmarket. For example, it.automotive supplier supports the entire supply chain for automotive suppliers. itelligence uses this industry solution, with customized specific expansions using the mySAP Business Suite, at A. Kayser Automotive Systems GmbH, Einbeck, and numerous other companies.

Customers, mainly subsidiaries of large groups or start-up companies, require easy-to-use and economically efficient standard solutions with interfaces to traditional SAP systems.

itelligence, as a strategic partner of SAP's initiative for the smaller midmarket, announced at SAPPHIRE 2002 in Lisbon that it had acquired its first Business One customer in Germany. itelligence is one of the first five SAP partners worldwide to implement the new ERP system in projects in its pilot phase. This allows itelligence to continue pursuing its complete segment, the midmarket.



“Our customers are looking for a full-service partner that can offer an entire range of services, from consulting to licensing, through to outsourcing and remote services, both locally and internationally. We see Outsourcing & Services as one of itelligence’s high-growth divisions in the years to come.”

Oliver Schreiber, Director Business Unit Outsourcing & Services

itelligence – A Strong Partner

It is forecasted that the midmarket will make the most significant IT investments in future. Fierce competition is anticipated in the midmarket due to the relatively low current level of market penetration and the highly fragmented IT offering. Other large software providers have also recently started targeting the midmarket.

With its proven track record as an SAP system house, itelligence has positioned itself as a reliable and longstanding partner for its customers. The regional structure of the itelligence teams ensures that they are located close to customers. At the same time, with its international structure, itelligence AG guarantees cross-border, worldwide support services for its customers. The full-service provider offers companies one-stop solutions: from licensing and consulting services in the SAP field through to outsourcing and

services. itelligence gears itself toward the requirements and processes of the midmarket. Following a special midmarket-focused project methodology and using its extensive industry competence, itelligence can carry out projects quickly and flexibly. itelligence has proven this at Nordmann Getränke in Wildeshausen and Stralsund. The entire range of itelligence’s services is being used: from integrated business solutions through to outsourcing, the itelligence team is able to demonstrate its expertise.

The combination of central coordination and project support from Germany coupled with direct implementation by itelligence employees in the respective country is highly advantageous to many export-oriented companies with European or global networks.

itelligence – A Strong Partner

Partner for Special Skills

Companies expect IT solutions to optimize their business processes and thus add tangible value to their business fast. "Efficiency" and "added value" represent the main criteria for a rapid return on investment (ROI). itelligence strives to increase the transparency, speed and efficiency of processes within companies so as to achieve a rapid return on investment.

itelligence stands out as an innovative solution provider with its leading edge expertise in special service lines. "Special skills" for itelligence mean cross-company business applications for business processes such as customer relationship management and supply chain management as well as company portals.

As an experienced and longstanding Special Expertise Partner of SAP AG, itelligence uses its solid experience in all mySAP Business Suite components and its extensive knowledge of the structures of industry-specific business processes.

Demand for special know-how for the optimization of processes in customer relationship management and supply chain management as well as company portals is growing. Companies also see future development potential here in relation to efficiency increases and will, to this end, rely on itelligence; a strong and experienced partner.

Supply Chain Management (SCM)

Supply chain management optimizes dealings between companies and suppliers. SCM involves the effective control of supply chains, i.e. the fast supply and procurement of goods and services. Companies today are achieving decisive cost savings in the supply chain through clearly structured internal and external supply chain management. As a specialist for efficient supply chain management, itelligence offers mySAP SCM. With the ever-increasing complexity of cross-company supply chains and with system landscapes becoming increasingly heterogeneous, maximum integration of individual SCM solutions is a must. The main criterion here lies in the integration of the SCM applications in cross-company systems.

itelligence operates in the Supply Chain Management area as an SAP partner company for renowned customers with the most exacting requirements. Dr. August Oetker Nahrungsmittel KG, Bielefeld, for instance, places its trust in itelligence's expertise. itelligence has experienced teams on hand which are specialized in the varied and specific industry and service line requirements in this area of application.

Customer Relationship Management (CRM)

The efficient structuring of customer relations is one of the challenges companies face each and every day. Today customer contact takes place on various levels within companies: by e-mail, telephone, fax or in meetings. The great challenge posed by efficient customer management is recording the varied customer relationship initiatives in a company-wide system and being able to present this information in an informative manner.

As a Special Expertise Partner for mySAP CRM, itelligence AG has many years of experience in using the mySAP Customer Relationship Management solution. This application software enables the full-service provider to optimize customer relations – from customer acquisition through all sales

channels, and order processes through to customer service. In this context, itelligence integrates CRM applications in complex IT environments for companies. For example, itelligence is presently installing the new mySAP CRM Mobile Service at Axima Refrigeration GmbH, Lindau. With this project, itelligence is again able to demonstrate its leading role in the implementation of SAP-based CRM projects.

Focus on Company Portals

itelligence carried out customer projects with SAP during the very early development stages of portal technology. The company portal based on mySAP Enterprise Portal is a common platform that can be used to show role-specific information, applications and services in a standard format, aggregate and administer all forms of corporate data and present unstructured information in a business-related context. Each user is provided with personalized contents. In this manner, the common platform promotes company-wide collaboration and thereby knowledge pooling. Common information bases are set up to accelerate and simplify the decision-making process and work flows. itelligence's expertise in portal solutions is put to work at Nordenia International AG and Nordzucker AG.

Germany

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

Europe

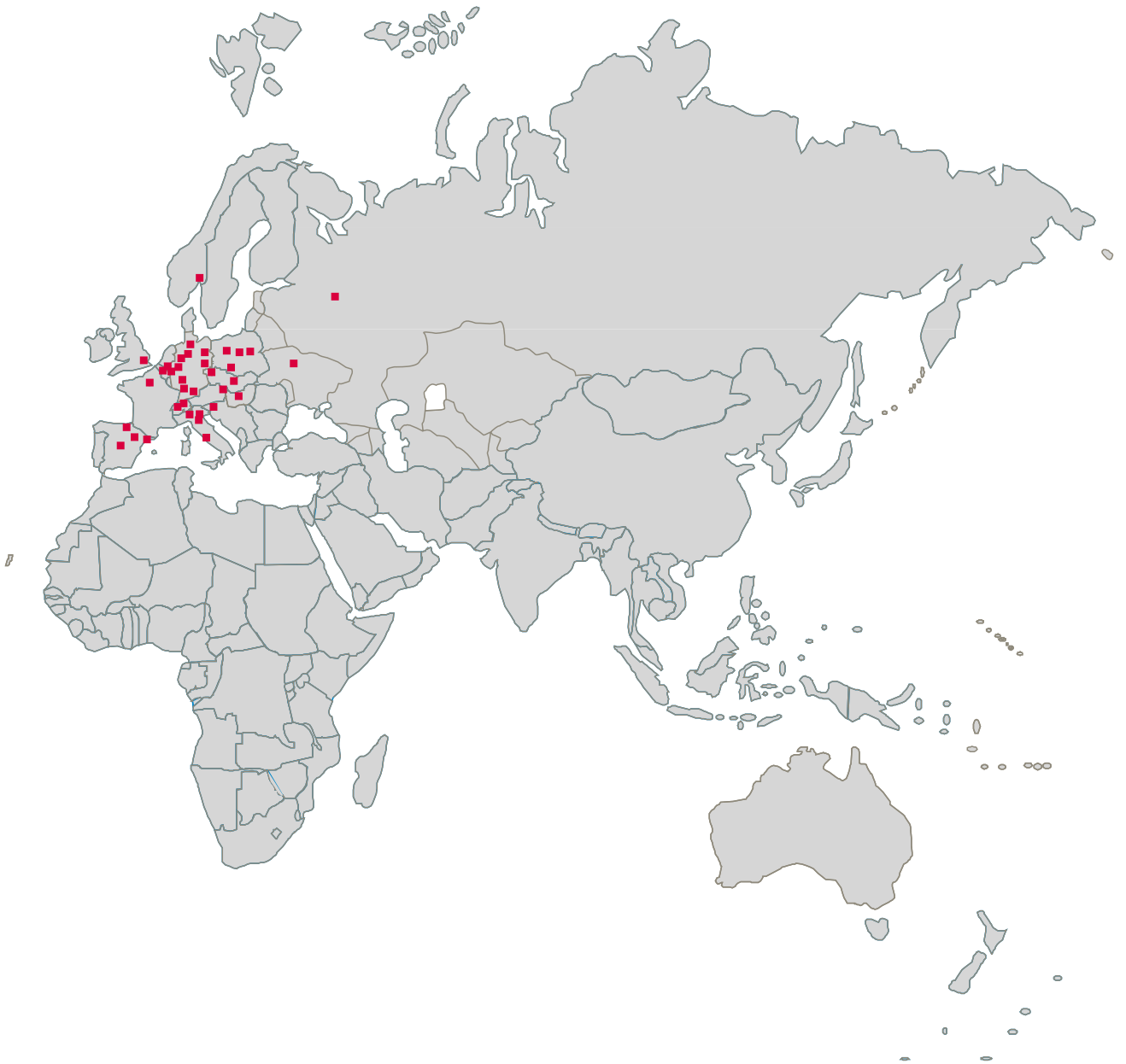
- Belgium
 - Brussels
- France
 - Paris
- Great Britain
 - London
- Italy
 - Milan
 - Rome
 - Padova
 - Bologna
- Netherlands
 - Eindhoven
- Norway
 - Oslo
- Austria
 - Vienna
- Poland
 - Warsaw
 - Poznan
 - Lodz
 - Katowice

- Russia
 - Moscow
- Switzerland
 - Zurich
 - Bern
- Slovakia
 - Bratislava
- Slovenia
 - Ljubljana
- Spain
 - Barcelona
 - Bilbao
 - Madrid
 - Saragossa
- Czech Republic
 - Prague
- Ukraine
 - Kiew
- Hungaria
 - Budapest

Americas

- USA
 - Atlanta
 - Chicago
 - Cincinnati
 - Cleveland
 - Dallas
 - Minneapolis
 - New York
- Brazil
 - São Paulo







“Thanks to our many years of midmarket experience, our industry solutions and industry expertise are tailored to the needs of midsized companies. This was reflected in fiscal year 2002 by the numerous contracts signed with new customers and the excellent results of our customer survey. Our solutions make us a competent and dependable partner.”

Ralf Klemisch, Director Business Unit SAP Germany

itelligence – A Strong Partner

Partner for International Projects

With the increasing globalization of the economy, companies must optimize the flexibility and efficiency of their global corporate structures and processes in their operations. itelligence, in its capacity as an international IT partner, supports its customers in optimizing and expanding their system landscapes. The worldwide presence spanning 44 locations across 19 countries and the close global partnership with SAP AG underlines the international spirit of itelligence, a full-service provider for SAP. itelligence offers its customers one-to-one professional local support. As an SAP Global Partner - Services, itelligence is promoting the growing international integration of projects, the formation of supraregional itelligence teams and the intensified focus on industries and special service lines. Knowledge sharing between the subsidiaries is vital for the successful positioning in the individual markets. This not only provides optimal support for cross-border projects but also for customers too. itelligence has demonstrated this in numerous projects. In this connection, itelligence won the automotive supplier Behr America Inc., as an international customer. The entire project is coordinated by itelligence AG in Germany and executed by American itelligence consultants. As a full-service provider, itelligence offers the midmarket customer Pinnacle Systems GmbH the entire range of services - not only in Germany, but also in the United States.

itelligence AG is today one of the leading SAP consulting companies worldwide. itelligence generates some 46 percent of total revenues abroad with the rest of Europe accounting for 28 percent of revenues and the Americas 18 percent.

itelligence has pressed ahead with its rapid expansion measures abroad over the last three years. Management's main focus abroad is on improved profitability and the implementation of appropriate structural adjustments in the subsidiaries. The Management Board analyses the profitability levels of all the subsidiaries on an ongoing basis.

Management swiftly responded to the weak fourth quarter in 2002, in particular in Spain, Italy, Brazil and in the United States. The organization and cost structures are being adjusted and the efficiency of the sales processes raised. The Management Board expects these cost-cutting measures to start bearing fruit in mid-2003.

itelligence, both internationally and nationally, is now positioned as a full-service provider for SAP for midmarket and major customers with a team of around 1,450 employees. itelligence AG's entire international business is centered on the close collaboration with SAP AG. At the same time, the focus of the individual subsidiaries, both in terms of industries and service lines, follows national demand. itelligence's entire range of services is also in demand on an international level: from consulting and licensing through to outsourcing and services.

“Not only in Germany do customers value our extensive industry expertise and technical skills thanks to our close collaboration with SAP AG. We offer innovative SAP service lines and technologies, putting us one step ahead of the competition at all times. The proven approach of the itelligence teams constantly focuses on increasing customer benefits.”

Dr. Birgit Bohnhorst, Director Business Unit SAP Germany

itelligence – A Strong Partner

itelligence in Germany, Austria and Switzerland

In historical, strategic and revenue terms, the German-speaking countries are itelligence's core market. The Company generates some 54 percent of total revenues in the German market alone. With its headquarters in Frankfurt and operating centers in Bielefeld and Hamburg, itelligence is represented by 762 employees (as of December 31, 2002) in 10 key business centers across Germany. This allows the itelligence teams to offer customers optimal local support, drawing from the entire range of services. Just some of the contracts that itelligence won in Germany in 2002 include SAP projects at Löwen Entertainment AG, Bingen, BOGE Kompressoren GmbH & Co. KG, Bielefeld, A. Kayser Automotive Systems GmbH, Einbeck and Alpine Electronics GmbH, Stuttgart.

In 2001/2002 itelligence successfully restructured and organized the German business in a more efficient manner. Following the successful example in Germany, the structures of the foreign subsidiaries will be analyzed and adjusted to reflect market conditions as necessary.

itelligence Germany is responsible for coordinating national and international operations. Knowledge sharing between the subsidiaries, development of industry solutions and subject-specific SAP competence areas are coordinated centrally in Germany.

Switzerland's performance in the past year was particularly encouraging. The Swiss subsidiary excelled with revenues of MEUR 12.5, exceeding the target. In the SAP business, our 63 employees in Bern and Zurich focused on the three industries: public services, real estate and discrete manufacturing. For its customers, the Swiss team combines the standard implementation of SAP Real Estate with extended software solutions such as facility management and help desk integration. itelligence Switzerland has also developed a real estate management information system, it.remis, based on SAP BW in close collaboration with the SAP RE user group.

In Austria, the Company has its headquarters in the capital, Vienna. The business divisions have been continuously expanded since the foundation of the subsidiary in 1994. Also in Austria, itelligence is pursuing its global strategy of establishing itself as a key player in defined industries with its consulting expertise and SAP solutions. One of the major wins in 2002 was the SAP project at the Austrian company MABA Fertigteilindustrie GmbH, Wiener Neustadt.





“We see great market potential in the central and eastern European countries and are already successful in the key markets of this region.”

Christian Motovsky, Regional Director Central and Eastern Europe

itelligence – A Strong Partner

Central and Eastern Europe

itelligence AG is represented in all major European markets. We are especially well positioned as an SAP partner company in central and eastern European countries.

itelligence is represented in seven countries in central and eastern Europe: Poland, Russia, Slovakia, Slovenia, the Czech Republic, the Ukraine and Hungary. The seven subsidiaries account for 7 percent of total revenues for itelligence AG. With the enlargement of the European Union into eastern Europe in 2004, itelligence will also play an active role in the integration of the European markets. Cross-border projects will represent an important competitive advantage in an enlarged single European market.

With its computer center in Poznan, itelligence is an SAP-certified provider of outsourcing services with state-of-the-art technology in Poland. Poland recorded 20 percent revenue growth in 2002. The consulting and license business in Poland performed very well, so did outsourcing. One of the largest SAP partners in Poland, itelligence focuses on trade and the construction industry. itelligence has successfully implemented industry solutions tailored to the construction industry at companies such as Egbud and Elektromontaz. In outsourcing, itelligence has acquired Budimex, Poland's largest construction company, as its customer. With 69 employees and offices in Lodz, Katowice, Poznan and Warsaw, itelligence Poland is our largest subsidiary in eastern Europe.

