



Interim Report 2/2004

itelligence

Highlights in the First Half of 2004 at a Glance

- Revenues and earnings in the first six months of 2004 confirm expectations for the entire year
- Steady improvement in EBIT in the second quarter compared with the first quarter 2004, up 38.3 percent to MEUR 1.7 with an EBIT margin of 5.3 percent
- Revenues in the first six months are at MEUR 64.4 with EBIT of MEUR 2.9 and an EBIT margin of 4.5 percent
- Consolidated equity ratio up at 34 percent following capital increase
- Revenues from Outsourcing and Services now accounting for 27.2 percent of revenues

Dear Shareholders,

The positive performance in the second quarter of 2004 confirms our expectations for 2004. The second capital increase and the strict consolidation course considerably strengthened the itelligence Group's competitive situation. Optimized capacity utilization, lower cost structures and a substantially improved equity ratio led to a steady increase in profitability and confirmed the turnaround.

The market environment in which itelligence operates developed in line with our expectations. We are witnessing a trend with companies initiating new investment projects in the SAP field. However, companies are still very cautious in placing orders and have a clear focus on ROI. This is affecting the duration of the sales process and is reflected by the phased placing of orders for larger IT projects.

This applies in particular to the traditional and high-end mid-market segment. The trend towards growing demand for application hosting services which has prevailed over the last few quarters is especially evident in this market segment. SAP products have also penetrated the market to a much greater extent than competitive products. This trend is particularly apparent in the high-end midmarket. We therefore continue to expect a moderate recovery in IT expenditure with selective services and software products anticipated to perform somewhat better than others.

These developments confirm that the structural changes implemented as part of our restructuring and realignment measures and completed in 2003 were the right approach.

itelligence is clearly positioned as a full-service provider for IT solutions in the field of SAP for the traditional and high-end midmarket. We offer our customers an optimized portfolio of solutions ranging from process consulting, licensing and IT implementation through to outsourcing with hosting and maintenance. Based on our strategy of creating a competitive edge for our clients by boosting their efficiency and enhancing their customers' loyalty, our consultants contribute their profound process expertise in the industries coupled with their expertise in the implementation and the integration of IT solutions at system level.

This service offering is supported by the pooling of our many years of industry experience in our internally developed and SAP AG certified All-in-One industry solutions. The itelligence Group focuses in particular on the following core industries: automotive, consumer goods and discrete manufacturing.

Numerous new projects, for example the project by MAXDATA AG, Marl, underline itelligence's industry competence in the high-tech industry. In the second quarter itelligence won renowned new customers such as KULLEN GmbH & Co. KG, Reutlingen, Bernard Krone Holding GmbH & Co. KG, Spelle, the Polish Milo S.A.

(member of Lekkerland international), Mercedes-Ilmor Ltd., Brixworth (UK), Johnsonville Foods, Sheboygan (Wisconsin, USA), United Biscuits, Barcelona and Brenntag AG in Madrid.

We have successfully implemented the mySAP All-in-One industry solution at Höft & Wessel AG, Hanover. Other successful projects such as those at the customers Vereinigte Spezialmöbelfabriken GmbH & Co., Tauberbischofsheim, Drescher Print Solutions GmbH, Rutesheim, AMMANN Asphalt GmbH, Alfeld, Barber Foods, Portland (Maine, USA) and C & H Sugar in Pleasant Hill (California, USA), are now running productively in the second quarter.

Our excellent positioning and many years of expertise in the traditional and high-end midmarket have made us one of SAP AG's important international partners. SAP AG also acknowledged the high international standard of quality of our services and technology know-how on several occasions in the first six months of 2004. In July, SAP AG named itelligence as a "Special Expertise Partner for mySAP Product Life-Cycle Management" (PLM). With this award, SAP AG recognizes itelligence's high customer competence and comprehensive product and process expertise in my SAP PLM in the manufacturing, high-tech and automotive industries. The successful implementation of mySAP PLM at customers such as DEUTZ AG, SIEGENIA-AUBI, IVM Automotive and Axima Refrigeration particularly contributed to itelligence's appointment as a Special Expertise Partner of SAP AG.

