



Interim Report 3/2004

itelligence

Key Factors in the First Nine Months of 2004 at a Glance

- Revenues and earnings in the past nine months confirm expectations for the entire year
- Nine-month revenues at MEUR 95.8 with EBIT of MEUR 4.1 and an EBIT margin of 4.3 percent
- Business performance in the third quarter in line with the seasonal trends typical of the industry with quarterly revenues of MEUR 31.4 and EBIT of MEUR 1.2 (EBIT margin of 3.8 percent)
- Revenues from Outsourcing & Services now accounting for 27.5 percent of revenues
- Positive cash flow in the third quarter of 2004

Dear Shareholders,

With revenues of MEUR 31.4 and EBIT of MEUR 1.2, business performance in the last three months has confirmed management's expectations.

In the third quarter, itelligence again demonstrated the beneficial effects and sustainability of the restructuring and realignment implemented in the Group in 2003.

Positive results for the fourth successive quarter are testimony to the success of itelligence structural realignment and clear positioning as a full-service provider for IT solutions in the SAP field for the classical and upper midmarket.

Companies are investing more in IT projects once again with demand for hosting services growing steadily. In our regions, we are witnessing a positive trend in demand in the United States and some parts of eastern Europe. Companies in Germany and some other western European countries are still slower to place new IT projects. The demands of our customers in the classical and upper midmarket have increased considerably over the last few years. The increasing demands are reflected in the professional approach our customers take to planning, placing and supporting these IT projects and commensurate their expectations of an IT provider.

In the classical and upper market, we are increasingly playing the role of navigator for our customers in order to exploit advantages through process improvements and their implementation. The success of an IT service provider hinges on its ability to meet these demands by increasing its know-how and professionalism in implementing IT projects.

In the last few months, itelligence has demonstrated its ability to meet these challenges.

Bolstered by capital increases and improved operating performance, we will also continue to build on our competitive edge. Emphasis will be placed in particular on further expanding our Outsourcing & Services division and on strengthening our industry and process expertise in developing specially tailored (sub) industry solutions. In both areas, we will endeavor to make greater use of the synergies offered by our international presence in the four core regions.

Our Company's extensive industry expertise was underpinned in the third quarter by numerous new projects. For example, the

McLaren Mercedes team is optimizing the development and production processes of its Mercedes Benz Formula 1 racing engines division, Mercedes-Ilmor, with the support of itelligence consultants. They are using itelligence AG's mySAP All-in-One solution, it.automotive. Since October our consultants have been implementing an enterprise template based on it.hightronics at Karl E. Brinkmann GmbH. The MBtech Group, part of the DaimlerChrysler Group, has also chosen itelligence as its consultant and is using the industry solution it.service for accounting, project management and CRM. Other reputable new customers on the books in the last few weeks include Hunter Manufacturing Company, Solon (Ohio), New York Air Brake Corporation, Watertown (New York) and MHD Sudamin GmbH in Duisburg-Wanheim. MHD Sudamin GmbH chose itelligence AG as its consultant and is using our computer center to run its SAP solution.

itelligence announced the roll-out of the mySAP Enterprise Buyer Professional 4.0 (EBP) at WILLY VOGEL AG, Berlin, in the third quarter. Other successful projects were up and running at customers such as Schaudt Mikrosa BWF GmbH, Stuttgart, BOGE KOMPRESSOREN Otto Boge GmbH & Co. KG, Bielefeld, The Sauder Woodworking Company, Archbold, Ohio, SMS Demag Inc., Pittsburgh (Pennsylvania) and Johnsonville Sausage, LLC in Kohler (Wisconsin) in the third quarter.

itelligence reaffirmed its technology leadership in the SAP field in the last quarter. SAP AG appointed itelligence as a Special Expertise Partner SAP NetWeaver (SAP Enterprise Portal (SAP EP) and SAP Exchange Infrastructure (SAP XI)) in October 2004, acknowledging itelligence's extensive customer and project experience in SAP NetWeaver and its SAP NetWeaver components SAP XI and SAP EP. With this award, itelligence is one of the first consultancies to be recognized by SAP for its extensive know-how in the new technology. itelligence AG has been part of the global SAP NetWeaver initiative since February 2004.