The SAP business of our Hungarian subsidiary also developed very well in 2002. Our team of 29 won numerous new customers in the SAP consulting business. itelligence has successfully positioned itself in the local midmarket, putting its industry expertise to work for customers such as Unify Döhler, Body Fashion and Cora. As a result, revenues in Hungary are up 41 percent on the prior year.

itelligence is represented in the Ukraine with an office in Kiev. itelligence employees in the Ukraine can look back on a successful year, having provided expert support for cross-border projects at internationally oriented companies in the CIS countries. The complete implementation of the SAP system for Reemtsma was particularly successful.

Our team in Slovenia successfully positioned itself in the midmarket. The it.engine industry solution was successfully implemented at companies such as Akrapovic, a global supplier of exhaust systems. The subsidiary is based in Ljubljana. Despite political instability and the ensuing uncertainty surrounding investment, our subsidiary in Slovakia performed well. The outcome of the elections in fall 2002 produced a stable and promising economic basis in Slovakia. itelligence will build on this basis to successfully grow its business in Slovakia. We have 23 employees working at our office in Bratislava.

“As an SAP Global Partner – Services, our international strategy is to put together supraregional intelligence teams and to focus on industries and special service lines. itelligence not only supports customers in cross-border projects but also provides direct on-site customer support.”

Uwe Bohnhorst, Regional Director Southern and Western Europe

itelligence – A Strong Partner

Our office in Prague, Czech Republic, further expanded the SAP consulting business in 2002. The subsidiary focused on mechanical engineering, trade and the automotive industry. Big names acquired as customers in 2002 include Thyssen Ferex Aluminium, the automotive manufacturer SKODA Auto and Bohemia Sekt, a company of the Henkell Söhnlein Group.

After its first successful projects in Russia, itelligence opened an office in Moscow in the third quarter of 2002. itelligence has been able to establish itself in Russia with two major projects. From Moscow, the itelligence consultants are providing support for a project at Dyckerhoff AG near Jekaterinburg. itelligence has already completed a significant reference project for Reemtsma in SAP consulting for the Russian market.

Southern and Western Europe

itelligence is represented in seven key economic regions in southern and western Europe.

In France, Belgium and the Netherlands, itelligence has offices in Paris, Brussels and Eindhoven. Employees number 46 in these three countries. In 2002, itelligence won customers in particular from the high-tech and metallurgical industries, such as Ingenico, Puteaux and Umicore S.A., Brussels, thanks to its extensive range of skills as a full-service provider for SAP.

In its projects, itelligence's British team is focusing on key issues such as improving customer service and processes in trading companies. In 2002 itelligence advised customers such as Dorma Door Controls Ltd., Hitchin, Hertfordshire and SRB Holdings Ltd., Bilston, West Midlands in the fields of sales and distribution, and customer service. Our British subsidiary manages customer projects from London with 31 employees. After a subdued end to 2002, this subsidiary failed to meet expectations. itelligence's management responded immediately, restructuring sales and marketing and taking appropriate cost-cutting measures.

itelligence is represented in Norway by a team in Oslo. These employees work on Norwegian projects as well as large-scale projects for international itelligence customers.

We have been carrying out cost-cutting measures and making structural adjustments to market conditions in Spain and Italy since mid-2002. In both countries the Management Board brought cost structures and headcount into line with the market situation. Sales and marketing was reorganized, sales activities stepped up and cooperation with the SAP's Spanish and Italian subsidiaries was improved significantly. The aim is more efficient organization and substantially improved profitability for both local companies. The measures were successfully completed in Spain at the end of 2002, further action will follow in Italy in 2003.



In Spain we have 142 employees working in Madrid, Barcelona, Bilbao and Saragossa for Spanish and international customers. In 2002, the Spanish itelligence team excelled, especially in the chemicals/pharmaceuticals and automotive industries, with customers such as Bayer Hispania, Barcelona and Robert Bosch España, Madrid. Collaboration with SAP AG in Spain is particularly successful: itelligence is one of the four preferred partners of SAP Spain. Positioned as it is now, Spain expects significant improvements in revenues and earnings in 2003.

In addition to Milan and Rome, the Italian subsidiary has two other branches in Padua and Bologna so that it can cater better to the mainstays of industry in these regions. The number of employees was cut from 61 at the beginning of the year to 49 at year-end. In customer projects, itelligence focused in 2002 on the metallurgical and furniture industries with solutions for the special logistical demands of these industries. Further far-reaching measures to improve profitability in 2003 have been approved.

Americas

In the Americas, itelligence is represented on the US market and the Brazilian IT market as a full-service provider for SAP. The office in São Paulo, Brazil, has 57 employees and was set up in 1999. The Brazilian team specialized in automotive and high-tech projects in 2002.

itelligence's key market in the Americas is the United States. The activities of the itelligence subsidiary in the United States are coordinated from the head office in Cincinnati, Ohio. itelligence is represented on the US market as a full-service provider for SAP with 135 employees in Chicago, Atlanta, Dallas, Minneapolis, Cleveland and New York.

In the United States, itelligence has positioned itself with the leading edge expertise of the itelligence industry solutions and the high degree of technological expertise in SAP. In the United States, itelligence focuses on the automotive, consumer products, chemicals/pharmaceuticals and engineering/construction industries. itelligence's participation at SAPPHIRE '02 in June in Orlando was an enormous success. The focus was on the newest itelligence industry solution for automotive suppliers, it.automotive supplier.

Outsourcing & Services is becoming increasingly important in the United States. The US company has been highly successful with education and training and its call-and-smile-center to date. In the fourth quarter of 2002, itelligence won a major outsourcing contract in the United States for the automotive supplier ZF Batavia L.L.C., Batavia/Ohio. itelligence is known as a reliable international outsourcing partner in the midmarket providing top quality, innovative and flexible full-service solutions.

Despite sophisticated consulting and other services, the market for the US business is difficult at present. Earnings from business in the United States have stabilized after a round of cost cutting. The US subsidiary achieved EBIT of MEUR -0.4 in 2002 compared with EBIT of MEUR -2.8 in 2001 (includes goodwill amortization: MEUR 1.8). The Management Board responded to the loss at year-end with further cost-cutting measures. Alongside a substantial improvement in profitability and orders, itelligence is also aiming to revive the license business by stepping up joint sales activities with SAP AG.

The Year 2002 - Summary of Major Points

- itelligence improves operating result: EBITDA: MEUR 1.4 (2001: MEUR -0.05) and EBIT: MEUR -3.5 (2001: MEUR -7.9)
- Revenues at MEUR 168.5 (2001: MEUR 182.9)
- Fourth quarter dampens overall result for 2002
- Revenue and earnings targets originally forecast for 2002 not reached
- Positive cash flow of MEUR 5.2 from operating activities (2001: MEUR -3.6)
- One-off impairment loss on financial assets: MEUR 3.6, effect of the change in accounting provisions as of January 1, 2002: MEUR 0.9, impairment test loss: MEUR 0.6, adjustment of deferred taxes: MEUR 7.4
- Net loss according to US GAAP: MEUR -16.1 in 2002 (2001: MEUR -5.7).

Development of the Industry and the Economy as a Whole

As a leading international full-service provider for SAP, itelligence offers an entire range of services from consulting and licensing through to outsourcing and services. itelligence's core business, SAP, is organized according to industries and service lines. itelligence's industry experience and strong midmarket focus are testimony to the close partnership and cooperation with SAP. SAP experts at itelligence are renowned on both the national and international markets for their high-level of technical expertise with regard to mySAP Business Suite solutions. As a globally operating company with subsidiaries in the United States, Brazil and central and western Europe, itelligence's performance is linked to global economic trends.

We entered 2002 expecting an economic upturn to set in the medium-term. Economic institutes and specialists assumed that the American economy would recover and with it the economies in the other industrialized countries.

However, it became clear in the course of the year that these assumptions were not going to come to pass. The upturn expected for 2002 failed to materialize due to the persistently weak economy. As a result, businesses were very reluctant to make investments. The effects of the worsening economic development were also felt in the field of SAP and led to projects being postponed and budgets being cut.

Customers' key aims are to optimize and expand internal system landscapes in efficient projects in order to generate a rapid return on investment (ROI) and make them more competitive.

Experts predict that economic growth will be even more sluggish in 2003 and that competition will stiffen. Gartner Group expects the consolidation of the European IT industry to continue and also expects IT spending to increase by 5.4 percent. The investment bank Goldman Sachs anticipates a 2 to 3 percent increase in global IT spending in 2003.

Course of Business and the Group's Situation

Revenues and Revenue Structure

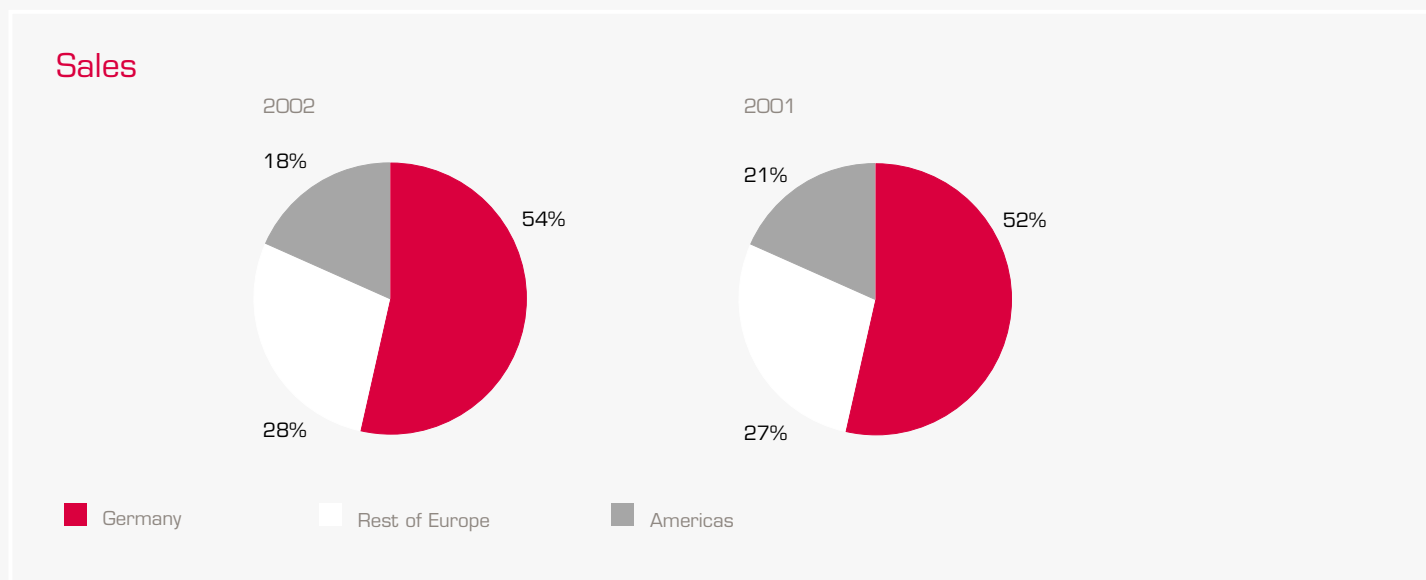
Revenues totaled MEUR 168.5 in 2002 (2001: MEUR 182.9). Revenues developed almost on target in the first three quarters of the year. Following revenues in the first quarter of MEUR 43.6, itelligence generated MEUR 43.0 in the second and MEUR 41.6 in the third quarter. At MEUR 40.3, revenues in the traditionally strong fourth quarter were significantly down on the prior year's figure of MEUR 53.6.

Due to the unexpectedly weak fourth quarter of 2002 itelligence did not reach the revenue and earnings targets originally forecast for 2002. The fall is the result of the unexpectedly low utilization of consulting capacity in almost all subsidiaries in December. Furthermore, the number of license contracts concluded was not as high as expected. Targets were not met in the Consulting and Licensing divisions in the fourth quarter, in particular in western and southern Europe and in the Americas. The development in Germany in the first three quarters was above target but was not able to be continued in the fourth quarter. As with almost all the central European countries, Germany met its targets for the year as a whole. Other reasons for the reduction in revenues are the losses in customized IT consulting and currency effects caused by the fall of the Polish zloty, the US dollar and the Brazilian real.

MEUR 90.2 of total revenues was generated in Germany, MEUR 78.3 abroad. This puts foreign revenues at 46 percent of total revenues (2001: 48 percent). The top sales per-

former abroad is the United States with 17 percent of total revenues (2001: 21 percent). Due to the cost-cutting measures and market adjustments introduced in the rest of Europe in 2002, revenues were down on the prior year, dropping from MEUR 48.5 to MEUR 47.4.

The Outsourcing & Services division which is secured by long-term contracts surpassed all expectations recording revenues of MEUR 27.5 and year-on-year growth of 23 percent. In comparison with the prior year (MEUR 22.4), revenues in this business division are now up from 12 percent of total revenues in 2001 to 16 percent. The positive development in outsourcing and services is reflected in our successful international expansion, the increasing capacity utilization of all the computer centers and the steady increase in services. The Outsourcing division in the United States notably won a large contract. itelligence is known as a reliable outsourcing partner for the midmarket due to its full range of high-quality, innovative and flexible services.



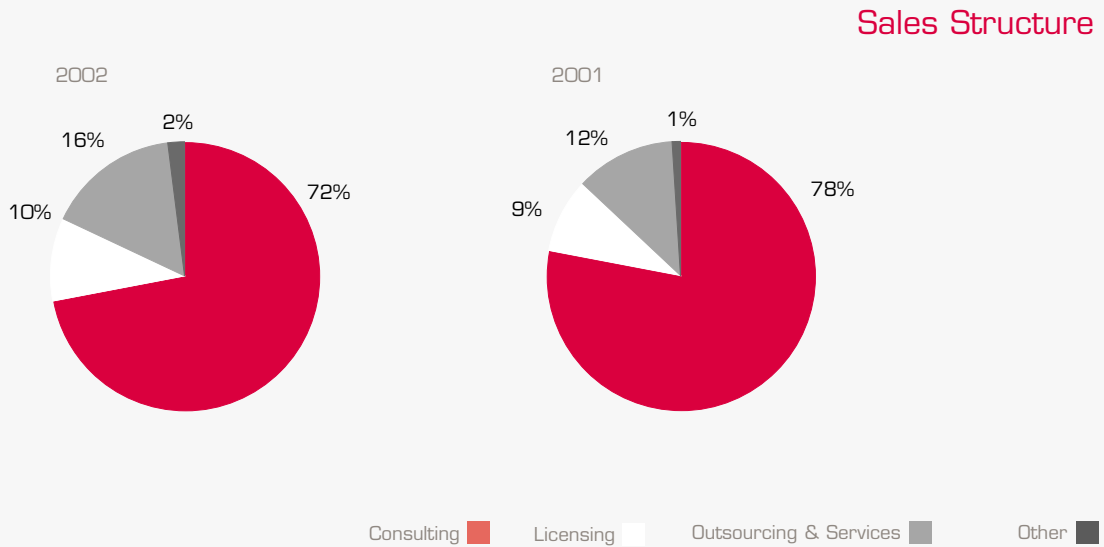
The consulting business accounts for 72 percent of total revenues and continues to be our traditionally strongest division. In 2002 revenues in this division, however, were well below target at MEUR 121.4 (2001: MEUR 141.3). The decrease in revenues is largely due to restructuring and market adjustments in Italy, Spain, Austria and the United States. The SAP consulting business which is experiencing continued growth, in particular in Germany, Switzerland, Belgium and central Europe, was unable to fully compensate for the drop in revenues in the United States and western and southern Europe. Revenues from customized IT consulting are also down year-on-year due to a general reluctance to make IT investments.

The licensing business was stable but was well below target, especially abroad. Following license revenues in the first quarter of MEUR 3.7 (first quarter of 2001: MEUR 2.2),

MEUR 3.9 in the second (second quarter of 2001: MEUR 4.3) and MEUR 4.5 in the third quarter (third quarter of 2001: MEUR 2.7), the hoped-for increase in the fourth quarter failed to materialize with revenues reaching MEUR 4.9 (fourth quarter of 2001: MEUR 7.8). Overall, license revenues totaled MEUR 17.0 in 2002 (2001: MEUR 17.0).