In addition, SAP AG rewarded itelligence's level of high qualification and experience in the SAP NetWeaver field by appointing itelligence as a "Special Expertise Partner for SAP Exchange Infrastructure" (XI). We have channeled our profound expertise in the central SAP NetWeaver component SAP Exchange Infrastructure into customer projects over the last few months, for example during the course of the project at DEUTZ AG in Cologne.

Thanks to our broad product portfolio and our many years of international project experience, we are now one of the leading IT consulting and systems integration companies in Germany. In spite of the adjustments made as a result of restructuring, itelligence was once again listed among the top 15 IT consulting firms for 2003 in the Lünendonck list, the "market barometer" for the entire IT and consulting market, published in May 2004.

The North American branch of itelligence AG announced the expansion of its sales region into four new US federal states: Minnesota, North Dakota, South Dakota and Nebraska. As SAP reseller for small and midmarket companies, itelligence is now represented in 21 federal states. The US team will also be able to demonstrate its SAP experience and expertise in these states and gain a stronger position on the American market. Furthermore, itelligence's profound industry expertise in small and midmarket companies will enable it to sell and implement its proprietary developed industry solutions in all 50 US states.

Business Performance

itelligence generated total revenues of MEUR 31.7 and an EBIT margin of 5.3 percent in the second quarter. Revenues of MEUR 64.4 and an EBIT margin of 4.5 percent were thus achieved in the first six months of this fiscal year.

In accordance with SFAS No. 144, the prior-year figures shown in the tables are only adjusted for the sold companies but not the closed companies or business units. In comparison to the adjusted comparative prior-year figures*, revenues are down 6 percent in the second quarter and 3.4 percent in the first six months of 2004. Net of exchange rate differences, revenues are at the prior-year

	Jan. 1 to June 30, 2004 in MEUR	Jan. 1 to June 30, 2003** in MEUR	Apr. 1 to June 30, 2004 in MEUR	Apr. 1 to June 30, 2003** in MEUR
Total revenues	64.4	73.2	31.7	36.3
Consulting	39.4	50.9	18.9	24.9
Licenses	7.1	7.8	3.5	4.1
Outsourcing & Services	17.5	14.0	8.9	7.0
Other	0.4	0.5	0.4	0.3
Germany	32.2	36.3	15.2	17.2
Rest of Europe	16.0	18.2	7.6	8.9
Americas	16.2	18.7	8.9	10.2
EBIT	2.9	-3.2	1.7	-2.6
EBIT margin	4.5%	-4.4%	5.3%	-7.2%
Discontinued operations	0.0	-2.2	0.0	-1.2
EBITA	2.9	-3.2	1.7	-2.6
EBITA margin	4.5%	-4.4%	5.3%	-7.2%
EBITDA	4.5	-1.7	2.5	-2.0
EBITDA margin	7.0%	-2.3%	7.9%	-5.5%
Net income/loss according to US-GAAP	1.5	-6.8	1.3	-4.5
Earnings per share	0.07	-0.4		

**Net of discontinued operations

itelligence at a Glance: January 1, 2004 to June 30, 2004

level*. Differentiated by sales segment in the first six months of 2004, License revenues, which are at MEUR 7.1, are up 0.4 percent compared to the comparative revenues* in the prior period net of exchange rate effects. Consulting revenues are at MEUR 39.4, down by around MEUR 4.5 on the comparative revenues* in the prior period net of exchange rate effects. Revenues from Outsourcing & Services net of exchange rate effects rose by around MEUR 4.2 to MEUR 17.5.

The positive trend in our sales segment Outsourcing & Services continued in the second quarter. Revenues were up 27 percent on the comparative revenues* achieved in the prior-year quarter and up 25.7 percent on the first six months of the prior year (up 31.2 percent net of exchange rate effects). Revenues in this segment expressed as a percentage of total revenues thus increased to around 28 percent in the second quarter (prior year: 19.4 percent). Outsourcing & Services accounted for 27.2 percent of revenues in the first six months of 2004 (prior year: 19.1 percent). This segment enjoyed particularly strong growth in Germany, with revenues growing by some 48 percent in Germany in comparison to the first six months of the prior year. Our clear positioning as a full-service provider in the field of SAP focussed on the traditional and high-end midmarket resulted in considerable synergies in our sales segments. With growing demand from customers for application hosting and maintenance services, we are increasingly providing one-stop support services for our consultancy customers.