At SYSTEMS, SAP AG made itelligence AG a member of its "Operations Quality Initiative", which focuses on quality and service management processes in the hosting segment. The audit conducted documents the high level of technical quality, innovation and security of the systems hosted by itelligence. With the status of "Global Partner Hosting", the company from Walldorf also confirmed our extensive experience in the hosting segment. itelligence thus belongs to a select group of five audited SAP partners worldwide. We consider this to be testimony to our successful positioning in the high-growth Outsourcing market.

Our Company was showcased at this year's SYSTEMS in Munich in October as one of SAP AG's biggest midmarket partners. A key objective at the trade fair was to present itelligence's industry solutions for the midmarket. For the first time, itelligence distributed its brochure on the new midmarket program, "it.compact", with over 40 tailor-made fixed price offers. The "it.compact package" is based on the experience gained by itelligence AG consultants in implementing complex SAP projects for the midmarket. As such, the program includes SAP add-ons developed by itelligence for the midmarket and other human resources, support and logistics services. Furthermore, "it.compact" enables midmarket companies to implement current topics such as business warehouse, product life cycle management or CRM in the SAP environment.

	Jan. 1 to Sept. 30, 2004 in MEUR	Jan. 1 to Sept. 30, 2003** in MEUR	July 1 to Sept. 30, 2004 in MEUR	July 1 to Sept. 30, 2003** in MEUR
Total revenues	95.8	107.4	31.4	34.2
Consulting	59.0	75.1	19.6	24.3
Licenses	10.0	10.3	2.9	2.5
Outsourcing & Services	26.3	21.1	8.8	7.2
Other	0.5	0.9	0.1	0.2
Germany	46.8	53.5	14.7	17.2
Rest of Europe	23.5	25.9	7.4	7.7
Americas	25.5	28.0	9.3	9.3
EBIT	4.1	-5.0	1.2	-1.8
EBIT margin	4.3%	-4.7%	3.8%	-5.2%
Discontinued operations	0.0	-2.7	0.0	-0.5
EBITA	4.3	-3.5	1.4	-0.3
EBITA margin	4.5%	-3.3%	4.5%	-0.9%
EBITDA	6.7	-1.3	2.2	-0.4
EBITDA margin	7.0%	-1.2%	7.0%	-1.2%
Net income/loss according to US-GAAP	2.0	-9.9	0.5	-3.1
Earnings per share	0.1	-0.6		

**Net of discontinued operations

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

Business Performance

itelligence generated total revenues of MEUR 31.4 and an EBIT margin of 3.8 percent in the third quarter. Revenues of MEUR 95.8 and an EBIT margin of 4.3 percent were thus achieved in the first nine months of this fiscal year.

In accordance with SFAS No. 144, the comparative prior-year figures shown in the tables are only adjusted for the sold companies but not the closed companies or exit operations. In comparison to the adjusted prior-year figures*, revenues are down -3.6 percent in the first nine months of 2004. Net of exchange rate differences, revenues are at the prior-year level (-0.6 percent).

In terms of the third quarter, revenues are down 3.8 percent year-on-year*. Net of exchange rate effects, revenues decreased by 1.7 percent.

Differentiated by sales segment in the first nine months of this year, Consulting revenues are down 11.9 percent on the comparative revenues* net of exchange rate effects in the prior period. By contrast, Licenses revenues increased 5.7 percent on the comparative revenues* net of exchange rate effects for 2003. With regard to SAP licenses, an increase of 1.1 percent was achieved. The Outsourcing & Services division performed particularly well. Revenues were up 29 percent on the comparative prior-year revenues* net of exchange rate effects.