Overview of Results

intelligence did not meet the targets announced for 2002 of a return to profitability and an EBITDA margin of some 5 percent. We achieved a positive EBITDA of MEUR 1.4 in 2002 (2001: MEUR -0.05) and EBIT improved from MEUR -7.9 in the prior-year to MEUR -3.5 in 2002. The two main reasons for the targets not being met were the low global consulting revenues in December and the below-target for-



own license business in the fourth quarter. The restructuring abroad, in particular in Italy, Spain and the United States, initiated at the beginning of 2002 did not generate a balanced result for 2002.

In the third quarter of 2002, itelligence performed an impairment test on goodwill in accordance with the provisions of the Financial Accounting Standards Board. The effect of MEUR 0.9 resulting from the transition from the old to the new provisions was disclosed in a separate line immediately preceding the net loss for the year. In addition, the annual impairment testing of goodwill led to a write-down requirement of MEUR 0.6. This was disclosed under the operating result. The total goodwill amortization amounted to MEUR 1.5 in 2002 as against scheduled amortization of MEUR 3.3 in the prior year.

The impairment loss of MEUR 3.6 on financial assets is a special charge. In the past, the decreases in the listed prices were reported as a component of other comprehensive income. We now consider these impairments to be permanent, however, and have therefore recognized the cumulative effect as an impairment loss on financial assets in the third quarter of 2002, affecting earnings. Adjustments of MEUR 7.4 (prior year: MEUR 3.0) on deferred tax assets in losses carried forward were necessary due to the continued loss situation of the group companies. Income taxes increased from MEUR -3.3 in 2001 (tax income) to MEUR 6.1 in 2002 (tax expense). Net loss according to US GAAP is MEUR -16.1 in the period under review (2001: MEUR -5.7).

Marketing and selling expenses fell from MEUR 18.6 in 2001 to MEUR 15.3 in 2002. At MEUR 1.1, research and development expenses also dropped well below the prior

year's level of MEUR 5.1. General and administrative expenses decreased from MEUR 29.6 in 2001 to MEUR 29.1 in 2002. The strict cost management had a positive effect in Germany. Cost-cutting measures were carried out in some foreign subsidiaries and are showing effects, however the measures have not yet been completed. The strict cost-cutting program will therefore be pursued further in 2003.

itelligence at a Glance:

January 1 to December 31, 2002 and 2001

	2002 MEUR	2001 MEUR
Sales	168.5	182.9
of which:		
Consulting	121.4	141.3
Licenses	17.0	17.0
Outsourcing & Services	27.5	22.4
Other	2.6	2.1
of which:		
Germany	90.2	95.3
Rest of Europe	47.4	48.5
Americas	30.9	39.1
EBIT	-3.5	-7.9
EBIT margin	-2.1%	-4.3%
EBITDA	1.4	-0.05
US GAAP result	-16.1	-5.7
Loss per share	-0.96	-0.34
Employees as of Dec. 31	1,465	1,486

Balance Sheet Structure, Investments and Liquidity

Following the decrease of MEUR 12.2 in the balance sheet total in the prior year, itelligence discloses another decrease of MEUR 21.8 in the balance sheet total in the financial statements as of December 31, 2002, from MEUR 98.5 to MEUR 76.7. The liabilities side reduced primarily due to the decrease in equity as a result of losses, the redemption of long-term liabilities and the reduction in liabilities to suppliers and banks. Although the payments on account item fell by MEUR 1.8 against the prior year, as of year-end, itelligence was drawing on a significantly lower credit line than in the prior year.

The development of business in Poland was particularly pleasing. Thanks to the positive business development in Poland, the loan to finance the computer center in Poland was largely replaced by a mortgage with lower interest charges. On the assets side, the reduction in the balance sheet total mainly relates to the reduction in trade accounts receivable. Having started the year at MEUR 42.7, trade accounts receivable fell from MEUR 39.2 in the first quarter to MEUR 39.1 in the second, MEUR 38.5 in the third and MEUR 35.2 in the fourth quarter of 2002. As in the prior year, the reduction in this item is largely due to the continued improvement of accounts receivable management. The unexpectedly low revenues in the fourth quarter are also another reason. The long-term deferred tax assets fell from MEUR 5.2 in 2001 to MEUR 0.3 in 2002. This decrease is attributable to the adjustment of deferred tax assets in losses carried forward.

Despite the redemption of long-term liabilities of MEUR 2.8 in 2002, itelligence reports an almost balanced cash flow of MEUR -0.3 (2001: MEUR-0.3). The cash flow from operating activities improved from MEUR -3.6 in 2001 to MEUR 5.2 in 2002.

Capital expenditure in 2002 amounted to MEUR 4.7 (2001: MEUR 8.5). Investments were made in the usual replacements and in the Outsourcing & Services division in 2002. The largest investment amounting to MEUR 0.8 was for an outsourcing contract in the United States.

Financing

The credit facilities provided by banks in 2002 were sufficient at all times. We were able to dramatically reduce their utilization over the course of the year. Covenants were agreed in the loan agreements with regard to equity and working capital. Due to the negative development of business, the equity quotas agreed with the banks were breached. The banks consistently tolerated the quota being below the agreed level.

itelligence in Germany has had credit lines of MEUR 7.6 made available to it for 2003 by its banks. The Management Board assumes that the credit line in the United States which is due to expire in mid-2003 will be extended. This assumption is not included in the budget however. According to the budget, sufficiently large credit lines have been set up.

Research and Development

In fiscal year 2002 itelligence invested MEUR 1.1 in research and development (2001: MEUR 5.1). In line with the restructuring program at the end of 2001, the Company as a whole became more customer and market-oriented. Due to the fact that employees in research and development were reincorporated into operating activities, expenses fell considerably. As an SAP partner, itelligence concentrates on industry and cross-industry products and service lines. itelligence's R&D activities focus on close cooperation with customers. Promising technologies and services such as the refinement of industry solutions can only be performed in close cooperation with customers and in the form of projects based at the customer's company.

Special Aspects of Business Development

Germany

The structural changes implemented in Germany in 2002 had the desired effect. As a reliable SAP partner, itelligence is successfully involved in the SAP Partner Program and has so far been able to develop most industry solutions and have them certified by SAP. Two industry solutions were certified in time for Systems 2002: it.automotive supplier for the automotive supplier industry and it.chemicals for the chemicals industry. At SAP's partner information day in December, the mySAP All-in-One industry solution, it.wood (wood and furniture industry), was given the official status of an industry solution.

Despite difficult market conditions, the Outsourcing & Services division was able to increase its share of revenues. itelligence is continuing to back this growth market and aims to achieve 30 percent of total revenues in this division in the long-term. The computer centers generally working at capacity in 2002, the long terms of the service agreements, the high number of new and existing customers and the low-level of dependence on individual customers all emphasize itelligence's good positioning as a full-service provider.

Customized IT is a logical and necessary addition to itelligence's core business. This division is organized into independent operating units each with their own regional and technical focus. The collaboration in SAP projects has been tried and tested with interfaces and solutions being drawn up independently, and during process consulting in numerous SAP projects. The Customized IT division was not hived off as announced and there are no plans to hive it off at present. As a result there was a further reduction in personnel in 2002.

The investment structure was streamlined further in 2002. Following the merger with SAPRYMA S.L., itelligence in Spain only operates under the name of Servicios Informaticos itelligence S.A. In Germany, itelligence sold its shares in Procoma GmbH, Frankfurt, in April 2002. IT-GO! GmbH was merged into itelligence Outsourcing & Services GmbH with the result that the former APCON Network Solutions GmbH is now able to operate under the name of it-go GmbH. APCON Media Company GmbH was liquidated. A new company, itelligence Financial Solutions

GmbH in Frankfurt am Main, in which itelligence holds a 52 percent share, was formed. With the exception of Honico Systems GmbH, where the end-of-year business did not materialize, all of the subsidiaries ended 2002 with a positive result.

Rest of Europe and the Americas

At the beginning of January 2003, itelligence became a new SAP Global Partner - Services, another international success. To date only a select number of international companies have attained an SAP Global Services Partnership which entails a joint business plan with SAP and coordinated sales and marketing activities.

Abroad, itelligence is promoting the growing international integration of projects, the formation of supranational itelligence teams and the intensified focus on industries and special service lines. This enables optimal support for both international projects as well as the customers in each country. The stability of the foreign subsidiaries was given priority in 2002 and will again be given priority ahead of growth in 2003. Through the SAP Global Services Partnership, itelligence will in future cooperate more closely with local SAP companies abroad.

Since May 2002, regular executive meetings have been held with the Management Board and selected members of management at itelligence. The aim of these meetings is to coordinate country activities, implement strategies more rapidly and closely coordinate the working of the international market with SAP.

On the whole, we are not satisfied with foreign revenues and earnings. Targets were not met in the Consulting and Licensing divisions, in particular in western and southern Europe and the Americas in the fourth quarter of 2002.

itelligence generates 46 percent of its revenues abroad, chiefly in the SAP field. Accounting for 17 percent of sales, the United States is itelligence's most important foreign market. itelligence responded to the negative trends that became apparent in the United States at the beginning of the year with restructuring and strict cost cutting. However, the absence of anticipated license revenues in the fourth quarter produced an EBIT loss of MEUR -0.4 in the United States for the year as a whole. A change in management was implemented in the United States in October 2002. The order situation in the United States has stabilized considerably in the first quarter of 2003. We are expecting a turnaround in 2003 on the basis of specific demand for qualified consulting services and industry solutions and our joint activities with SAP.

The rapid establishment of the Brazilian subsidiary did not occur without start-up losses. The economic development in Brazil remains critical in spite of the political changeover in October 2002. itelligence anticipates further marginal losses in the coming months.

After a weak performance by our Spanish and Italian subsidiaries at the beginning of 2002, we took extensive steps to improve profitability in the second and third quarters. With a considerably improved cost structure and the new focus of sales, Spain generated an EBIT of MEUR -0.9. Strict cost management will be continued in 2003.

There is no indication of an improvement in business development at the Italian subsidiary which reported severe losses in the fourth quarter. The Italian subsidiary closed with an EBIT loss of MEUR -2.4 in 2002. A change in management and other extensive personnel and cost-cutting measures are planned for the first quarter in 2003. itelligence carried out other extensive restructuring and cost-cutting measures in Austria, the United Kingdom and the Netherlands in 2002.

Overall, the results of the older subsidiaries, especially those in Switzerland and eastern Europe, are positive. itelligence is represented in seven countries in central and eastern Europe. The central and eastern European subsidiaries contribute 7 percent to total revenues and have EBIT margins of around 9 percent. itelligence considers Poland and Russia to be two major growth markets. Following its first successful projects in Russia, itelligence opened an office in Moscow in the third quarter. With our computer center in Poland, itelligence is an SAP-certified provider of outsourcing services with state-of-the-art technology. itelligence is the only company to offer all-round services in Poland on the basis of mySAP Business Suite. We are expanding our outsourcing competence further in Poland. In addition, new customers have been won in the consulting business in Poland. The development and implementation of a mySAP Business Suite-based industry solution for the construction industry for two important itelligence customers deserves particular mention. Midmarket business, in Poland, Hungary and Slovenia in particular, was expanded further with our own industry solutions.

Special Aspects of the Financial Statements of itelligence AG

The net loss in the past fiscal year came to MEUR -7.9. This loss is largely attributable to the expenses from loss absorption, further write-downs on loans extended to subsidiaries and goodwill amortization. For further information on the course of business, we refer to the section "Special Aspects of Business Development in Germany".

The expenses of MEUR 2.2 from loss absorption principally relate to the subsidiary in Italy. In addition to the loss absorption, the carrying amount of this investment was also written off in full in view of the prevailing weak economic situation. Overall, amortization of financial assets of MEUR 0.8 was necessary due to permanent impairments.

In addition to Italy, this expense also related to APCON Media GmbH, which is currently undergoing liquidation, Asecon GmbH, which has discontinued operations, and the sale of 80% of the shares in SAPRYMA S.L., Spain. The shares were sold to our Spanish subsidiary so as to enable the two companies to merge. The Spanish company now operates under the name of Servicios Informaticos itelligence S.A.

Loans to subsidiaries were written down by MEUR 3.0. A substantial amount of this write-down relates to our Italian subsidiary. This write-down, however, also relates to loans extended to subsidiaries in Norway, the United Kingdom and Spain.

itelligence Employees

As of December 31, 2002, the Group employed 1,465 persons, of which 762 were employed in Germany and 703 abroad. This represents a slight decrease on the prior year (1,486 employees as of December 31, 2001). The average headcount fell from 1,541 in fiscal year 2001 to 1,460 in fiscal year 2002.

itelligence Personnel Development

As of December 31,	2002	2001
Germany	762	819
Switzerland	63	59
Austria	16	29
Norway	4	5
France	17	10
United Kingdom	31	25
Spain/Portugal	142	132
Italy	49	61
Belgium	22	16
Netherlands	7	3
United States	135	130
Brazil	57	27
Slovakia	23	26
Hungary	29	30
Ukraine	11	12
Slovenia	13	13
Czech Republic	14	13
Poland	69	76
Russia	1	0
Total	1,465	1,486
Average	1,460	1,541

The Supervisory Board of itelligence will be made up of four members elected by the shareholders' meeting and two members elected by the employees. In October 2002, a committee was established to prepare and initiate the complex employee representative election process. The employee representatives will be elected in March 2003.

In 2002, the focus in human resources management was placed on the acquisition of experienced experts and field specialists for itelligence. Instead of extensive growth, the Company invested in the selective acquisition of highly experienced specialists in the field of consulting, development and project management and the enhancement and focus of existing profiles early in 2002. itelligence remains in close contact with colleges and attends numerous college events throughout Germany in order to recruit dedicated graduates and trainees for the Company. The Management Board considers this to be a clear investment in the future of itelligence AG.

In line with the HR concept, the management development program was systematically expanded during the period under review. The "Learning Networks" events were a major new feature of this program. They promote the concept of learning organizations. Experiences, ideas, outstanding events and best practices in both management and customer relations are shared, discussed and passed on in group sessions. Key performers within the Company were provided with intensive internal and external training.

Our focus on the core business of SAP consulting means that the Company must be flexible in assigning the right

employees to the right places. Thanks to the newly set up skills database, we can now assign employees with the specific expertise required for complex projects with even greater efficiency and speed. The skills database and the recently introduced SAP-assisted vacation workflow are the first applications in the HR division which model the employee self-service application developed by SAP. These applications will significantly improve administrative processes.

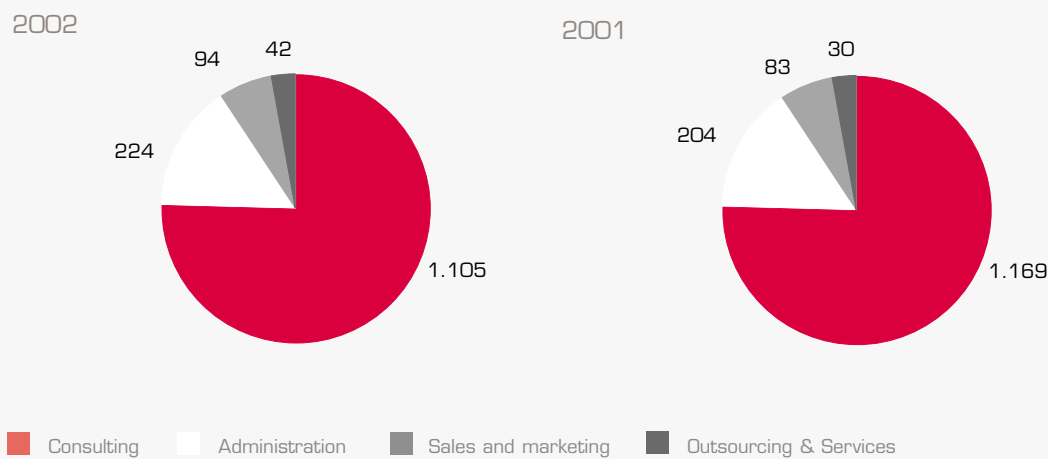
Although itelligence employees were the subject of structural changes and increased workloads in 2002, their commitment was notably outstanding.