Total revenues from Licenses increased by 0.4 percent in the first half of 2004 compared to the comparative revenues* net of exchange rate effects. At -5.8 percent, revenues in the SAP license business in the first six months of 2004 are slightly down on the prior year (net of exchange rate effects, at the prior year's level). The volatile performance of the License segment is mirrored by a 24 percent increase in Germany and a 33.6 percent decrease in the US (down 26.6 percent net of exchange rate effects). At the same time, license revenues in the rest of Europe rose by about 28 percent (32.3 percent net of exchange rate effects).

In comparison to the comparative revenues* in the prior year, consulting revenues, net of exchange rate effects, fell by 10.2 percent in the first half of 2004. Nominally, we reported a 24 percent drop in revenues in the second quarter. This decrease on the prior-year quarter goes hand in hand with the 29.3 percent reduction of our consultant team.

At MEUR 32.2, total revenues in Germany compared with the comparative revenues* in the first six months of 2003 rose by around 2 percent. By contrast, at MEUR 16.0, revenues in the rest of Europe were down 5.6 percent on the comparative prior-year figures* (down 3.0 percent net of exchange rate effects) and at MEUR 16.2, revenues were down 10.8 percent on the comparative prior-year figures* in the Americas (down 1.2 percent net of exchange rate effects).

Group-wide, the itelligence Group had orders on hand worth some MEUR 85 at the end of the second quarter. Orders on hand are thus at the same level as in the prior quarter.

Earnings Situation

The average daily rates for consultants in the second quarter remained at the level charged in the first quarter of 2004. Although the average daily rates for consultants rose marginally in Germany (around 1.2 percent), the persistent price pressure in the US and in the rest of Europe resulted in an average daily rate at the prior quarter's level. As a result, the rates charged were slightly below those in the first half of 2003. The percentage of fixed price projects has not changed since the prior quarter and kept at a low rate.

Costs were cut further in the second quarter of 2004 compared with the first quarter of 2004. The positive trend of the three prior quarters thus continued. Sales and marketing expenses were cut further by around 5.2 percent in comparison with the first quarter and the ratio of these expenses to revenues was maintained at about 8 percent. At MEUR 0.05, research and development expen-

* For the sake of comparison, the previous year's sales have been adjusted for discontinued operations (companies sold, see page 11) and companies/operations that have been closed.

ses dropped well below the prior year's level of around MEUR 0.2. General and administrative expenses were once again significantly reduced by around 20 percent in comparison to the first quarter of 2004. Costs in this area were reduced by around 40 percent in comparison with the prior-year quarter. Net of the restructuring expenses from 2003, costs were cut by some 25 percent in the second quarter of 2004. In the first half of the year general and administrative expenses were reduced to 31 percent in nominal terms and to 20 percent net of restructuring expenses. This led to a drop in the ratio of these expenses to revenues to around 15 percent following a ratio of around 19 percent in the prior year. The more efficient structures and workflows established in 2003 coupled with strict cost management showed the desired effect.

The optimized structural realignment coupled with the use of improved control and management instruments led to a considerable improvement in the operating gross margin in the second quarter of 2004, which increased from 21.1 percent to 27.2 percent. In the first six months, the gross margin increased from 24.4 percent in the comparative prior-year period to 28 percent.

EBIT in the second quarter of 2004 are at MEUR 1.7 (second quarter of 2003: MEUR -2.6). This represents an EBIT margin of 5.3 percent. Compared with the first quarter, EBIT rose by 38.3 percent and by 1.6 margin points. This translates into a year-on-year improvement in earnings of MEUR 4.3 in absolute terms. EBIT are at MEUR 2.9 in the first six months of 2004 compared with MEUR -3.2 in the comparative prior-year period. This corresponds to an EBIT margin of 4.5 percent compared with -4.4 percent in the prior-year period. This represents a year-on-year improvement in earnings of MEUR 6.1 in absolute terms. This improvement in earnings is attributable to the improved structural and operational positioning which accounts for around MEUR 3.6 and to the absence of restructuring costs of around MEUR 2.5 (net of discontinued operations). In comparison to the net earnings according to US-GAAP achieved in the prior year, losses of MEUR 2.2 from discontinued operations were not recognized. In this context, net earnings according to US-GAAP improved by MEUR 8.3 in absolute terms.