Revenues from Outsourcing & Services thus come to 28 percent of total revenues in the third quarter (comparative prior year: 21 percent). Outsourcing & Services accounted for 27.5 percent of revenues in the first nine months (comparative prior year: 19.7 percent). Licenses accounted for 10.4 percent of revenues (comparative prior

year: 9.9 percent). Consulting accounts for 61.5 percent of total revenues (comparative prior year: 68.2 percent). At MEUR 46.8, revenues in Germany were down around 2.1 percent on the comparative revenues* net of exchange rate effects for the prior period. At MEUR 23.5, revenues in the rest of Europe were down 1.8 percent on the comparative prior-year figures* and at MEUR 25.5 matched the prior-year figures* net of exchange rate effects in the Americas.

At around MEUR 84.7, the itelligence Group's orders on hand at the end of the third quarter continued to stand at the same level as in the prior two quarters in 2004.

Earnings Situation

The average daily rates for consultants in the third quarter remained at the level of the second quarter of 2004. The number of fixed price projects has also not changed significantly in comparison to the second quarter of 2004.

Expenses before income taxes were also reduced further in the third quarter of 2004. The positive trend of the four preceding quarters thus continued. Selling and marketing expenses were cut further by around 10 percent in comparison with the second quarter and reduced to 7.6 percent of revenues. This translates into a 22.7 percent decrease for the nine-month period in comparison to the prior-year period.

At MEUR 4.5, general and administrative expenses are slightly higher than in the preceding quarter. In comparison with the prior-year quarter, costs in this area were reduced by around 26 percent. Net of the restructuring expenses from 2003, costs fell effectively by 13.5 percent in the third quarter of 2004. In the nine-month

* 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.

period, general and administrative expenses were reduced by a nominal 29.4 percent and by 18 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.

In comparison to the prior quarter, interest expense was cut by a significant 53.8 percent due to the considerable reduction in the use of short-term bank loans. Research and development expenses were at the level of the prior quarter.

An impairment loss of MEUR 0.2 on goodwill is connected with the retention bonus agreed with the former shareholders in the purchase agreement for Sapryma. The claim arose as of September 30, 2004 and subsequently increased the acquisition cost but was immediately written off due to the impairment loss on the carrying value of the Spanish company recognized in 2003. In accordance with the provisions of the Financial Accounting Standards Board in the United States, itelligence carried out its annual impairment test for goodwill in the third quarter of 2004. This did not result in any further impairment losses.

The gross margin for the third quarter fell slightly in comparison to the second quarter (down -1 percentage point). This was mainly due to the cyclical revenue trend typical of the industry due to weaker Licenses revenues and the vacation situation of customers and consultants as well as the related higher proportion of third-party providers. However, in the first nine months, the gross margin increased from 25.5 percent in the comparative prior-year period to 27.4 percent.

EBIT in the third quarter of 2004 stood at MEUR 1.2 (third quarter of 2003: MEUR -1.8). This represents an EBIT margin of 3.8 percent, translating into a year-on-year improvement in earnings of some MEUR 3.0 in absolute terms. EBIT stood at MEUR 4.1 in the first nine months of 2004 against MEUR -5.0 in the comparable prior-year period. This corresponds to an EBIT margin of 4.3 percent compared with -4.7 percent in the prior-year period, a year-on-year improvement in earnings of MEUR 9.1 in absolute terms. Earnings improved by around MEUR 3.8 as a result of the absence of restructuring costs from 2003, by around MEUR 1.3 due to the absence of impairment losses on goodwill and by MEUR 4.0 due to an improved structure and operational positioning.

Net income according to US GAAP is MEUR 0.5 in the third quarter compared with MEUR -3.1 in the prior-year quarter. Net income according to US GAAP stood at MEUR 2.0 for the first nine months of 2004 (prior year: MEUR -9.9). This represents a profit margin of 2.1 percent (prior year: -9.2 percent) and thus an absolute improvement of MEUR 11.9 in earnings.

Balance Sheet Figures, Investments and Liquidity

The cash flow from operating activities came to MEUR 0.6 in the nine-month period, operating cash flow was dampened by outflows of MEUR 2.3 in connection with restructuring effects which were taken into account in the financial statements for 2003. In the third quarter, the cash flow from operating activities improved by MEUR 2.4.