Change in Management

Norbert Frank, who was responsible for Outsourcing & Services on the Management Board, departed from itelli-

gence AG on September 30, 2002 at his own request to establish his own customized IT business. Norbert Frank had been a member of the Management Board of APCON AG since June 1999 and, subsequent to the merger, became a member of the Management Board at itelligence AG. The CFO, Prof. Dr. Hermann Hueber, was entrusted with Customized IT and Investments in June 2002. Upon Norbert Frank's departure from the Company, the CEO, Herbert Vogel, assumed responsibility for Outsourcing & Services. Herbert Vogel has assumed this responsibility in addition to his current responsibilities for the German, Austrian and Swiss operating businesses. Burkhard Berner, in his capacity as a member of the Management Board, will continue to be responsible for business in the Americas and the rest of Europe.

Employees as of December 31, 2002 and 2001



Significant Risks to Future Development

Financing and Liquidity

At present, the greatest challenge facing the future development of itelligence is the improvement of its poor equity standing in order to ensure that it also has sufficient external funds for special situations.

In line with the budgetary planning, itelligence in Germany was granted credit lines of MEUR 7.6 (prior year: MEUR 12.8) from its banks for 2003. The short-term credit lines extended by the banks have thus decreased considerably against the prior year.

In addition, the agreements with the syndicate banks contain explicit conditions and failure to comply with these conditions will entitle the banks to immediately cancel the credit lines. These conditions include meeting the budget for 2003.

Furthermore, as part of the conditions, itelligence has also undertaken to improve its equity base and effectively implement immediate measures to increase liquidity (e.g. factoring).

The Group's liquidity is thus dependent on its ability to comply with the conditions set forth by the banks in the loan agreements. The Management Board will comply with the conditions which it is able to meet. However, a further deterioration of the economic situation due to external factors, such as a war in Iraq, cannot be ruled out. If one of the conditions is not met due to reasons beyond the control of the Management Board and the banks subsequently cancel the credit lines, the Company's ability to continue as a going concern would no longer be ensured.

SAP Partnership

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

Competition

The investments abroad have been borne on the assumption that SAP will remain or become one of the leading ERP systems in these countries. New providers and new technologies could call this into question. Microsoft is striving to acquire market shares in the midmarket through the acquisition of Navision and Great Plains. The factors described will be a major challenge to itelligence in the near future.

itelligence is currently up against providers that win contracts by dumping prices as the market is currently glutted with consultants. This, however, also provides us with the opportunity to employ good consultants at favorable conditions.

Cyclicality

The risk involved in our strong focus on SAP 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.

Economic and Political Environment

itelligence is not directly represented in any countries which would be directly affected by a war in Iraq. However, in the event of a war, we expect economic effects to arise which may have an adverse impact on itelligence's business in Germany and abroad.

Outlook and Orders

itelligence AG does not expect to see a lasting improvement in the global economic situation until the second half of 2003. It anticipates that the first six months of 2003 will continue to be characterized by a phase of consolidation and alignment. itelligence plans to place greater emphasis on profitability than on revenue growth in 2003.

On the whole, revenues in the consulting business in 2002 fell short of expectations; however, compared to the slump in December, the business stabilized again in January. The Management Board predicts revenues for the volatile Licensing division to match the level attained in 2002. For the Outsourcing & Services division, the Management Board has forecast stable revenue and earnings growth for 2003. With a positive EBIT, the result achieved for January 2003 meets our expectations. itelligence expects to achieve a much better result in the second half of 2003. An ensuing positive cash flow will allow itelligence to further reduce its use of the credit lines arranged with its banks. What is more, the fact that the major initial investments for the Outsourcing division have been concluded, and the replacement investments and the investments for the expansion of the outsourcing business should remain below the level of 2002, is also expected to have a positive effect on liquidity.

The Management Board will closely monitor the effectiveness of the cost-cutting measures implemented abroad in 2002. Additional measures will be taken immediately at all foreign companies that fail to meet the planned targets. Close attention will be paid in particular to the performance achieved in the United States, Brazil, Italy, Spain and the UK.

The accomplishment of itelligence's objectives and the further improvement in profitability is dependent on the consolidation and extension of our technology leadership in SAP, the increase of the market share in our core industries and the exploitation of supraregional synergies and the knowledge sharing between the subsidiaries. The general economic climate will have a strong impact.

The international presence and global partnership with SAP will enable itelligence to maintain its market position and win back market shares from competitors. The personnel and cost-cutting measures taken are expected to substantially improve our financial position in 2003 and restore trust.

itelligence AG

Frankfurt am Main, March 11, 2003

The Management Board

Consolidated Balance Sheet as of December 31, 2002 and 2001 (US-GAAP)

Assets	2002 KEUR	2001 KEUR
Current assets		
Cash and cash equivalents ⁶	6,737	7,056
Short term investments	250	0
Trade accounts receivable, net ⁷	35,238	42,659
Inventories ⁸	1,956	2,440
Prepaid expenses	776	668
Other current assets ⁷	2,083	4,690
Deferred taxes ²¹	316	0
Total current assets	47,356	57,513
Non-current assets		
Deferred taxes ²¹	293	5,154
Computer software ⁹	576	501
Goodwill ⁹	15,465	17,644
Property, plant and equipment, net ¹⁰	10,171	12,041
Financial assets ¹¹	635	479
Restricted Cash ¹¹	2,205	5,113
Total non-current assets	29,345	40,932
Total assets	76,701	98,445

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

Liability and Shareholders' Equity	2002 KEUR	2001 KEUR
Current liabilities		
Current liabilities due to banks ¹²	8,988	11,728
Short-term portion of long term debt ¹²	3,214	2,459
Trade accounts payable	9,496	12,164
Liabilities due to associated companies ¹³	31	63
Advance payments received	3,180	4,944
Other accruals ¹⁴	9,229	8,902
Other current liabilities ¹⁵	10,410	9,646
Deferred taxes ²¹	1,164	212
Tax accruals	325	1,613
Deferred income	1,826	867
Total current liabilities	47,863	52,598
Non-current liabilities		
Pension reserves ¹⁶	180	224
Bonds ¹⁷	557	760
Other non-current liabilities ¹²	7,678	11,048
Deferred taxes	0	0
Total non-current liabilities	8,415	12,032
Total liabilities	56,278	64,630
Contingent liabilities ²²	0	0
Minority interests	710	488
Shareholders' equity		
Common stock (16,771,202 issued and outstanding shares) ¹⁹	16,771	16,771
Capital reserves	19,768	19,768
Accumulated deficit	-16,293	-158
Accumulated other comprehensive loss ¹⁹	-533	-3,054
Total shareholders' equity	19,713	33,327
Total liabilities and shareholders' equity	76,701	98,445

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

Consolidated Statement of Income for the Period January 1 to December 31, 2002 and 2001 (US-GAAP)

(all figures in KEUR except for the number of shares and earnings per share)	2002 KEUR	2001 KEUR
Sales ²⁴	168,542	182,878
Cost of sales	-127,052	-135,311
Gross profit	41,490	47,567
Operating expenses		
Marketing and selling expenses	-15,276	-18,642
General and administrative expenses	-29,157	-29,643
Research and development expenses	-1,059	-5,080
Amortization of goodwill and intangible assets ⁹	-558	-3,318
Other operating income/expenses, net ²⁰	1,038	1,204
Total operating expenses	-45,012	-55,479
Operating loss	-3,522	-7,912
Other income/expenses		
Income from investments	34	172
Exchange differences	-377	0
Impairment of long-term investments	-3,608	0
Interest income/expenses, net	-1,507	-1,037
Other income/expenses	-5,458	-865
Loss before income taxes, minority interests and cumulative effect of change in accounting principle	-8,980	-8,777
Income taxes ²¹	-6,075	3,326
Net loss before minority interests and cumulative effect of change in accounting principle	-15,055	-5,451
Minority interests	-176	-202
Net loss before effect of change in accounting principle	-15,231	-5,653
Effect from change in accounting principle, net of tax ⁹	-904	0
Net loss	-16,135	-5,653
Loss per share in EUR - basic and diluted before the cumulative effect of change in accounting principle	-0,91	-0,34
Cumulative effect of change in accounting principle per share	-0,05	0,00
Loss per share in EUR - basic and diluted ²³	-0,96	-0,34
Number of shares used to calculate the basic and diluted loss per share:	16,771,202	16,513,149

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

Consolidated Statement of Cash Flow for the Period January 1 to December 31, 2002 and 2001 (USGAAP)

	2002 KEUR	2001 KEUR
Cash flow from operating activities		
Net loss	-16,135	-5,653
Adjustments to net loss		
Minority interests	176	202
Depreciation and amortization	4,317	7,862
Depreciation and amortization - impairment test	1,462	0
Impairment of long-term investment	3,608	0
Gains/losses from the disposal of non-current assets	-116	212
Decrease/increase in deferred taxes	5,497	-3,416
Decrease/increase in pension reserves	-44	-66
Decrease/increase in inventories	484	212
Decrease/increase in trade accounts receivable	7,421	9,598
Decrease/increase in other assets (current)	2,249	3,262
Decrease/increase in trade accounts payable and advance payments received	-4,465	-11,280
Decrease/increase in other current liabilities and accruals	762	-4,568
Cash flow from operating activities	5,216	-3,635
Cash flow from investing activities		
Investments in intangible assets and property, plant and equipment	-3,843	-7,072
Cash received from the disposal of intangible assets and property, plant and equipment	862	233
Investments in financial assets	7	-2
Effects from acquisitions, investments and loans	-872	-1,404
Cash flow from investing activities	-3,846	-8,245
Cash flow from financing activities		
Liabilities to banks (current)	-2,740	7,484
Long-term deposits	2,908	0
Cash received from the increase in capital reserves	0	260
Change in minority interests (excluding profit shares)	46	0
Issuance of convertible and warrant-linked bonds	-203	0
Bank liabilities repaid/raised	-2,422	-2,540
Loans raised	267	6,368
Loans repaid	-460	0
Cash flow from financing activities	-2,604	11,572
Foreign exchange rate differences	915	0
Net change in cash and cash equivalents	-319	-308
Cash and cash equivalents at the beginning of the fiscal year	7,056	7,364
Cash and cash equivalents at the end of the fiscal year	6,737	7,056
Composition of cash and cash equivalents at the end of the fiscal year		
Banks balances and cash on hand	6,737	7,056
Supplementary disclosure of cash flow information		
Interest	1,575	939
Income taxes	-13	1,606

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

Consolidated Statement of Changes in Shareholders' Equity as of December 31, 2002 and 2001 (US-GAAP)

	Number of shares issued and outstanding	Common stock KEUR	Capital reserve KEUR	Accumulated deficit KEUR	Accumulated other compre- hensive income/ loss KEUR	Total shareholders' equity KEUR	Comprehensive income/ loss KEUR
December 31, 2000	16,358,317	16,359	18,934	5,495	-1,098	39,690	
Net loss				-5,653		-5,653	-5,653
Capital increase	412,885	412	834			1,246	
Foreign currency translation adjustments					607	607	607
Unrealized loss on investments					-2,563	-2,563	-2,563
Comprehensive loss							-7,609
December 31, 2001	16,771,202	16,771	19,768	-158	-3,054	33,327	
Net loss				-16,135		-16,135	-16,135
Foreign currency translation adjustments					-1,250	-1,250	-1,250
Impairment of long-term investments					3,771	3,771	3,771
Comprehensive loss							-13,614
December 31, 2002	16,771,202	16,771	19,768	-16,293	-533	19,713	

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

Notes to the Consolidated Financial Statements

itelligence AG, Frankfurt am Main

Notes to the Consolidated Financial Statements
December 31, 2002 and 2001

1. Basis

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

With these consolidated financial statements, itelligence makes use of the exemption option pursuant to Sec. 292a of the German Commercial Code (HGB). This states that consolidated financial statements according to German law need not be prepared if consolidated financial statements in accordance with internationally recognized accounting principles (e.g. US GAAP or IFRS) are presented. The explanations regarding the main differences between US GAAP and German accounting principles which are required to make use of this exemption option are presented under Note 25.

Unless otherwise stated, the amounts below are in thousands of euros (KEUR).

In cases of reclassifications of current year figures compared to prior year figures, the prior year figures were adopted accordingly.

2. The Company

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

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

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

3. Financing Activities

During 2002, the Company principally financed its operations through credit lines granted by its banks. The Company's continued losses from operations and potential reduction in liquidity raise substantial doubt about its ability to continue as a going concern. The Company's ability to fund its operations depends on whether it can meet certain covenants with regard to the credit lines extended by its banks. It cannot be guaranteed that the Company will meet these covenants and therefore maintain adequate financing to continue operations. If the Company is successful in meeting these covenants it believes that it will be able to finance its operations during 2003. The consolidated financial statements do not include any adjustments that might result should the Company be unable to finance its expected level of future expenditures.

4. Group of Consolidated Companies and Changes to the Group Structure

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

In the fiscal year, the following changes occurred:

The Company acquired a further 20 percent in SAPRYMA S.L, Spain, during the course of a capital increase and increased its total share from 80 percent to 100 percent. SAPRYMA S.L. was subsequently merged with itelligence Servicios Informaticos, Spain. The company operates under the name of itelligence Servicios Informaticos.

On March 11, 2002, itelligence AG contributed 52 percent to the formation of itelligence Financial Solutions GmbH.

On April 17, 2002, the Company sold its investment in Procoma GmbH.

In fiscal year 2002, itelligence AG acquired a further 25 percent in APCON Media Company GmbH and increased its total share from 75 percent to 100 percent. APCON Media Company GmbH is in liquidation. The investment indirectly held by APCON Media Company in Furnity GmbH was released due to the company's liquidation.

Changes to the group of consolidated companies did not have a major impact on the consolidated statement of income. As a result, no pro forma information has been provided.

5. Accounting and Valuation Policies

a) Consolidation Policies

itelligence and all subsidiaries under the legal or effective control of the Company are included in the Company's consolidated financial statements.

Capital consolidation generally follows the purchase method. Any goodwill arising on the consolidation of capital based on the purchase method is recognized as an asset and, pursuant to Statement of Financial Accounting Standards No. 141/142 (SFAS No. 141/142), subjected to an annual impairment test. All material intercompany transactions and balances have been eliminated.

For the subsidiaries and investments included in the consolidated financial statements, reference is also made to the explanations to financial assets in Note 11.

b) Use of Estimates

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

c) Advertising Costs

Costs for advertising are expensed as incurred.
Advertising costs in 2002 amounted to KEUR to 2,090 (2001: KEUR 2,665).

d) Foreign Currency Translation

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

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

Notes to the Consolidated Financial Statements

e) Revenue Recognition

The Company mainly offers consulting services of a non-contractual nature and contracts for work and services with predefined results.

Revenues from other consulting services of a non-contractual nature are recognized as soon as the service has been provided to the customer.

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

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

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

f) Research and Development Expenses

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

In the fiscal year, the research and development expenses came to KEUR 1,059 (prior year: KEUR 5,080).

g) Earnings per Share

Earnings (loss) per share are calculated in accordance with SFAS No. 128, "Earnings per Share". Basic earnings per share are calculated by dividing the earnings attributable to the holders of common shares by the weighted average number of common shares outstanding during the period. The Company has issued convertible bonds and warrant-linked bonds which, if exercised, will have a dilutive effect on earnings (loss) per share. Accordingly, the diluted earnings (loss) per share 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.

h) Cash and Cash Equivalents

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

i) Fair Values of Financial Instruments

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

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

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

j) Derivative Financial Instruments

The Company occasionally uses forward exchange contracts to reduce exchange rate risks and interest rate caps to stabilize the interest rate. The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" in January 1999. Derivative financial instruments are carried at fair value in the balance sheet. The Company does not perform any hedging transactions within the meaning of SFAS No. 133. As a result, all changes in the fair value of derivatives must be immediately recognized in income. As of the balance sheet date, itelligence had not performed any hedging transactions for risks arising from foreign currency transactions. One interest rate cap transaction was reported at fair value.

k) Trade Accounts Receivable

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

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

l) Inventories

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

m) Intangible Assets

Intangible assets include software purchased for internal use and goodwill. Software is amortized over a useful life of 3 years.

In June 2001, the Financial Accounting Standards Board approved the issuance of SFAS No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets". SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. SFAS No. 141 also distinguishes between acquired intangible assets that have to be recognized separately from goodwill and acquired intangible assets that have to be recognized together with goodwill. Under SFAS No. 142, goodwill is not subject to amortization but rather to an impairment test which must be performed at least once a year. SFAS No. 142 applies to fiscal years which commence after December 15, 2001. The Company has used the fair value for all reporting units and compared the values with the carrying value of the reporting units.