Net earnings according to US-GAAP are MEUR 1.3 in the second quarter compared with MEUR -4.5 in the prior-year quarter. The interest expenses of MEUR 0.4 pushed net earnings down in the second quarter (prior year: MEUR 0.3). The tax burden was recalculated after the shareholders' meeting approved the domination and profit and loss transfer agreements in connection with itelligence Outsourcing & Services GmbH and itelligence Services GmbH. This led to a considerably lower tax burden in the second quarter. As a result, our tax rate was 33 percent in the first half of the year.

Net earnings according to US-GAAP stood at MEUR 1.5 in the first six months of 2004 (prior year: MEUR -6.8). This corresponds to a US-GAAP earnings margin of 2.3 percent.

Balance Sheet Figures, Investments and Liquidity

The cash flow from operating activities came to MEUR -1.8 in the first six months of 2004. The cash flow from operating activities was dampened by outflows of MEUR -2.2 in connection with restructuring effects which were taken into account in the financial statements for 2003.

Outflows in connection with sold companies are disclosed as discontinued operations under investing activities and amount to MEUR -1.5. Outflows from investing activities total MEUR -2.2 which, in addition to outflows for discontinued operations, includes investments of MEUR 0.9 in property, plant and equipment and

subsequent earn-out purchase price payments of MEUR 0.5 for historical acquisitions. The sale of the Heiler block of shares for MEUR 0.6 in the first quarter of 2004 had a positive effect on cash. itelligence invested a total of MEUR 0.9 during the first half of the year which matches the prior-year level. Capital expenditure focused on Outsourcing & Services and the usual replacements. The cash flow from financing activities came to MEUR 0.8 in the first six months of the year. The cash flow from financing activities was significantly influenced by the net inflow of MEUR 6.2 from the capital increase, the reduction of MEUR 4.2 in short-term liabilities and the repayment of long-term loans of MEUR 1.4. Overall, the net reduction in cash and cash equivalents came to MEUR -3.2 in the first half of 2004.

Credit lines in Germany were reduced from MEUR 8.1 to MEUR 5.6 as a result of the capital increase. The foreign credit lines of MEUR 2.3 are still available to the Group. In this context, the Group had a liquidity line of MEUR 10.9 at the end of the second quarter.

Trade accounts receivables decreased from MEUR 28.0 at the end of the first six months of 2003 to MEUR 21.6 at the end of the first six months of 2004. This represents a fall of around 22.7 percent. The ratio of days sales outstanding (DSO) is at 60 days, which represents a reduction of 12 days on the prior year. The slight increase in comparison to the first quarter of 2004 is attributable to the particularly high revenues in June.

By entry of the capital increase on April 16, 2004, the Company's capital stock increased to 22,287,535 shares, each having a nominal share of EUR 1 of capital stock. As a result, the Company received gross funds of MEUR 6.9. At the end of the first six months, the Group achieved an equity to balance sheet total ratio of 34 percent (prior year: 18 percent) on the back of the positive performance and the capital increase. The ratio of interest-bearing liabilities to the balance sheet total decreased to around 19 percent from around 30 percent in the prior year.

Employees

490 of the 933 staff as of June 30, 2004 were employed in Germany (June 30, 2003: 726) and 443 abroad (June 30, 2003: 577). In comparison to the prior-year period, the number of employees fell by approx. 28.4 percent as a result of the capacity adjustments and structural realignment of the itelligence Group in 2003.

Risk Report

In the Annual Report 2003 (pages 32 to 35) we reported in detail on the Company's risk situation. Our equity basis and liquidity situation were improved through the successful placement of shares for the second capital increase. The project for establishing an integrated risk management system is on track. Management discusses and adopts measures to minimize and counter the risks identified in the course of organizational and process-related analyses. The project on the introduction of the risk management system has increased management's and executive employees' awareness of risks and ability to address such risks.