Outflows in connection with sold companies are disclosed as discontinued operations under investing activities and amount to MEUR -1.6 in the first nine months of 2004. Outflows from investing activities total MEUR -3.0 which, in addition to outflows for discontinued opera-

tions, includes investments of MEUR 1.5 in property, plant and equipment and software and 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 1.5 during the first nine months of 2004, down slightly on the prior year. Capital expenditure focused on Outsourcing & Services and the usual replacements. The cash flow from financing activities came to MEUR -0.1 in the first nine months of the year, and was significantly influenced by the net inflow of MEUR 6.2 from the capital increase, the reduction of MEUR 4.4 in short-term bank liabilities and the repayment of long-term loans of MEUR 2.2. Overall, the net reduction in cash and cash equivalents came to MEUR -2.6 in the first nine months of 2004.

Trade accounts receivables decreased from MEUR 23.5 as of September 30, 2003 to MEUR 21.0 as of September 30, 2004. The ratio of days sales outstanding (DSO) was at 59 days 6 days below the prior year (65 days not adjusted for discontinued operations). In comparison to the second quarter of 2004, the number of DSO was cut by one day at the end of the third quarter.

itelligence achieved an equity ratio of 35 percent (prior year: 15 percent) on the back of the positive business performance and the capital increase implemented in the first half of the year. The ratio of interest-bearing liabilities to the balance sheet total decreased to around 18 percent from some 33 percent in the prior year.

Employees

490 of the 948 staff as of September 30, 2004 were employed in Germany (September 30, 2003: 677) and 458 abroad (September 30, 2003: 498). In comparison to the prior-year period, the number of employees fell by approx. 19.3 percent as a result of the successful capacity adjustments and structural realignment of the itelligence Group in 2003.

Risk Report

Management is establishing a risk management system as an integral part of corporate governance. The project for introducing the integrated risk management system is due to be completed by the end of 2004 in the core areas and will then be continuously improved.

The risk management system will define the accountabilities and responsibilities for business processes, increase management's (risk owner) awareness of potential risks and document the reporting and information requirements in the Company. Standardized reporting and disclosure structures are designed to ensure systematic consideration of risks and risk control. Regular reporting duties and ad hoc reporting ensure that new risks are systematically recorded and addressed and that management regularly reports on potential operational and financial risks, as described in detail in the Annual Report 2003 (pages 32 to 35) and in the second interim report 2004 (pages 4 and 5), is kept abreast of developments and can swiftly respond to changing situations.

Investor Relations

We continued to communicate intensively with our institutional investors, analysts, the business press and investors in the third

quarter of 2004. We communicated itelligence's business strategy to international analysts and investors during presentations and one-on-one meetings, for example at SYSTEMS 2004 in Munich and at the Pan European Small/Mid Cap Conference of Citigroup Smith Barney in London.

Other meetings with investors are planned: itelligence, among others, will take part for the first time in the "Eigenkapitalforum" (German equity forum) held by Deutsche Börse in Frankfurt (November 24, 2004) and the "German Technology Conference" hosted by Commerzbank in Frankfurt (November 16, 2004). Management also maintains close contact with the financial press and regularly informs the media of developments in the Group.

itelligence will continue to make every effort to foster trust by means of targeted and open investor relations activities. The Management Board thus welcomes the extensive changes in ad hoc publicity in the areas of director's dealings and insider law which come into force with the Investor Protection Improvement Act (AnSVG).

Outlook

Current business performance underpins our market assessment for the entire year.

We will strengthen our leading position in the SAP midmarket business on an international level by optimizing itelligence's existing solutions in our core industries.

In addition, we aim to increase revenues from Outsourcing & Services as a percentage of total revenues. Growing demand coupled with the successful results for Outsourcing & Services in the third quarter in Germany, Poland and in the United States confirm this expectation, which is supported by the realignment of the Outsourcing division in the United States. The business model will also be used in other regions.