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

n) Property, Plant and Equipment

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

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

The following estimated useful lives have been used to calculate depreciation:

Useful life in years

Buildings	15-40
Leasehold improvements	8-10
Computer hardware	3
Office equipment and furnishings	8-10
Vehicles	4-6

o) Financial Assets

Shares in associated companies are accounted for using the equity method. Investment securities are classified as available-for-sale securities. They are measured at their fair value on the balance sheet date if they are held in listed companies. Decreases in quoted prices are recognized in equity unless they are impairments that are expected to be permanent.

p) Impairment of Long-Lived Assets

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

q) Contingent Liabilities

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

r) Other Accruals

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

s) Pension Liabilities

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

t) Deferred Taxes

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

u) Leases

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

v) Recent Accounting Pronouncements

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 contains standard, industry conforming accounting provisions on debt obligations arising in connection with the retirement or disposal of assets. The duty to recognize accruals is limited to public law or contractually defined retirement obligations. These future obligations must first be recognized without an effect on income at the present value of the expected payments. Valuation is usually performed at fair value. In the calculation of the acquisition and production cost of the respective asset item, this value must also be recognized without an effect on income. The amount recognized is posted with an effect on income over the normal useful life of the respective asset. In the following years, the compounding of the accrual must be posted with an effect on income; whereas changes in the figures estimated result in adjustments to the amortized carrying value of the non-current asset without an effect on income. The obligation is finally offset against the payment upon maturity without an effect on income. Differences between the actual expenses incurred and the obligation reported must be recognized in the statement of income with an effect on income. SFAS No. 143 applies to fiscal years which commence after June 15, 2002. The provisions must be applied with retrospective effect. The Company does not expect that the adoption of SFAS No. 143 will have a material impact on the consolidated financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", (SFAS No. 144) which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". SFAS No. 144 retains the existing provisions of SFAS No. 121 in that it only requires recognition of an impairment if the carrying amount of the non-current asset to be held and used is not recoverable from its undiscounted cash flows. Goodwill should not be included in determining the carrying amounts. SFAS No. 144 states that an asset designated for retirement, a particular asset due to be exchanged for a production unit with a similar function or an asset returned to the shareholders in the context of a spin off must continue to be recognized as an asset held for use until the time of its disposal. SFAS No. 144 requires that the residual useful life of an asset be adjusted if it is due to be taken out of operation. SFAS No. 144 states that non-current assets designated for sale must be carried at the lower of their carrying amount and fair value less expenses for the sale and that scheduled depreciation must no longer be charged. Discontinued activities must therefore not be valued at the net realizable price and future losses from the continued operation of the discontinued activity must not be reported before they are incurred. SFAS No. 144 applies to fiscal years which commence after June 15, 2001.

In April 2002, the FASB adopted Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections", (SFAS No. 145). SFAS No. 145 supersedes FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that statement (APB 30), FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". This Statement also supersedes FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". In addition, SFAS No. 145 also supplements FASB Statement No. 13, "Accounting for Leases", and thus creates the prerequisite that the lessee must also treat certain leasing transactions, which are largely equivalent to sale-leaseback transactions, as sale-leaseback transactions. SFAS No. 145 supplements other existing provisions. SFAS No. 145 applies to fiscal years which commence after May 15, 2002. The Company will adopt SFAS No. 145 at the beginning of the fiscal year as of January 1, 2003. The Company has not had to disclose any of the above transactions in accordance with SFAS No. 145 since May 15, 2002. Initial application of SFAS No. 145 is not expected to have a material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Costs Associated with Exit or Disposal Activities" (SFAS No. 146). Pursuant to SFAS No. 146, a company may only disclose liabilities in connection with restructuring measures if the prerequisites for the recognition of a liability are met and the fair value of the liability can be estimated. Examples of SFAS No. 146 include certain expenses in connection with redundancy plans for the termination of employment agreements or expenses in connection with the early termination of agreements, which do not represent capital leases or expenses in connection with the amalgamation of production facilities or the transfer of personnel. SFAS No. 146 must be expressly applied to restructuring measures initiated after December 31, 2002. The Company does not expect that the adoption of SFAS No. 146 will have a material impact on the consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format.

6. Cash and Cash Equivalents

	2002 KEUR	2001 KEUR
Current account balances and cash on hand	6,410	7,056
Short-term time deposits	327	0
Cash and cash equivalents	6,737	7,056

7. Accounts Receivable and Other Current Assets

a) Trade Accounts Receivable

	2002 KEUR	2001 KEUR
Trade accounts receivable	36,535	43,534
Unbilled receivables	874	861
Receivables from associated companies	4	122
	37,413	44,517
Specific bad debt allowances	-2,175	-1,858
Trade accounts receivable, net	35,238	42,659

b) Other Current Assets

	2002 KEUR	2001 KEUR
Claims for tax reimbursement	417	2,170
Receivables from employees	152	567
Receivables from third parties	115	138
Deposits	89	205
Creditors with debit balances	0	440
Investment subsidy for computer center	0	368
Other	1,310	802
	2,083	4,690

8. Inventories

	2002 KEUR	2001 KEUR
Merchandise	1,956	2,440

The item comprises software licenses for resale.

9. Intangible Assets

	2002 KEUR	2001 KEUR
Acquisition cost		
Computer software	1,972	1,847
Goodwill	22,089	23,203
	24,061	25,050

Accumulated depreciation/amortization

Computer software	1,396	1,346
Goodwill	6,624	5,559
	8,020	6,905

Intangible assets, net

Computer software	576	501
Goodwill	15,465	17,644
	16,041	18,145

The average depreciation rate for computer software is three years. The amortization expense for the year ended December 31, 2002 was KEUR 369 (prior year: KEUR 270).

In the fiscal year, goodwill amortization amounted to KEUR 1,462 (prior year: KEUR 3,588). Effects arising from the change in accounting provisions came to KEUR 904. This effect relates to the SFAS No. 141/142 regulations, applied for the first time as of January 1, 2002 ("initial impairment test"). The annual impairment carried out on June 30, 2002 led to a further amortization of KEUR 558.

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

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

	Americas		Spain	Rest of Europe		Germany		Total	
	SAP Services	Outsourcing & Maintenance	SAP Services & Customized Solutions	SAP Services & Customized Solutions	Outsourcing	SAP Services & Customized Solutions	Outsourcing Other		
December 31, 2001	0	10,527	2,811	2,430	0	1,052	820	4	17,644
Impairment									
Effect from changes in accounting provisions			-900					-4	-904
Amortization (as part of the operating result)			-550					-8	-558
Additions		758	106					8	872
Exchange differences		-1,589							-1,589
December 31, 2002	0	9,696	1,467	2,430	0	1,052	820	0	15,465

	2002 KEUR	2001 KEUR
Reported net income	-16,135	-5,653
add back: goodwill amortization	1,462**	3,318*
Adjusted net income	-14,673	-2,335
Basic earnings (loss) per share	-0,96	-0,34
Goodwill amortization	0,09	0,20
Adjusted basic earning (loss) per share	-0,87	-0,14

* amortization
** according to SFAS No. 142

The estimated amortization expense for the next five years is as follows:

For the year ending December 31,	KEUR
2003	342
2004	192
2005	42
2006	0
2007	0

10. Property, Plant and Equipment, Net

	2002 KEUR	2001 KEUR
Acquisition cost		
Land and buildings	4,498	4,372
Leasehold improvements	496	945
Computer hardware	9,561	8,127
Furniture and fixtures	8,084	8,359
Vehicles	48	24
Investment grant	-947	-1,140
	21,740	20,687
Less		
Accumulated depreciation	11,569	8,646
Property, plant and equipment, net	10,171	12,041

11. Financial Assets and Restricted Cash

	2002 KEUR	2001 KEUR
Acquisition cost		
Shares in associated companies	37	37
Investments	10	10
Securities	4,196	4,203
	4,243	4,250
Less		
Accumulated depreciation	3,608	3,771
Financial assets, net	635	479

The shares in associated companies consist of the 50 percent share in Dr. Lindner & Partner Consult Gesellschaft für Organisation und Technologieberatung mbH. The investment in Procoma GmbH in Frankfurt was sold in fiscal year 2002 at the price of the prorated capital contribution to common stock. The investment in Furnity GmbH, Hamburg, was written off due to the company's liquidation.

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

Securities comprise shares in Heiler Software AG (approx. 3 percent). The securities of Heiler Software AG were valued in the prior year at the market value on the balance sheet date. In prior years the write down of these shares to the market value was recognized as other comprehensive income. Due to the permanent lower market value of the "Neuer Markt" quoted shares, the write down of the shares is posted in the statement of income (KEUR 3,608).

	2002 KEUR	2001 KEUR
Restricted cash	2,205	5,113

The Company cannot access the restricted cash within the next 12 months.

Notes to the Consolidated Financial Statements

The Company's investment holdings as of December 31, 2002 are as follows:

	Shares in %	Equity KEUR	Net income/ loss transfer KEUR	Shares in %	Equity KEUR	Net income/ loss KEUR
Affiliated companies:						
APCON Media Company GmbH, Hamburg	100	-248	-92			
APCON Nielsen Consulting GmbH, Hamburg	100	347	-8			
APCON International Business Systems Gesellschaft für DV-Beratung mbH, Hamburg	100	1,426	594*			
APCON Business Consulting Gesellschaft für Managementberatung mbH, Hamburg	100	-175	-280*			
ASECON GmbH, Bielefeld	100	-180	0			
itelligence AG, Urdorf, Switzerland	100	1,033	1,391			
itelligence AS, Oslo, Norway	100	-711	-86			
itelligence Business Software Inc., Westchester, USA	100	3,138	-415			
itelligence Business Solutions GmbH, Vienna, Austria	100	-39	-523			
itelligence Business Solutions Ltd., London, England	100	-1,240	-376			
itelligence Business Solutions s.p.r.l., Brussels, Belgium	100	235	179			
itelligence BV, Eindhoven, Netherlands	100	241	32			
itelligence d.o.o., Ljubljana, Slovenia	100	416	10			
itelligence Erste Beteiligungs GmbH, Frankfurt	100	104	4			
itelligence Hungary Kft., Budapest, Hungary	100	1,123	348			
itelligence Inc. Cincinnati, USA	100	10,430	984			
itelligence Innovative Solutions Inc., Dallas, USA	100	2,139	-450			
itelligence Int'l, Kiev, Ukraine	100	284	194			
itelligence Outsourcing Inc., USA	100	-255	-315			
itelligence Outsourcing und Services GmbH, Bautzen	100	-123	508*			
itelligence S.A., Paris, France	100	-775	-787			
itelligence S.A., São Paulo, Brazil	100	-307	-367			
itelligence S.r.l., Milan, Italy	100	-1,968	-1,239			
itelligence s.r.o., Bratislava, Slovakia	100	757	26			
itelligence s.r.o., Prague, Czech Republic	100	-204	-241			
itelligence SP.Z.o.o., Warsaw, Poland	100	932	-266			
itelligence VC-Holding GmbH, Frankfurt	100	-4,230	-3,913			
Servicios informaticos itelligence S.A., Barcelona, Spain	100	263	-1,112			
it-go GmbH, Hamburg (formerly APCON Network Solutions GmbH, Hamburg)	85	254	66			
ITC Information Technology Consulting GmbH, Detmold	56	789	234			
itelligence Financial Solutions GmbH, Hamburg	52	320	170			
HONICO SYSTEMS GmbH, Hamburg	51	68	-77			
it-WPS Workplace Solutions Gesellschaft für DV-Beratung mbH, Hamburg**	24	175	39			

* net income/loss before profit/loss transfer

** voting rights >50 percent

itelligence holds more than 50 percent of the voting rights in all the companies. All affiliated companies are fully consolidated.

Investments	Shares in %	Equity KEUR	Net income/ loss KEUR
Dr. Lindner & Partner GmbH, Oerlinghausen	50	74	9*
Bfl. GmbH & CO, Eschborn	under 1	10,841	1,812

* Investment was accounted for under the equity method.

12. Liabilities Due to Banks

Current liabilities due to banks and short-term portion of long-term debt

	2002 KEUR	2001 KEUR
Current liabilities due to banks	8,988	11,728
Short-term portion of long-term debt		
- to banks	1,639	1,997
- other loans	1,575	462
	3,214	2,459
	12,202	14,187

Long-term debt, net of current maturities

	2002 KEUR	2001 KEUR
Long-term debt		
- to banks	4,986	7,139
- less short term portion	-1,639	-1,997
	3,347	5,142
- other loans	5,906	6,368
- less short term portion	-1,575	-462
	4,331	5,906
Long-term debt, net of current maturities	7,678	11,048

Maturity

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

	KEUR
2004	680
2005	607
2006	379
2007	286
2008	286
Thereafter	1,109
	3,347

The financial debt as of December 31, 2002 consists mainly of two earmarked loans of KEUR 2,811 to finance the construction of a computer center in Poznan. One loan is due to expire on December 31, 2009. Unscheduled repayments may be made. The interest rate is 10 percent p.a. for the entire period. The other loan is repayable in monthly installments until 2009. The interest rate is 8 percent p.a. for the entire period.

The Company also received a loan of KEUR 946 to finance the office equipment and computer center in Bielefeld. The interest rate is 5.75 percent p.a. and the loan is repayable in monthly installments until 2006.

The Company received loans of KEUR 266 in fiscal year 2002 to finance customer hardware. The loans are repayable in monthly installments until 2005 and bear interest of 7.9 percent p.a.

Other Loans

Other non-current liabilities relate to a loan of KEUR 5,906. The interest rate is 5 percent p.a. The first repayment installment was due in 2002 and the loan will then be repaid quarterly until 2006. The maturities of the loan break down as follows:

	KEUR
2004	1,575
2005	1,575
2006	1,181
	<u>4,331</u>

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

	2002 KEUR	2001 KEUR
Credit facilities available as of December 31	15,578	18,859
Used	-8,988	-11,728
Unused credit facilities	<u>6,590</u>	<u>7,131</u>

Average interest rate	4.25% - 8.75%	7% - 8.75%
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Covenants were agreed in the credit agreements in relation to equity and working capital. The Company was in default of the covenants. The banks accepted this issue.

For 2003 the company has credit lines totaling MEUR 10.4.

13. Liabilities Due to Associated Companies

	2002 KEUR	2001 KEUR
Dr. Lindner & Partner Gesellschaft für Technologie-Beratung mbH	31	63

14. Other Accruals

	2002 KEUR	2001 KEUR
Bonuses and wages	3,924	3,384
Accrued vacation and overtime	2,392	2,416
Outstanding invoices	1,207	1,352
Workmen's compensation board fees	274	228
Legal, consulting and auditing costs	248	360
Imminent losses	239	0
Credit notes to be issued	96	192
Warranties	70	117
Compensation of the Supervisory Board	65	71
Other	714	782
	<u>9,229</u>	<u>8,902</u>

15. Other Current Liabilities

	2002 KEUR	2001 KEUR
Taxes	4,691	4,794
Social security	4,426	2,688
Liabilities due to employees	382	175
Other	911	1,989
Other current liabilities	<u>10,410</u>	<u>9,646</u>

16. Pension Liabilities

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

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

	2002 KEUR	2001 KEUR
Service cost	24	53
Interest expenses	30	28
Amortization of the unrecognized net obligation	7	-78
Net periodic pension cost	<u>61</u>	<u>3</u>

The following table shows the status of the pension reserve and the assumptions used to determine the amount of the reserve:

	2002 KEUR	2001 KEUR
Projected benefit obligation January 1	575	572
Transfer	-105	0
Net periodic pension cost	61	3
Projected benefit obligation December 31	531	575
Asset value of reinsurance policy	-351	-351
Pension liability	<u>180</u>	<u>224</u>
Assumptions		
Discount rate	5.8%	6.0%
Future pension increase	2.0%	2.0%

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

Notes to the Consolidated Financial Statements

17. Bonds

	2002 KEUR	2001 KEUR
Convertible bonds	490	693
Warranty-linked bonds	67	67
	557	760

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 6 percent interest p.a. The bonds with a par value of EUR 1 entitle the bearers to make an additional payment of EUR 12.29 to convert each into one no-par value share in itelligence AG. The conversion right may be exercised for the first time on March 23, 2003 and for the last time on March 23, 2006.