Investor Relations

We continued to communicate intensively with our shareholders and investors as well as analysts and the business press in the second quarter of 2004. A general shareholders' meeting of itelligence AG was held for the first time in Bielefeld in May 2004. The shareholders at the meeting approved the Management Board's policy. The shareholders' meeting also voted in favor of all the items on the agenda with a clear majority. The relocation of the Company's registered office from Frankfurt am Main to Bielefeld

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

In numerous meetings with institutional investors and analysts in Frankfurt and London, the Management Board presented itelligence's business strategy and participated in special events such as the SES Research Investors Conference in Frankfurt. The increasing number of institutes which track our Company's performance such as HVB Equity Research, Berenberg Bank and equinet Institutional Services is also an indication of the growing interest in the itelligence share. With improved financial ratios and a free float of 60.5 percent, the itelligence share has remained attractive to private and institutional investors alike.

Outlook

The current business performance underlines our market estimation for the entire year. We are continuing to see growing demand for Outsourcing and Services and aiming to increase this segment's contribution to revenues.

The success of the License and Consulting segments in the traditional and high-end midmarket is being increasingly driven by the supply of high-quality industry-specific solutions. We will strengthen our competitive edge by enhancing itelligence's existing international solutions in our core industries.

2004 will be a year of consolidation for itelligence and focus will continue to be placed on organic growth and the expansion of the earnings potential generated through restructuring.

We are confident that we will meet the expectations for the entire year if the market continues to develop steadily. We expect to generate revenues of between MEUR 125 and MEUR 135 and an EBIT margin of between 4 and 7 percent.



Herbert Vogel
CEO



Jörg Vandreyer
CFO

Shareholder Structure

Changes to the Shareholder Structure in the Second Quarter of 2004

itelligence AG completed a successful capital increase with subscription rights for 3,839,214 new shares on March 31, 2004. The successful placement of the 3,839,214 shares increased the Company's capital stock to 22,287,535 shares. The capital increase was entered in the commercial register at the Frankfurt am Main local court on April 16, 2004.

As of June 30, 2004, itelligence AG's shares were held by:

Vogel family	11.9 percent
Wolfgang Schmidt	5.6 percent
Julius Baer Multistock	8.9 percent
Nobel SA, Paris	8.0 percent
COMINVEST Asset Mgt.	5.1 percent
Free float	60.5 percent

According to the information on July 23, 2004, DWS Investment Gesellschaft owns 5.2 percent of itelligence AG.

Directors' Holdings

Members of the Management Board and Supervisory Board held the following numbers of itelligence shares as of June 30, 2004:

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

* Member of the Supervisory Board since May 27, 2004

** Prof. Dr. Karl Peter Grottemeyer (member of the Supervisory Board since April 1, 2004) and Wolfgang Schmidt were members of the Supervisory Board until May 27, 2004. Hans-Holger Lamb was a member of the Supervisory Board until March 31, 2004.

The members of the Management Board did not hold convertible bonds of itelligence AG as of June 30, 2003. Only the employee representatives on the Supervisory Board hold convertible bonds of itelligence AG: Anke Ruff holds 1,230 and Johannes Cordes holds 1,000.

Service

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

Important Dates in 2004

October 21, 2004	Small/Mid Cap Conference Citigroup Smith Barney, London
November 9, 2004	Publication of the Nine-Month Report

Consolidated Balance Sheets as of June 30, 2004 and 2003 (US-GAAP)

Assets	June 30, 2004 KEUR	June 30, 2003 KEUR	Dec. 31, 2003 KEUR
Current assets			
Cash and cash equivalents	4,375	3,540	7,526
Trade accounts receivable, net	21,621	27,979	22,294
Inventories	319	1,389	350
Other current assets	2,170	1,954	3,181
Deferred taxes	148	163	144
Prepaid expenses	3,159	2,967	830
Assets of businesses held for sale	0	4,039	1,675
Total current assets	31,792	42,031	36,000
Non-current assets			
Deferred taxes	410	275	137
Computer software, net	863	427	967
Goodwill	13,659	15,079	12,867
Property, plant and equipment, net	8,917	8,928	9,161
Financial assets	65	635	606
Restricted cash	1,546	1,605	1,861
Total non-current assets	25,460	26,949	25,599
Total Assets	57,252	68,980	61,599