The Global Partner Hosting status underscores itelligence's ability to offer consistently high quality hosting services on an international level.

2004 will be a year of consolidation for itelligence and we will continue to place emphasis on improving profitability, organic growth and capitalizing on 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 Vandrei
CFO

Shareholder Structure

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

Vogel family	11.9 percent
Julius Baer Multistock	8.9 percent
Nobel SA, Paris	8.0 percent
COMINVEST Asset Mgt.	6.2 percent
Free float	65.0 percent

Directors' Holdings

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

Management Board	Shares
Herbert Vogel	1,907,286
Jörg Vandrei	0

Supervisory Board

Prof. Dr.-Ing. Peter-Jürgen Kreher (chairman)	0
Johannes Cordes (deputy chairman and employee representative)	833
Fritz Fleischmann	0
Erwin Gunst	0
Dr. Lutz Mellinger	0
Anke Ruff (employee representative)	0

The members of the Management Board did not hold any convertible bonds of itelligence AG as of September 30, 2004. Only the employee representatives on the Supervisory Board hold convertible bonds of itelligence AG: Anke Ruff holds 1,230 and Johannes Cordes holds 1,000.

Service

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

Important Dates in 2004/2005

November 16, 2004	German Technology Conference hosted by Commerzbank, Frankfurt
November 24, 2004	Deutsches Eigenkapitalforum, Frankfurt
June 2, 2005	General shareholder's meeting 2005, Bielefeld

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

Assets	Sept. 30, 2004 KEUR	Sept. 30, 2003 KEUR	Dec. 31, 2003 KEUR
Current assets			
Cash and cash equivalents	4,966	3,696	7,526
Trade accounts receivable, net	20,981	23,460	22,294
Inventories	377	1,454	350
Other current assets	2,029	2,239	3,181
Deferred taxes	146	190	144
Prepaid expenses	2,080	1,828	830
Assets of businesses held for sale	0	2,355	1,675
Total current assets	30,579	35,222	36,000
Non-current assets			
Deferred taxes	403	260	137
Computer software, net	845	450	967
Goodwill	13,634	13,413	12,867
Property, plant and equipment, net	8,826	9,314	9,161
Financial assets	68	587	606
Restricted cash	1,516	1,873	1,861
Total non-current assets	25,292	25,897	25,599
Total Assets	55,871	61,119	61,599

Liabilities and Shareholders' Equity

	Sept. 30, 2004 KEUR	Sept. 30, 2003 KEUR	Dec. 31, 2003 KEUR
Current liabilities			
Current liabilities due to banks	1,157	9,988	5,580
Current portion of long-term debt	3,510	2,639	2,481
Trade accounts payable	7,868	7,719	8,611
Liabilities due to associated companies	50	51	40
Advance payments received	133	150	3,198
Other accruals	10,393	10,053	10,470
Tax accruals	852	624	697
Other current liabilities	4,430	6,897	7,308
Deferred taxes	111	966	180
Deferred income	2,072	2,428	1,294
Liabilities of businesses held for sale	0	2,362	2,008
Total current liabilities	30,576	43,877	41,867
Non-current liabilities			
Pension liabilities	213	204	177
Convertible bonds to employees	306	518	509
Long-term debt, net of current portion	4,861	7,611	7,907
Deferred taxes	209	0	206
Total non-current liabilities	5,589	8,333	8,799
Total liabilities	36,165	52,210	50,666
Contingent liabilities			
Minority interests	312	318	331
Shareholders' equity			
Common stock	22,288	16,771	18,448
Additional paid-in capital	23,198	19,768	20,549
Accumulated deficit	-24,140	-26,187	-26,127
Accumulated other comprehensive loss	-1,952	-1,761	-2,268
Total shareholders' equity	19,394	8,591	10,602
Total Liabilities and Shareholders' Equity	55,871	61,119	61,599

Consolidated Statements of Income for the Period Jan. 1 to Sept. 30, 2004 and 2003 (US GAAP)