Of this tranche, convertible bonds of EUR 218,346 were still on hand as of December 31, 2002. The reduction is a result of repayments to employees who have departed from the Company.

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

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

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

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

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

Of these tranches, convertible bonds of EUR 271,522 were still on hand as of December 31, 2002. The reduction is a result of repayments to employees who have departed from the Company.

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

18. Financial Instruments

During the fiscal year, the Company concluded an interest rate cap dated February 28, 2002 in the form of a cap rate agreement. A cap rate of 4 percent - on the basis of the rate for 3 months 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 7 on the balance sheet date.

19. Capital Stock

The common stock amounts to EUR 16,771,202 and is divided into 16,771,202 no-par value bearer shares each having a notional share in the common stock of EUR 1.

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

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

The remaining approved capital until June 30, 2005 amounts to EUR 5,516,333.

Employee Stock Compensation Plans

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

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

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

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

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

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

Following separate resolutions by the Management Board and Supervisory Board of SVC AG, convertible bonds entitling the bearers to subscribe to a total of 532,156 no-par value shares have been issued to date. Of these tranches, convertible bonds of EUR 271,522 were still on hand as of December 31, 2002. In addition, warrant-linked bonds containing options to subscribe to 58,870 no-par value shares have been issued to date. The conversion rights and options may only be exercised on the exercise dates, and not before May 2001; they have yet to be exercised.

Stock-Based Compensation

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

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

The agreed exercise prices for the tranches are:

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

All of the exercise prices are higher than the price of the shares when the options were granted. Thus the intrinsic value of the options was zero and no personnel expenses were incurred as a result for fiscal year 2002 and following years.

The Company has followed the disclosure regulations pursuant to SFAS No. 123, but continues to apply APB Opinion No. 25, "Accounting for Stock Issued to Employees", for the options granted under the stock option plans. Had expenses for the options granted according to the stock option plan been calculated at fair value on the grant date pursuant to SFAS No. 123, KEUR 2,572 would have been taken to expenses in the fiscal year ending December 31, 2002. Net income and earnings per share would have fallen as presented in the table below:

	Fiscal year 2002	
Net loss under US GAAP		
Consolidated statement of operations	KEUR	-16,135
Pro forma	KEUR	-18,707
Loss per share under US GAAP		
Disclosed	EUR	-0.96
Pro forma	EUR	-1.12

These pro forma disclosures were determined using the following parameters:

Profits from dividends	0 percent
Expected life of the options	4 years
Risk-free interest rate	4.5 -5.01 percent
Volatility over the expected life of the options	74.66 -93.46 percent

As of December 31, 2002, 277,409 SVC options and 279,306 itelligence options are outstanding.

Notes to the Consolidated Financial Statements

Other Comprehensive Income/Loss

Under US GAAP certain expenses and income may not be recognized as part of net income but as changes in equity and must be disclosed separately. Such expenses and income plus net income go to make up comprehensive income; expenses and income that do not affect net income are known as "other comprehensive income".

The total other comprehensive income that is recognized in equity is as follows:

	Exchange rate gains/losses KEUR	Non-operating gains/losses KEUR	Price gains/losses securities KEUR	Total KEUR
Balance as of Dec. 31, 2000	410	-300	-1,208	-1,098
Gross changes in fiscal year	607	0	-2,563	-1,956
Balance as of Dec. 31, 2001	1,017	-300	-3,771	-3,054
Gross changes in fiscal year	-1,550	300	3,771	2,521
Balance as of December 31, 2002	-533	0	0	-533

20. Other Operating Income/Expenses, Net

	2002 KEUR	2001 KEUR
Income from the private use of company cars	1,663	1,304
Investment subsidy	244	206
Gain/loss from disposal of assets	116	-212
Eliminations of liabilities and accruals	0	86
Exchange rate differences, net	-114	-641
Other, net	-871	461
	1,038	1,204

21. Income Taxes

Income taxes break down as follows:

	2002 KEUR	2001 KEUR
German corporate income tax	-136	418
German trade tax	-45	-134
German income tax	-397	-373
	-578	-89
Deferred taxes	-5,497	3,415
Income taxes	-6,075	3,326

Applying the German income tax rates to the consolidated result and taking account of a corporate income tax rate of 25 percent plus solidarity surcharge of 5.5 percent and trade tax on earnings of 20 percent, which equals a combined rate of 41.1 percent, would have produced the following tax burden:

	2002 KEUR	2001 KEUR
Loss before income taxes	-8,980	-8,777
Theoretical tax income	3,691	3,595
Variances due to goodwill	-598	-539
Variance due to valuation allowances on deferred assets	-7,409	-1,503
Variances due especially to deviating foreign tax rates	-42	-109
Variances due to expenses that are non-deductible in Germany for tax purposes	-1,483	1,701
Other variances	-234	181
Income taxes	-6,075	3,326

The deferred tax items include:	2002 KEUR	2001 KEUR
Current deferred tax assets:		
Valuation allowances on receivables	145	0
Loss carryforwards	171	0
Total	316	0

Non-current deferred tax assets:	2002 KEUR	2001 KEUR
Amortization/depreciation	293	0
Loss carryforwards	0	5,154
Total	293	5,154

Current deferred tax liabilities:	2002 KEUR	2001 KEUR
Adjustment percentage-of-completion method	580	-106
General warranty accrual	340	174
Depreciation	59	0
Investment accruals	86	0
General bad debt allowance	99	144
	1,164	212

Deferred tax assets from loss carryforwards:

	2002 KEUR	2001 KEUR
Deferred tax assets from loss carryforwards	10,591	8,165
Less valuation allowances	-10,420	-3,011
Total	171	5,154

The deferred tax assets from loss carryforwards result mainly from Germany, the United States and Italy. The loss carryforwards expire in Italy in 5 years, in the United States in 20 years. The German loss carryforwards do not expire.

22. Other Financial Obligations and Contingencies

As of December 31, 2002 the Company had the following future obligations from rent agreements and leases:

	KEUR
2003	4,988
2004	3,426
2005	2,408
2006	1,227
2007	872
2008	784
Thereafter	7,291

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

The office equipment and other equipment of the administrative building in Bielefeld have been assigned to a bank as security.

There are contingent liabilities from guarantees of KEUR 2,053 (prior year: KEUR 2,606). Most of the guarantees secure a potential purchase price payment resulting from the purchase of Sapryma S.L., Spain KEUR 1,000 (prior year: KEUR 2,000).

23. Loss per Share

Due to the net loss recorded in fiscal year 2002 there is no dilutive effect on the employee stock compensation plan.

	2002	2001
Net loss (rounded in EUR)	-16,135,000	-5,623,000
Average number of shares, undiluted	16,771,202	16,513,149
Loss per share, undiluted (in EUR)	-0.96	-0.34
Maximum dilution from conditional capital	-	-
Number of shares, fully diluted	-	-
Loss per share, fully diluted	-	-

24. Segment Reporting

The management makes its decisions based on the internal reporting for the regions Germany, rest of Europe and the Americas. It has divided the business into the following major segments: America, Germany and the rest of Europe. The regions are reportable units according to SFAS No. 131.

The segments developed as follows in 2002:

	Americas	Germany	Rest of Europe	Other	Total
Revenues before consolidation	33,227	92,486	50,938	3,604	180,255
Internal sales revenues	-2,305	-5,296	-3,501	-611	-11,713
Revenues	30,922	87,190	47,437	2,993	168,542
Cost of revenues	-22,112	-65,676	-36,504	-2,760	-127,052
Gross profit	8,810	21,514	10,933	233	41,490
Marketing and selling expenses	-2,669	-7,864	-4,406	-337	-15,276
General and administrative expenses	-5,193	-14,927	-8,445	-592	-29,157
Research and development expenses	0	-1,059	0	0	-1,059
Amortization of goodwill and intangible assets	0	-8	-550	0	-558
Other operating income/expenses, net	-1,732	1,854	704	212	1,038
Operating loss	-784	-490	-1,764	-484	-3,522

The segments developed as follows in 2001:

	Americas	Germany	Rest of Europe	Other	Total
Revenues before consolidation	41,796	96,204	56,199	5,197	199,396
Internal sales revenues	-2,706	-5,551	-7,738	-523	-16,518
Revenues	39,090	90,653	48,461	4,674	182,878
Cost of revenues	-28,022	-69,973	-33,751	-3,565	-135,311
Gross profit	11,068	20,680	14,710	1,109	47,567
Marketing and selling expenses	-3,878	-9,642	-4,670	-452	-18,642
General and administrative expenses	-6,920	-14,386	-7,604	-733	-29,643
Research and development expenses	0	-5,080	0	0	-5,080
Amortization of goodwill and intangible assets	-2,041	-537	-740	0	-3,318
Other operating income/expenses, net	-1,388	3,444	-685	-167	1,204
Operating loss	-3,159	-5,521	1,011	-243	-7,912

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

Sales and purchases between segments are made at arm's length prices.

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

In fiscal year 2002, revenues of over 10 percent were not generated with any individual customers.

Notes to the Consolidated Financial Statements

25. Main Differences between German and US Accounting

Preliminary Remark

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

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

Basic Differences

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

Deferred Taxes

Under German commercial law, no deferred tax assets are recognized on loss carryforwards. Under US GAAP, on the other hand, deferred tax assets must be recognized on loss carryforwards to the extent that it is more likely than not that they will be realized. If realization is improbable, appropriate allowances should be made.

Goodwill and Intangible Assets

Goodwill acquired for a consideration and intangible assets must undergo both scheduled and extraordinary amortization in accordance with the German Commercial Code. As already explained in detail in Note 4, SFAS No. 142 forbids the scheduled amortization of goodwill and intangible assets with an indefinite useful life on acquisitions initiated after June 30, 2001.

Investments and Securities

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

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

The investments and securities held by the Company are classified as available-for-sale securities and therefore valued under US GAAP at fair value on the balance sheet date.

Revenue Recognition

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

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

itelligence generally concludes license agreements and software maintenance agreements with its customers. The maintenance fee is usually calculated as a standard percentage of the license revenues. If a charge-free service period was agreed, an accrual has to be set up under the German Commercial Code equal to the anticipated costs. By contrast, under SOP No. 97-2, the maintenance fee agreement, which is under the standard percentage rate, and the provision of charge-free services are deemed as a discount on the license price of the software. The software revenues must therefore be reduced by the fair value of the charge-free services and/or the difference between the standard percentage rate and the revenues from software maintenance must be accordingly increased during the period in which the services are rendered.

Other Disclosures

Revenues by product division (Sec. 314 No. 3 HGB)

Revenues by product division break down as follows:

	2002 KEUR	2001 KEUR
Consulting	121,421	141,295
Licenses	16,977	16,996
Outsourcing & Services	27,541	22,444
Other	2,603	2,143
Total	168,542	182,878

Cost of Materials

Using the cost-summary method, the cost of materials totaled KEUR 31,137 in fiscal year 2002.

Personnel Expenses and Average Number of Employees

Using the cost-summary method, personnel expenses totaled KEUR 107,149 in fiscal year 2002.

In fiscal year 2002, the itelligence Group employed an average of 1,460 employees (salaried employees).

Declaration of Compliance with the Corporate Governance Code Pursuant to Sec. 161 of the German Stock Corporation Act (AktG)

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

Management Board and Supervisory Board

Management Board

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

Burkhard Berner
Organizational unit: International

Prof. Dr. Hermann Hueber
Organizational unit: Finance, Legal, Tax and Controlling
Technology & Integration, Investments, Products

Norbert Frank (until September 30, 2002)

The compensation paid to the members of the Management Board in 2002 totaled KEUR 1,035 (prior year: KEUR 1,077). Compensation is broken down into fixed salary components of KEUR 935 and variable salary components of KEUR 100. There are pension obligations of KEUR 208 towards former board members.

Supervisory Board

Dr. Markus Wenserski
Chairman
Lawyer, tax advisor, partner
Haarmann, Hemmelrath & Partner

Hans-Holger Lamb
Deputy Chairman

Dr. Andreas Leimbach
Member of the Regional
Management Team, North
Dresdner Bank AG

Wolfgang Schmidt

Peter Schultz-Ossmer (until February 2002)
Lawyer

Leonhard H. Fischer (until February 2002)
Chief Executive Officer
Winterthur Group

The compensation paid to the members of the Supervisory Board in the fiscal year totaled KEUR 55 (prior year: KEUR 120). The members of the Supervisory Board received compensation of KEUR 40 in 2002 for consultancy work.

Frankfurt am Main, March 11, 2003

The Management Board

Herbert Vogel Prof. Dr. Hermann Hueber Burkhard Berner

Other boards

Member of the advisory board
Peppermint Holding GmbH,
Berlin

Member of the Exchange
Council of the Hamburg
Stock Exchange

Consolidated Statement of Fixed Assets for Fiscal Year 2002 (US-GAAP)

Acquisition and production cost					
	Balance carried forward Jan. 1, 2002 KEUR	Currency translation Jan. 1, 2002 KEUR	Additions KEUR	Disposals KEUR	Balance Dec. 31, 2002 KEUR
Intangible assets					
Computer software	1,847	-79	565	361	1,972
Goodwill	23,203	-1,986	872	0	22,089
	25,050	-2,065	1,437	361	24,061
Property, plant and equipment					
Land and buildings	4,372	126	0	0	4,498
Leasehold improvements	945	-491	42	0	496
Computer hardware	8,127	-96	2,161	631	9,561
Fixtures, fittings and office equipment	8,359	-482	838	631	8,084
Vehicle fleet	24	24	44	44	48
Investment grant	-1,140	0	193	0	-947
	20,687	-919	3,278	1,306	21,740
Financial assets					
Shares in associated companies	37	0	0	0	37
Investments	10	0	0	0	10
Securities	4,203	0	0	7	4,196
	4,250	0	0	7	4,243
Total	49,987	-2,984	4,715	1,674	50,044

* Write-up

Accumulated depreciation					Net book values		
Balance carried forward Jan. 1, 2002 KEUR	Currency translation Jan. 1, 2002 KEUR	Additions KEUR	Disposals KEUR	Balance Dec. 31, 2002 KEUR	Dec. 31, 2002 KEUR	Dec. 31, 2001 KEUR	
1,345	-52	369	266	1,396	576	501	
5,559	-397	1,462	0	6,624	15,465	17,644	
6,904	-449	1,831	266	8,020	16,041	18,145	
160	200	149	0	509	3,989	4,211	
175	-215	100	0	60	436	770	
3,608	54	2,238	208	5,692	3,869	4,519	
4,693	-412	1,448	442	5,287	2,797	3,666	
8	5	13	5	21	27	16	
0	0	0	0	0	-947	-1,140	
8,644	-368	3,948	655	11,569	10,171	12,041	
0	0	0	0	0	37	37	
0	0	0	0	0	10	10	
3,771	0	-163	0	3,608	588	432	
3,771	0	-163 *	0	3,608	635	479	
19,319	-817	5,616	921	23,197	26,847	30,665	

Report of Independent Auditors

Report of Independent Auditors

We have audited the consolidated financial statements prepared by itelligence AG, Frankfurt am Main, consisting of the balance sheet, statement of income, statement of changes in shareholders' equity, statement of cash flow and the notes for the business year from January 1, 2002 to December 31, 2002.

The preparation and content of the consolidated financial statements are the responsibility of the Company's Management Board. Our responsibility is to assess whether the consolidated financial statements comply with the US generally accepted accounting principles (US GAAP) based on our audit. We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and in compliance with the generally accepted standards for the audit of financial statements set forth by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. Evidence supporting 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 present a true and fair view of the net assets, financial position and results of operations of the Group, as well as of the cash flows during the business year in conformity with US GAAP.

Our audit, which included the group management report prepared by the Management Board for the business year from January 1, 2002 to December 31, 2002, gave no cause for qualification. In our opinion, the group management report and the other disclosures in the consolidated financial statements accurately present the situation of the Group and the risks to its future development. We also confirm that the consolidated financial statements and the group management report for the business year from January 1, 2002 to December 31, 2002 comply with the requirements exempting the Company from the preparation of consolidated financial statements and a group management report in accordance with German law.