Liabilities and Shareholders' Equity

	June 30, 2004 KEUR	June 30, 2003 KEUR	Dec. 31, 2003 KEUR
Current liabilities			
Current liabilities due to banks	1,355	9,954	5,580
Current portion of long-term debt	3,574	1,982	2,481
Trade accounts payable	6,946	10,330	8,611
Liabilities due to associated companies	34	44	40
Advance payments received	56	173	3,198
Other accruals	10,374	8,003	10,470
Tax accruals	779	826	697
Other current liabilities	4,257	7,942	7,308
Deferred taxes	119	923	180
Deferred income	4,144	3,561	1,294
Liabilities of businesses held for sale	0	3,528	2,008
Total current liabilities	31,638	47,266	41,867
Non-current liabilities			
Pension liabilities	201	192	177
Convertible bonds to employees	306	542	509
Long-term debt, net of current portion	5,539	8,590	7,907
Deferred taxes	212	0	206
Total non-current liabilities	6,258	9,324	8,799
Total liabilities	37,896	56,590	50,666
Contingent liabilities			
Minority interests from businesses held for sale	0	128	0
Minority interests	312	329	331
Shareholders' equity			
Common stock	22,288	16,771	18,448
Additional paid-in capital	23,198	19,768	20,549
Accumulated deficit	-24,674	-23,081	-26,127
Accumulated other comprehensive loss	-1,768	-1,525	-2,268
Total shareholders' equity	19,044	11,933	10,602
Total Liabilities and Shareholders' Equity	57,252	68,980	61,599

(all figures in KEUR except for the number of shares and earnings per share)	Jan. 1 to June 30, 2004 KEUR	Jan. 1 to June 30, 2003 KEUR	Apr. 1 to June 30, 2004 KEUR	Apr. 1 to June 30, 2003 KEUR
Revenues	64,422	73,184	31,672	36,264
Cost of revenues	-46,409	-55,319	-23,047	-28,617
Gross profit	18,013	17,865	8,625	7,647
Operating expenses				
Marketing and selling expenses	-5,422	-6,748	-2,639	-3,104
Administrative expenses	-9,635	-13,932	-4,283	-7,094
Research and development expenses	-128	-583	-45	-223
Impairment of goodwill	0	0	0	0
Other operating income/expenses, net	60	247	18	150
Total operating expenses	-15,125	-21,016	-6,949	-10,271
Operating result	2,888	-3,151	1,676	-2,624
Other income/expenses				
Income from investments	3	0	0	-1
Loss from foreign currency exchange, net	78	-318	98	-68
Profit from the disposal of financial assets	9	0	0	0
Interest income/expenses, net	-819	-594	-383	-272
Other income/expenses	-729	-912	-285	-341
Result from continuing operations before income taxes and minority interests	2,159	-4,063	1,391	-2,965
Income taxes	-712	-884	-147	-594
Result from continuing operations before minority interests	1,447	-4,947	1,244	-3,559
Minority interests	6	11	14	41
Result from continuing operations	1,453	-4,936	1,258	-3,518
Discontinued operations				
Result from discontinued operations	0	-2,202	0	-1,170
Income taxes	0	179	0	105
Minority interests	0	171	0	98
Result from discontinued operations	0	-1,852	0	-967
Net profit/Net loss	1,453	-6,788	1,258	-4,485
Earnings per share in EUR – basic				
Result from continuing operations before minority interest	0.07	-0.29		
Result from discontinued operations	0.00	-0.11		
Net profit/Net loss	0.07	-0.40		
Earnings per share in EUR – diluted				
Result from continuing operations before minority interest	0.07	n/a		
Result from discontinued operations	0.00	n/a		
Net profit/Net loss	0.07	n/a		
Number of shares used in the calculation of earnings per share:				
– basic	19,408,125	16,771,202		
– diluted	19,815,745	17,442,896		