(all figures in KEUR except for the number of shares and earnings per share)	Jan. 1 to Sept. 30, 2004 KEUR	Jan. 1 to Sept. 30, 2003 KEUR	July 1 to Sept. 30, 2004 KEUR	July 1 to Sept. 30, 2003 KEUR
Revenues	95,833	107,382	31,411	34,198
Cost of revenues	-69,585	-79,970	-23,176	-24,651
Gross profit	26,248	27,412	8,235	9,547
Operating expenses				
Marketing and selling expenses	-7,800	-10,085	-2,378	-3,337
Administrative expenses	-14,163	-20,064	-4,528	-6,132
Research and development expenses	-146	-780	-18	-197
Impairment of goodwill	-200	-1,467	-200	-1,467
Other operating income/expenses, net	156	-7	96	-254
Total operating expenses	-22,153	-32,403	-7,028	-11,387
Operating result	4,095	-4,991	1,207	-1,840
Other income/expenses				
Income from investments	8	8	5	8
Loss from foreign currency exchange, net	166	-351	88	-33
Profit from the disposal of financial assets	9	0	0	0
Interest income/expenses, net	-996	-1,013	-177	-419
Other income/expenses	-813	-1,356	-84	-444
Result from continuing operations before income taxes and minority interests	3,282	-6,347	1,123	-2,284
Income taxes	-1,301	-1,247	-589	-363
Result from continuing operations before minority interests	1,981	-7,594	534	-2,647
Minority interests	6	2	0	-9
Result from continuing operations	1,987	-7,592	534	-2,656
Discontinued operations				
Result from discontinued operations	0	-2,732	0	-530
Income taxes	0	111	0	-68
Minority interests	0	319	0	148
Result from discontinued operations	0	-2,302	0	-450
Net profit/Net loss	1,987	-9,894	534	-3,106
Earnings per share in EUR – basic				
Result from continuing operations before minority interest	0.10	-0.45		
Result from discontinued operations	0.00	-0.14		
Net profit/Net loss	0.10	-0.59		
Earnings per share in EUR – diluted				
Result from continuing operations before minority interest	0.10	n/a		
Result from discontinued operations	0.00	n/a		
Net profit/Net loss	0.10	n/a		
Number of shares used in the calculation of earnings per share:				
– basic	20,367,928	16,771,202		
– diluted	20,741,621	17,313,049		

	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				-9,894		-9,894	-9,894
Capital increase						0	
Foreign currency translation adjustments					-1,172	-1,172	-1,172
Unrealized loss on investments					-56	-56	-56
Comprehensive result							-11,122
September 30, 2003	16,771,202	16,771	19,768	-26,187	-1,761	8,591	
December 31, 2003	18,448,321	18,448	20,549	-26,127	-2,268	10,602	
Net result				1,987		1,987	1,987
Capital increase	3,839,214	3,839	2,649			6,488	
Foreign currency translation adjustments					276	276	276
Impairment of long-term investments					40	40	40
Comprehensive result							2,303
September 30, 2004	22,287,535	22,288	23,198	-24,140	-1,952	19,394	