Without qualifying this opinion, we draw attention to the Company's disclosures under "Financing Activities" in the notes to the financial statements and "Financing and Liquidity" in the group management report. It is stated there that the Company's ability to continue as a going concern is at risk due to liquidity constraints.

Ernst & Young
Revisions- und Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klein Koch
Wirtschaftsprüfer Wirtschaftsprüfer

Eschborn/Frankfurt am Main, March 11, 2003



itelligence AG – Balance Sheet as of December 31, 2002 and 2001 (HGB)

Assets	2002 KEUR	2001 KEUR
Fixed assets		
Intangible assets		
Software and industrial rights	341	204
Property, plant and equipment		
Leasehold improvements	303	319
Fixtures, fittings and office equipment	1,747	3,129
	2,050	3,448
Financial assets		
Shares in affiliated companies	19,147	21,366
Investments	36	61
	19,183	21,427
	21,574	25,079
Current assets		
Inventories		
Work in process	3,041	3,126
Merchandise	1,736	2,353
	4,777	5,479
Accounts receivable and other assets		
Trade accounts receivable	13,375	17,624
- of which due in more than one year		
KEUR 0 (prior year: KEUR 0)		
Accounts receivable from affiliated companies	11,910	15,476
- of which due in more than one year:		
KEUR 5,547 (prior year: KEUR 8,630)		
Accounts receivable from companies in which investments are held	4	0
- of which due in more than one year:		
KEUR 0 (prior year: KEUR 0)		
Other assets	1,746	3,104
- of which due in more than one year		
KEUR 350 (prior year: KEUR 351)		
	27,035	36,204
Cash in hand, bank balances and checks	2,717	5,116
	34,529	46,799
Prepaid expenses	114	6
	56,217	71,884

	2002 KEUR	2001 KEUR
Liability and Shareholders' Equity		
Equity		
Subscribed capital*	16,771	16,771
Capital reserve	12,381	12,381
Accumulated loss	-7,947	0
	21,205	29,152
Accruals		
Accruals for pensions and similar obligations	510	574
Tax accruals	0	802
Other accruals	4,328	5,418
	4,838	6,794
Liabilities		
Loans	557	760
- of which due within one year: KEUR 557 (prior year: KEUR 335)		
- of which convertible: KEUR 557 (prior year: KEUR 760)		
Liabilities due to banks	9,642	13,360
- of which due within one year: KEUR 8,696 (prior year: KEUR 12,128)		
Advance payments received on account of orders	2,847	1,788
- of which due within one year: KEUR 2,847 (prior year: KEUR 1,788)		
Trade accounts payable	3,451	3,717
- of which due within one year: KEUR 3,451 (prior year: KEUR 3,717)		
Liabilities due to affiliated companies	3,861	4,576
- of which due within one year: KEUR 1,848 (prior year: KEUR 1,006)		
Liabilities due to companies in which investments are held	44	63
- of which due within one year: KEUR 44 (prior year: KEUR 63)		
Other liabilities	9,671	11,436
- of which due within one year: KEUR 5,340 (prior year: KEUR 5,530)		
	30,073	35,700
Deferred income	101	238
	56,217	71,884

* Conditional capital: KEUR 1,636 (prior year: KEUR 1,636)

itelligence AG – Statement of Income for Fiscal Year 2002 and 2001 (HGB)

	2002 KEUR	2001 KEUR
Sales	78,569	83,966
Cost of sales	-85	3,126
Other operating income	2,536	2,933
Cost of materials		
Cost of purchased goods	-4,904	-3,925
Cost of purchased services	-13,753	-18,315
Personnel expenses		
Wages and salaries	-40,210	-42,982
Social security and other pension costs	-5,860	-6,085
- of which for old-age pensions: KEUR 39 (prior year: KEUR 48)		
Amortization/depreciation		
on intangible assets and property, plant and equipment	-1,740	-2,131
Other operating expenses	-20,020	-24,110
Income from investments	80	206
- of which from affiliated companies: KEUR 75 (prior year: KEUR 12)		
Income from profit and loss transfer agreements	594	1,055
Other interest and similar income	1,400	1,555
- of which from affiliated companies: KEUR 1,034 (prior year: KEUR 1,179)		
Amortization of financial assets	-780	-46
Expenses from loss absorption	-2,184	-1,371
Interest and similar expenses	-1,494	-1,333
- of which for affiliated companies: KEUR -185 (prior year: KEUR -273)		
Result from ordinary activities	-7,851	-7,457
Extraordinary expenses	0	-203,739
Extraordinary result	0	-203,739
Income taxes	-80	213
Other taxes	-16	-90
Net loss for the year	-7,947	-211,073
Loss carried forward from the prior year	0	-15,897
Withdrawals from capital reserve	0	226,970
Accumulated loss	-7,947	0

itelligence AG – Notes to the Financial Statements

I. General Information

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

The financial statements for 2002 have been prepared in accordance with the legal provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). itelligence AG is a large corporation as defined by Sec. 267 (3) HGB.

2. Legal Background and Merger

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

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

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

II. Accounting and Valuation Policies

The accounting and valuation methods correspond to those of the prior year.

The amounts stated in the balance sheet of December 31, 2001 have been carried over unchanged as the opening balance.

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 acquisition cost. Write-downs were performed for the first time in fiscal year 2002 to account for permanent value impairments.

Inventories are shown at acquisition or production 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 receivables.

Cash in hand and balances at banks are recorded at nominal value.

Prepaid expenses are determined on an accrual basis.

Pension accruals are valued at fair market value in accordance with tax provisions (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. If the rate on the balance sheet date was higher than the rate on the transaction date for liabilities in foreign currency, the liability was valued at the higher rate on the balance sheet date.

III. Notes to the Balance Sheet and Statement of Income

Fixed Assets

The classification and development of the fixed assets pursuant to Sec. 268 (2) HGB in fiscal year 2002 can be seen in the attached analysis of fixed assets. Scheduled amortization/depreciation was charged using the straight-line method according to the probable useful lives of the assets.

The normal useful lives used here are:

Software and industrial rights	3 years
Computer hardware	3 years
Leasehold improvements	5-10 years
Fixtures, fittings and office equipment	8-10 years

Financial Assets/Investment Holdings

Financial assets comprise:

	Shares in %	Equity KEUR	Net income/ loss KEUR
Affiliated companies:			
APCON Media Company GmbH, Hamburg	100	-248	-92
APCON Nielsen Consulting GmbH, Hamburg	100	347	-8
APCON International Business Systems Gesellschaft für DV-Beratung mbH, Hamburg	100	1,426	594*
APCON Business Consulting Gesellschaft für Managementberatung mbH, Hamburg	100	-175	-280*
ASECON GmbH, Bielefeld	100	-180	0
itelligence AG, Urdorf, Switzerland	100	1,033	1,391
itelligence AS, Oslo, Norway	100	-711	-86
itelligence Business Software Inc., Westchester, USA	100	3,138	-415
itelligence Business Solutions GmbH, Vienna, Austria	100	-39	-523
itelligence Business Solutions Ltd., London, England	100	-1,240	-376
itelligence Business Solutions s.p.r.l., Brussels, Belgium	100	235	179
itelligence BV, Eindhoven, Netherlands	100	241	32
itelligence d.o.o., Ljubljana, Slovenia	100	416	10
itelligence Erste Beteiligungs GmbH, Frankfurt	100	104	4
itelligence Hungary Kft., Budapest, Hungary	100	1,123	348
itelligence Inc. Cincinnati, USA	100	10,430	984
itelligence Innovative Solutions Inc., Dallas, USA	100	2,139	-450
itelligence Int'l, Kiev, Ukraine	100	284	194
itelligence Outsourcing Inc., USA	100	-255	-315
itelligence Outsourcing und Services GmbH, Bautzen	100	-123	-218*
itelligence S.A., Paris, France	100	-775	-787
itelligence S.A., São Paulo, Brazil	100	-307	-367
itelligence S.r.l., Milan, Italy	100	-1,968	-1,239*
itelligence s.r.o., Bratislava, Slovakia	100	757	26
itelligence s.r.o., Prague, Czech Republic	100	-204	-241
itelligence SP.Z.o.o., Warsaw, Poland	100	932	-266
itelligence VC-Holding GmbH, Frankfurt Servicios informaticos itelligence S.A., Barcelona, Spain	100	263	-1,112
it- go GmbH, Hamburg (formerly APCON Network Solutions GmbH, Hamburg)	85	254	66
ITC Information Technology Consulting GmbH, Detmold	56	789	234
itelligence Financial Solutions GmbH, Hamburg	52	320	170
HONICO SYSTEMS GmbH, Hamburg	51	68	-77
it-WPS Workplace Solutions Gesellschaft für DV-Beratung mbH, Hamburg	24 **	175	39

* net income/loss (equity) before profit transfer/loss absorption

** majority of voting rights

itelligence AG – Notes to the Financial Statements

	Shares in %	Equity KEUR	Net income/ loss KEUR
Investments > 20%			
Dr. Lindner & Partner GmbH, Oerlinghausen	50	74	9
BfL GmbH & CO, Eschborn	Less than 1%	10,841	1,812

IT-GO GmbH, Walldorf, merged with itelligence Outsourcing und Services GmbH, Bautzen, in fiscal year 2002. In addition, SAPRYMA S.L., Spain, also merged with Servicios Informaticos itelligence S.A., Spain. The remaining carrying amount of the investment resulting from the merger of KEUR 611 was written off in full.

On March 11, 2002, itelligence AG contributed 52 percent to the formation of itelligence Financial Solutions GmbH.

On April 17, 2002, the Company sold the investment in Procoma GmbH.

In fiscal year 2002, itelligence AG acquired an additional 25 percent in APCON Media Company GmbH. APCON Media Company GmbH is currently undergoing liquidation. The carrying amount of the investment of KEUR 94 has been written off in full. The investment indirectly held by Media Company in Furnity GmbH was released due to the company's liquidation.

In fiscal year 2002, the capital of itelligence S.r.l., Milan, Italy, was reduced by KEUR 88. The remaining investment of KEUR 10 was subsequently written off in full.

The carrying amount of the Asecon investment of KEUR 65 was written off in full.

Accounts Receivable and Other Assets

Accounts receivable from affiliated companies include trade accounts receivable of KEUR 2,773 (prior year: KEUR 3,575) and accounts receivable from the joint cash pooling of KEUR 2,997 (prior year: KEUR 2,545). In the event of insolvency, the loans to itelligence Business Solutions GmbH, Austria, will have subordinate status. Other assets contain receivables from the tax office of KEUR 400 (prior year: KEUR 1,862).

Capital Stock

The capital stock is divided into 16,771,202 no-par value bearer shares each with a notional share of capital stock of EUR 1. It has remained unchanged against the prior year.

Authorized capital is EUR 5,516,333 until June 30, 2005.

Accruals for Pensions

There are defined benefit obligations for one active member and three former members of the Management Board. Accruals have been set up for these obligations. The accrual stated as of the balance sheet date is equal to the fair values of the obligations for tax purposes (Sec. 6a EStG) as calculated by an independent actuary using an interest rate of 6 percent and the 1998 mortality tables published by Heubeck Richttafeln GmbH, Cologne. The year-on-year decrease in this item results from the transfer of claims due to the departure of a member of the Management Board.

Other Accruals

Other accruals chiefly contain accruals for personnel of KEUR 2,580 (prior year: KEUR 3,283), outstanding invoices of KEUR 537 (prior year: KEUR 914) and warranties of KEUR 457 (prior year: KEUR 425).

Liabilities

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

	Due within 1 year KEUR	Due in 1 to 5 years KEUR	Value as of Dec. 31, 2002 KEUR
Loans	557	0	557
Liabilities due to banks	8,696	946	9,642
Advance payments received on account of orders	2,847	0	2,847
Trade accounts payable	3,451	0	3,451
Liabilities due to affiliated companies	3,861	0	3,861
Liabilities due to companies in which investments are held	44	0	44
Other liabilities	5,340	4,331	9,671
Total	24,796	5,277	30,073

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 6 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 218,346 were still on hand as of December 31, 2002. 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 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.

The following convertible and warrant-linked bonds of SVC AG were transferred to itelligence AG in the course of the merger:

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

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

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

Of these tranches, convertible bonds of EUR 271,522 were still on hand as of December 31, 2002. The reduction is a result of repayments to employees who have left.

SVC AG issued a warrant-linked bond for a total par value of EUR 5,877 on May 3, 1999. The term of the warrant-linked bond runs until May 4, 2004 and it bears 4 percent interest p.a. Each bond of a par value of EUR 1 includes ten bearer warrants entitling the bearer to acquire one share in SVC AG for a price of EUR 20.70. The warrant may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

Other liabilities include tax liabilities of KEUR 2,170 (prior year: KEUR 1,882) and social security obligations of KEUR 1,060 (prior year: KEUR 1,027).

Revenues

Revenues broken down by division are as follows:

	Jan. 1 to Dec. 31, 2002 KEUR	Jan. 1 to Dec. 31, 2001 KEUR
Consulting	63,101	72,117
Licenses	7,368	6,513
Outsourcing & Services	6,377	5,035
Other	2,352	493
Sales deductions	-629	-192
	78,569	83,966

KEUR 1,407 (prior year: KEUR 1,064) of revenues was generated abroad.

Extraordinary Expenses in the Prior Year

The extraordinary expenses in the prior year result from the losses arising from the merger between SVC AG and APCON AG into itelligence AG as of January 1, 2001.

IV. Other Mandatory Disclosures

Declaration of Compliance with the German Corporate Governance Code Pursuant to Sec.161 of the German Stock Corporation Act (AktG)

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

Contingent Liabilities and Other Financial Obligations

The assets relating to Königsbreede 1, Bielefeld have been assigned to Sparkasse Herford as security.

There are contingencies from guarantees of KEUR 4,578 (prior year: KEUR 2,606), of which KEUR 2,903 is to affiliated companies (prior year: KEUR 2,600).

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

	KEUR
Payable in 2003	4,288
Payable in 2004	3,212
Payable in 2005	1,778
Payable in 2006	1,245
Payable in 2007	1,055
Thereafter	8,797

Other financial obligations primarily contain the annual costs for the office buildings in Bielefeld of KEUR 724 and annual leasing obligations for company vehicles of KEUR 2,191.

The Company has undertaken to furnish the subsidiaries in Italy, France and the United Kingdom with funds if losses are generated in order to ensure their equity and liquidity base.

Annual Average Number of Employees

An average of 685 salaried staff (prior year: 745) were employed in fiscal year 2002. As of December 31, 2002, the Company employed 666 persons.

Appropriation of Loss

The net loss for the year of KEUR -7,947 combined with the loss carryforward of KEUR 0 results in an accumulated deficit of KEUR -7,947. It is proposed to carry the accumulated deficit forward to new account.

itelligence AG – Notes to the Financial Statements

Disclosures Concerning the Company's Executive Bodies

Management Board

Herbert Vogel
CEO
Organizational unit: Germany, Austria and Switzerland
Outsourcing & Services, Investor Relations and Marketing

Burkhard Berner
Organizational unit: International

Prof. Dr. Hermann Hueber
Organizational unit: Finance, Legal, Tax and Controlling,
Technology & Integration, Investments, Products

Norbert Frank (until September 30, 2002)

Compensation for the members of the Management Board in 2002 amounted to KEUR 1,035 (prior year: KEUR 1,077). It is broken down into fixed and variable salary components of KEUR 935 and KEUR 100, respectively. There are pension obligations to former board members of KEUR 208.

Supervisory Board

Dr. Markus Wenserski
Chairman
Lawyer, tax advisor, partner
Haarmann, Hemmelrath & Partner

Hans-Holger Lamb
Vice Chairman

Dr. Andreas Leimbach
Member of the Regional
Management Team, North
Dresdner Bank AG

Wolfgang Schmidt

Peter Schultz-Ossmer (until February 2002)
Lawyer

Leonhard H. Fischer (until February 2002)
Chief Executive Officer
Winterthur Group

Compensation for the members of the Supervisory Board in the fiscal year amounted to KEUR 55 (prior year: KEUR 120). One member of the Supervisory Board received compensation of KEUR 40 in 2002 for consultancy work.