	Number of shares issued and outstanding	Common Stock KEUR	Additional paid in capital KEUR	Accumulated result KEUR	Accumulated other compre- hensive result KEUR	Total share- holders' equity KEUR	Compre- hensive result KEUR
December 31, 2002	16,771,202	16,771	19,768	-16,293	-533	19,713	
Net result				-6,788		-6,788	-6,788
Capital increase						0	
Foreign currency translation adjustments					-992	-992	-992
Unrealized loss on investments						0	0
Comprehensive result							-7,780
June 30, 2003	16,771,202	16,771	19,768	-23,081	-1,525	11,933	
December 31, 2003	18,448,321	18,448	20,549	-26,127	-2,268	10,602	
Net result				1,453		1,453	1,453
Capital increase	3,839,214	3,839	2,649			6,488	
Foreign currency translation adjustments					460	460	460
Impairment of long-term investments					40	40	40
Comprehensive result							1,953
June 30, 2004	22,287,535	22,288	23,198	-24,674	-1,768	19,044	

	June 30, 2004 KEUR	June 30, 2003 KEUR
Cash flows provided by operating activities		
Net loss for the period/Net profit for the period	1,453	-6,788
Adjustments to reconcile net result to net cash provided by operating activities		
Discontinued operations, net	0	1,852
Depreciation of property, plant, equipment and computer software	1,636	1,470
Gains from the disposal of financial assets	-9	0
Gains from the disposal of non-current assets	18	-4
Changes in operating assets and liabilities		
Decrease/increase in trade accounts receivable	937	3,856
Decrease/increase in inventories	31	567
Prepaid expenses and other current assets	-1,184	-2,371
Decrease/increase in trade accounts payable, associated companies and advance payments received	-1,815	2,050
Decrease/increase in pension liabilities	24	12
Decrease/increase in other current liabilities and accruals	-2,864	-559
Decrease/increase in deferred taxes	-37	54
Decrease/increase in minority interest	-6	-11
Cash flows provided by operating activities	-1,816	128
Cash flows used in investing activities		
Cash used in discontinued operations	-1,541	-2,833
Investments in property, plant, equipment and computer software	-853	-854
Cash received from the disposal of property, plant and equipment and computer software	27	92
Cash received from the disposal of financial assets	593	0
Additional purchase price payments for investments carried out	-454	-367
Cash flows used in investing activities	-2,228	-3,962
Cash flows used in financing activities		
Cash received from issuance of stock, net	6,194	0
Dividends to minority interests	0	-45
Repayment of convertible bonds to employees	-203	-15
Repayment of restricted cash	315	600
Repayment of current liabilities to banks	-4,225	966
Repayment of credit loans to banks	-946	-320
Proceeds of issuance of long-term debt	142	0
Repayments of long-term debt	-493	0
Cash flows used in financing activities	784	1,186
Effect of exchange rate changes on cash and cash equivalents	109	209
Increase/decrease in cash and cash equivalents	-3,151	-2,439
Cash and cash equivalents at the beginning of the period	7,526	5,979
Cash and cash equivalents at the end of the period	4,375	3,540
Supplemental cash flow information		
Cash and cash equivalents	4,375	3,540
Payment of interest	884	715
Payment of income tax	456	493

General Information

The consolidated interim financial statements for the period ended June 30, 2004 were prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP). The consolidated interim financial statements were not reviewed by our auditors and should be read in conjunction with the audited consolidated financial statements as of December 31, 2003 and the notes contained therein. The accounting and valuation methods applied in the consolidated interim financial statements correspond to those applied in the consolidated financial statements as of December 31, 2003.

The consolidated interim financial statements account for all current transactions and cut-offs that management deems necessary to present the interim results accurately. The Company believes that the information and comments presented give a true and fair view of the net assets, financial position and results of operations of the Company.

The Company

itelligence AG was formed in May 2000 by a non-cash contribution. Under the merger agreement signed in May 2000, the principal shareholders of SVC AG, Schmidt Vogel Consulting, Bielefeld, and the shareholders of APCON AG, Hamburg, subscribed for approx. 45 percent and approx. 55 percent, respectively, of the Company's shares.

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

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

Recent Accounting Pronouncements

Please see pages 44 and 45 in the Annual Report 2003.

Discontinued Operations

In fiscal year 2003, the Management Board decided to focus on core divisions by selling companies and pulling out of the Italian market entirely. Applying SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", assets and liabilities, and the operating results of the following companies which have been sold are disclosed as discontinued operations in the consolidated financial statements:

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

All of the companies earmarked for sale had been sold by the time the interim financial statements were prepared.

The 51% shareholding in Honico SYSTEMS GmbH was sold in return for payment of a nominal amount of EUR 1. The sale agreement is final and itelligence no longer holds an interest in the company.

The 100% shareholding in itelligence Italia S.r.l. was also sold in return for payment of a nominal amount of EUR 1. The sale agreement is final and itelligence no longer holds an interest in the company.

The following tables contain additional information relating to the statement of operations with regard to the divisions classified as discontinued operations in the comparative period from January 1 to June 30, 2003:

Revenues	Jan. 1 to June 30, 2003 KEUR
itelligence S.r.l., Italy	1,032
itelligence Italia S.r.l., Italy	0
it-WPS Workplace Solutions GmbH	834
itelligence Financial Solutions GmbH	569
HONICO SYSTEMS GmbH	639
Total revenues	3,074

Statement of Operations	Jan. 1 to June 30, 2003 KEUR
Revenues	3,074
Cost of revenues	-3,720
Gross profit	-646
Total operating expenses	-1,541
Operating revenues	-2,187
Other income/expenses	-15
Earnings before income taxes	-2,202
Income taxes	179
Effect from minority interests	171
Net loss from discontinued operations	-1,852

The table below contains the main asset items from discontinued operations:

June 30, 2003	itelligence S.r.l., Italy	it-WPS	itelligence Financial Solutions	HONICO	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Cash and cash equivalents	373	235	209	66	883
Trade accounts receivable	2,073	184	31	276	2,564
Other assets	135	68	93	94	390
Software and property, plant and equipment	111	27	24	40	202
Total assets	2,692	514	357	476	4,039

Segment Reporting

Management makes operating decisions based on internal reporting for the following business regions: the Americas, Germany and the rest of Europe. The business regions are reportable segments for the purposes of SFAS No. 131.

January 1 to June 30, 2004	Revenues KEUR	EBIT KEUR
Americas	16,221	986
Germany	33,115	1,689
Rest of Europe	16,806	439
Other	13	-52
Consolidation	-1,733	-175
Total	64,422	2,888

January 1 to June 30, 2003	Revenues KEUR	EBIT KEUR
Americas	18,726	1,409
Germany	37,134	-3,801
Rest of Europe	19,507	-520
Other	1,491	-199
Consolidation	-3,674	-40
Total	73,184	-3,151

Restructuring Measures

In response to the ongoing weakness of the IT market and the pressure from external lenders, the Company developed a restructuring program in 2003 and implemented most elements of the program during the fiscal year. For more details please see page 52 of the Annual Report 2003.

The following table shows how the restructuring expenses in fiscal year 2003 have been accounted for in the consolidated financial statements and the development of liabilities and accruals as of June 30, 2004.

	Restructuring expenses in 2003	Included in ... Liabilities/ accruals as of Dec. 31, 2003	Included in ... Liabilities/ accruals as of June 30, 2004
KEUR			
Severance payments	2,126	591	245
Unoccupied rented premises	205	205	205
Total restructuring expenses	2,331	796	450
Cost of external consultants	3,087	539	0
Total	5,418	1,335	450

No major restructuring measures have been or are due to be carried out in 2004.

Depreciation and Amortization

Depreciation of property, plant and equipment and amortization of intangible assets in production, sales and marketing, research and development, and administration came to a total of KEUR 1,636 (prior year: KEUR 1,470).

Income Taxes

This item includes current tax expenses of KEUR 716 (prior year: KEUR 1,097) and deferred tax income of KEUR 4 (prior year: KEUR 213).

Exchange Differences From Financing

The strong euro in relation to the Polish zloty influenced the loan financing in Poland very negatively. The purpose of the loan is to finance the computer center in Poznan.