Other boards

Member of the advisory board
Peppermint Holding GmbH,
Berlin

Member of the Exchange
Council of the Hamburg
Stock Exchange

Frankfurt am Main, March 11, 2003

The Management Board

Herbert Vogel

Prof. Dr. Hermann Hueber

Burkhard Berner



Aquisition and Production Cost					
	Jan. 1, 2002 TEUR	Additions TEUR	Reclassifications Jan. 1, 2002 TEUR	Disposals TEUR	Dec. 31, 2002 TEUR
Intangible assets					
Software and industrial rights	986	351	0	0	1,337
	986	351	0	0	1,337
Property, plant and equipment					
Leasehold improvements	471	11	34	0	516
Fixtures, fittings and office equipment	7,383	307	-34	311	7,345
	7,854	318	0	311	7,861
Financial assets					
Shares in affiliated companies	21,366	3,164	0	4,603	19,927
Investments	61	0	0	25	36
	21,427	3,164	0	4,628	19,963
	30,267	3,833	0	4,939	29,161

Accumulated Depreciation				Net book values		
Jan. 1, 2002 TEUR	Provisions TEUR	Reclassifications TEUR	Reversals TEUR	Dec. 31, 2002 TEUR	Dec. 31, 2002 TEUR	Dec. 31, 2001 TEUR
782	214	0	0	996	341	204
782	214	0	0	996	341	204
152	57	4	0	213	303	319
4,254	1,469	-4	121	5,598	1,747	3,129
4,406	1,526	0	121	5,811	2,050	3,448
0	780	0	0	780	19,147	21,366
0	0	0	0	0	36	61
0	780	0	0	780	19,183	21,427
5,188	2,520	0	121	7,587	21,574	25,079

Report of Independent Auditors

We have audited the annual financial statements, together with the bookkeeping system, and the management report of itelligence AG, Frankfurt am Main for the business year from January 1, 2002 to December 31, 2002. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report, based on our audit.

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

Without qualifying this opinion, we draw attention to the Company's disclosures on "Significant Risks to Future Development" under "Financing and Liquidity" in the management report. It is stated there that the Company's ability to continue as a going concern is at risk due to liquidity constraints.

Ernst & Young
Revisions- und Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klein Koch
Wirtschaftsprüfer Wirtschaftsprüfer

Eschborn/Frankfurt am Main, March 11, 2003





Dr. Markus Wenserski, Chairman

Dear shareholders and friends of the Company,

At itelligence AG we can look back on a year in which the Company was able to continue successfully positioning itself as a leading international full-service provider for SAP. In 2002 itelligence joined SAP AG's initiative for the mid-market and was awarded a prize by SAP for the most successful system house in this sector in November. On an international level, the close collaboration between itelligence and SAP was highlighted by the award of the title "SAP Global Services Partner" in January 2003. This is an honor only bestowed on a small, select group of companies worldwide.

Despite our successful positioning, the Company failed to achieve its revenues and earnings targets for 2002. The Management Board reacted swiftly, taking cost-cutting measures. The Supervisory Board will continue to provide high-level support to management in adopting and implementing the measures to improve stability in 2003.

In 2001, the German government set up a government commission to develop a Corporate Government Code. This Code was finalized in February 2002.

The Management and Supervisory Boards of itelligence AG issued their first declaration of compliance with the recommendations of the government commission on the German Corporate Government Code pursuant to Sec. 161 of the German Stock Corporation Act (AktG) on December 18, 2002. These declarations will now be issued annually and published on the internet at www.itelligence.de. In the declaration pursuant to the Corporate Governance Code, the Management and Supervisory Boards undertake to run and manage the Company in a transparent and responsible manner with a view to achieving added value.

In fiscal year 2002 the Supervisory Board was informed regularly of the Company's net assets, financial position and results of operations in verbal and written reports given by the Management Board. In the fiscal year, the Supervisory Board met on February 20, 2002, March 15, 2002, May 28, 2002, August 9, 2002, September 9, 2002 and on December 5, 2002 and also adopted several resolutions by circularization. The Supervisory Board informed itself regularly and in detail about the course of business, the Company's economic situation and development and about its medium-term planning, including financial, investment and personnel planning. It discussed the Company's strategy and business policy in depth. The topics discussed by the Supervisory Board included the implementation, results and continuation of the cost-cutting measures taken since 2001 and the structural improvements at the foreign subsidiaries adopted in mid-2002. Even between the regu-

lar Supervisory Board meetings, the Chairman was in constant contact with the Management Board to obtain information about important transactions and events. The Management Board was represented at the Supervisory Board meetings.

At the shareholders' meeting of itelligence AG in Frankfurt am Main on August 8, 2001, the resolutions passed included the new appointment of the Supervisory Board with a view to future employee codetermination. In this connection Leonhard Fischer and Peter Schultz-Ossmer retired from the Supervisory Board as planned on February 5, 2002. The Supervisory Board would like to thank Mr. Fischer and Mr. Schultz-Ossmer for their work on itelligence's Supervisory Board and their dedication to the Company.

In October last year, a committee was established to prepare and initiate the complex employee representative election process. The employee representatives will be elected in March 2003. The Supervisory Board is made up of four members elected by the shareholders' meeting and two members elected by the employees. The Supervisory Board has the following members: Hans-Holger Lamb (Deputy Chairman), Andreas Leimbach, Wolfgang Schmidt and Dr. Markus Wenserski (Chairman) who were reelected by the shareholders' meeting on May 28, 2002.

Management Board member Norbert Frank departed from itelligence of his own accord as of September 30, 2002. We would like to thank him for his many years of hard work. With Mr. Frank's departure, CEO Herbert Vogel has taken on responsibility for Outsourcing & Services and CFO Prof. Dr. Hermann Hueber is responsible for Customized IT and Investments.

The Supervisory Board's meeting on March 7, 2003 dealt with itelligence's consolidated financial statements and the financial statements of itelligence AG as of December 31, 2002. Both sets of financial statements and the accounting

records were audited by itelligence's auditors and an unqualified audit opinion with a supplementary note was rendered on each. The audits of the financial statements were conducted by Ernst & Young Revisions- und Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main (formerly Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH in Eschborn/Frankfurt am Main), which was elected as auditor by the shareholders' meeting on May 28, 2002. The auditors attended the Supervisory Board's discussion of the financial statements, reported in detail on the course of the audits and were available to provide additional information. The Supervisory Board performed a thorough review of the financial statements of itelligence AG and itelligence's consolidated financial statements. By resolution of March 12, 2003, the Supervisory Board approved the financial statements of itelligence AG presented by the Management Board and itelligence's consolidated financial statements.

We would like to thank the Management Board and all the employees of the Group for their outstanding commitment and hard work in the past fiscal year and wish them every success for 2003.

Frankfurt am Main, March 12, 2003

The Supervisory Board
Dr. Markus Wenserski
Chairman

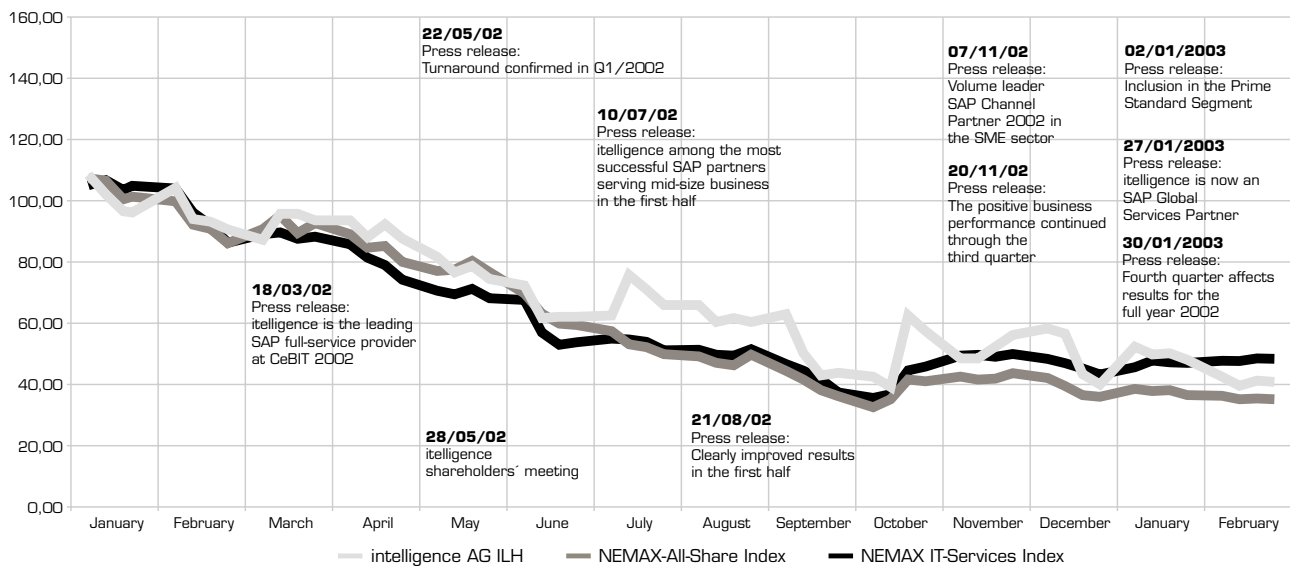
Shareholder Value

The Share

The situation on the capital markets in 2002 was unsatisfactory for companies and shareholders alike. The German share index DAX nose-dived from over 5,000 points at its high in March to just over 2,500 points in October. The DAX stood at 2,800 points at the end of the year. itelligence's reference index, the NEMAX All Share, was even harder hit in 2002, losing over 65 percent. The itelligence share more or less tracked the NEMAX IT services industry index during the year dropping from some EUR 2.35 in January to around EUR 1 at the end of 2002. Even itelligence's reports of a sound business situation and increased profitability in the first three quarters failed to have a tangible effect on the share price.

As a Neuer Markt company, itelligence's management welcomed the new share market segmentation by Deutsche Börse. Being an international company, itelligence has complied with all the transparency requirements now defined for the Prime Standard since admission to the stock market in September 2000. The itelligence share is now listed in the technology industry index of the Prime All Share Index.

Key figures of the itelligence share	2002	
DVFA/SG earnings	MEUR	-16.1
Dividend		-
High	EUR	2.60
Low	EUR	0.90
Cash flow according to DVFA/SG	MEUR	- 0.3
Number of shares	million	16.77
Stock market value at year-end	MEUR	16.77



Investor Relations

Being responsible for Investor Relations, CEO Herbert Vogel had numerous meetings with shareholders, analysts and the financial press in the past fiscal year. In view of the weak financial market in 2002, the Management Board considered it important to communicate openly about the Company and the course of business. Highlights of communication with analysts and investors included the analyst forum at CeBIT 2002 in Hanover and the participation at the Financial Forum in Frankfurt in November 2002. Here the Management Board presented the Company's strategic alignment to national and international analysts. Regular telephone conferences for analysts and the financial press on the quarterly figures and a variety of meetings with institutional investors round off our Investor Relations activities.

itelligence also provides current information and an extensive archive for those who are interested on the homepage at www.itelligence.de. Stock market data, analyst reviews, financial ratios and company reports are available under "Investor Relations". A section on Corporate Governance was added in 2002. This contains the declaration of compliance with the Corporate Governance Code and current information on reportable securities transactions. All information on the shareholders' meeting, such as the agenda, counter-motions and the outcome of voting is also published here – in keeping with the recommendations of the Corporate Governance Code.

A key objective of IR activities in 2003 is timely, up-to-date and open communication with shareholders and the financial community at large.

Shareholder Value

Shareholder Structure

As of December 31, 2002, itelligence AG's shares are held by:

Wolfgang Schmidt	16.2 percent
Vogel family	15.9 percent
Petra Berner	9 percent
Frank family	7.6 percent
Lamb family	7.5 percent
Burkhard Berner	4.3 percent
Free float	39.5 percent

There were no major changes to the shareholder structure in 2002, except for the sale of 11,852 itelligence shares by Norbert Frank in the period from August 14 to September 4, 2002. At the end of the third quarter of 2002, Norbert Frank left itelligence AG of his own accord.

Directors Holdings

Members of the Management Board and Supervisory Board held the following itelligence shares as of December 31, 2002:

	Shares
Management Board	
Herbert Vogel	1,657,286
Burkhard Berner	721,223
Prof. Dr. Hermann Hueber	22,881

Supervisory Board

Dr. Markus Wenserski	0
Hans-Holger Lamb	0
Dr. Andreas Leimbach	0
Wolfgang Schmidt	2,723,167

Neither the Management Board nor the Supervisory Board held convertible bonds of itelligence AG as of December 31, 2002.



Corporate Governance

Corporate Governance

For the Management and Supervisory Boards of itelligence AG, corporate governance means running and managing the Company in a responsible manner with a view to achieving long-term added value. For itelligence, the key elements of good corporate governance are efficient collaboration between the Management and Supervisory Boards, consideration of the interests of shareholders, and openness and transparency of corporate communication.

In accordance with the provisions of the Corporate Governance Code, the policies governing the Supervisory and Management Boards, collaboration between the two boards, accounting and procedures at the shareholders' meeting were reviewed at itelligence. itelligence then adopted the Corporate Governance Code in all significant respects. The Management and Supervisory Boards explain any areas of divergence in a corporate governance declaration.

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

Declaration of the Management Board and Supervisory Board of itelligence AG pursuant to Section 161 of the German Stock Corporation Law and Section 15 of the Introductory Act to the German Stock Corporation Law on the Corporate Governance Code

The Management Board and Supervisory Board of itelligence AG welcome the recommendations and rules of the German Corporate Governance Code and have already complied with most of its recommendations since the foundation of itelligence AG. itelligence AG will commit to the German Corporate Governance Code save for the following sections:

Section 3.8: Deductible of D&O insurance policies

itelligence AG does not plan to change the current D&O insurance policies which do not provide for a deductible to be borne by the Management and Supervisory Board members.

Sections 5.1.2 / 5.4.1: Age limit for members of the Management Board and Supervisory Board

Currently, there is no age limit for members of the Management Board and Supervisory Board. itelligence AG does

not plan to introduce an age limit for Supervisory Board members because this would, in itelligence's opinion, restrict the shareholders' right to elect the members of the Supervisory Board. The current contracts of the members of the Management Board do not include an age limit because all existing contracts have been concluded for a limited term which will end before the age limit is reached. Future Management Board contracts will include an age limit.

Sections 5.3.1 / 5.3.2: Supervisory Board committees with sufficient expertise

In view of the small number of Supervisory Board members, the formation of committees, especially of an audit committee, has not made sense in the past and will not be necessary going forward in itelligence's opinion.

Section 5.4.5: Fixed and variable components of the compensation system for Supervisory Board members

The compensation system for the members of the Supervisory Board comprises no variable components. The introduction of such components is not planned.

Section 6.6: Reporting of securities transactions

According to both the German Securities Trading Law and the German Corporate Governance Code, the purchase and sale of shares in the Company, or derivatives thereof, by members of the Management Board or Supervisory Board have to be reported without delay to the Company and the Company has to publish the disclosure without delay. According to the German Securities Trading Law, only transactions with a cumulative value of over EUR 25,000 within 30 days have to be reported. In order to keep the flow of information manageable, itelligence AG will continue to inform its shareholders without delay about major transactions pursuant to the German Securities Trading Law. The German Corporate Governance Code does not include this limit.

Frankfurt am Main, December 18, 2002
itelligence AG



For the Management Board
Herbert Vogel



For the Supervisory Board
Dr. Markus Wenserski



Herbert Vogel



Burkhard Berner



Prof. Dr. Hermann Hueber

Boards of the itelligence AG

Management Board:

Herbert Vogel

CEO – Germany, Switzerland, Austria,
Outsourcing & Services,
Investor Relations, Marketing

Burkhard Berner

International

Prof. Dr. Hermann Hueber

Finance and Controlling,
Technology & Integration,
Participations, Products

Supervisory Board:

Dr. Markus Wenserski

Chairman
Attorney, tax advisor, partner
Haarmann, Hemmelrath & Partner

Hans-Holger Lamb

Deputy Chairman

Dr. Andreas Leimbach

Member of the Regional Management Team, North
Dresdner Bank AG

Wolfgang Schmidt

Important Events in 2003

April 9, 2003 Financial Forum, Analysts' Conference, Frankfurt

May 13, 2003 Publication of the three month report

May 23, 2003 itelligence shareholders' meeting, Frankfurt

August 7, 2003 Publication of the six month report

November 6, 2003 Publication of the nine month report

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