	Sept. 30, 2004 KEUR	Sept. 30, 2003 KEUR
Cash flows provided by operating activities		
Net loss for the period/Net profit for the period	1,987	-9,894
Adjustments to reconcile net result to net cash provided by operating activities		
Discontinued operations, net	0	2,302
Depreciation of property, plant, equipment and computer software	2,428	2,210
Impairment of goodwill	200	1,467
Gains from the disposal of financial assets	-9	0
Gains/Losses from the disposal of non-current assets	140	-4
Changes in operating assets and liabilities		
Decrease/increase in trade accounts receivable	1,579	8,375
Decrease/increase in inventories	-27	502
Prepaid expenses and other current assets	-47	-1,517
Decrease/increase in trade accounts payable, associated companies and advance payments received	-902	-554
Decrease/increase in pension liabilities	36	24
Decrease/increase in other current liabilities and accruals	-4,725	-912
Decrease/increase in deferred taxes	-39	85
Decrease/increase in minority interest	-6	-2
Cash flows provided by operating activities	615	2,082
Cash flows used in investing activities		
Proceeds from sale of discontinued operations net of cash provided	0	-433
Cash used in discontinued operations	-1,610	-2,525
Investments in property, plant, equipment and computer software	-1,512	-1,613
Cash received from the disposal of property, plant and equipment and computer software	38	92
Cash received from the disposal of financial assets	593	0
Additional purchase price payments for investments carried out	-523	-367
Cash flows used in investing activities	-3,014	-4,846
Cash flows used in financing activities		
Cash received from issuance of stock, net	6,194	0
Repayment of convertible bonds to employees	-203	-39
Repayment of restricted cash	345	332
Repayment of current liabilities to banks	-4,423	1,000
Repayment of credit loans to banks	-1,184	-543
Proceeds of issuance of long-term debt	142	0
Repayments of long-term debt	-985	0
Cash flows used in financing activities	-114	750
Effect of exchange rate changes on cash and cash equivalents	-47	-269
Increase/decrease in cash and cash equivalents	-2,560	-2,283
Cash and cash equivalents at the beginning of the period	7,526	5,979
Cash and cash equivalents at the end of the period	4,966	3,696
Supplemental cash flow information		
Cash and cash equivalents	4,966	3,696
Payment of interest	1,107	1,164
Payment of income tax	790	562

General Information

The consolidated financial statements for the period ended September 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, Russia and the Ukraine. The subsidiaries in Norway, France and Brazil have been closed.

Recent Accounting Pronouncements

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

Goodwill

Goodwill was tested for impairment in accordance with SFAS No. 142 in the third quarter. The reporting units were valued using DCF and multiplier methods (based on revenues and EBITDA). The annual test did not result in the recognition of any impairment loss other than the impairment loss of MEUR 0.2 (prior year: MEUR 1,467) connected with the retention bonus agreed with the former shareholders in the purchase agreement for Sapryma.

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 has a continuing involvement 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 has a continuing involvement 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 September 30, 2003:

Revenues	Jan. 1 to Sept. 30, 2003
	KEUR
itelligence S.r.l., Italy	1,038
itelligence Italia S.r.l., Italy	398
it-WPS Workplace Solutions GmbH	1,152
itelligence Financial Solutions GmbH	679
HONICO SYSTEMS GmbH	937
Total revenues	4,204

Statement of Operations	Jan. 1 to Sept. 30, 2003
	KEUR
Revenues	4,204
Cost of revenues	-5,177
Gross profit	-973
Total operating expenses	-1,745
Operating revenues	-2,718
Other income/expenses	-14
Earnings before income taxes	-2,732
Income taxes	111
Effect from minority interests	319
Net loss from discontinued operations	-2,302

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

Sept. 30, 2003	itelligence S.r.l., Italy	itelligence S.r.l., Italy	it-WPS	itelligence Financial Solutions	HONICO	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Cash and cash equivalents	0	125	225	62	64	476
Trade accounts receivable	0	1,122	209	65	209	1,605
Other assets	0	1	48	16	90	155
Software and property, plant and equipment	0	39	20	22	38	119
Total assets	0	1,287	502	165	401	2,355

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 Sept. 30, 2004	Revenues	EBIT
	KEUR	KEUR
Americas	25,534	1,780
Germany	48,244	1,822
Rest of Europe	24,801	551
Other	13	-52
Consolidation	-2,759	-6
Total	95,833	4,095

January 1 to Sept. 30, 2003	Revenues	EBIT
	KEUR	KEUR
Americas	28,008	2,286
Germany	55,056	-5,002
Rest of Europe	27,838	-1,965
Other	1,990	-348
Consolidation	-5,510	37
Total	107,382	-4,991

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 September 30, 2004.

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

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 2,428 (prior year: KEUR 2,210).

Income Taxes

This item includes current tax expenses of KEUR 1,306 (prior year: KEUR 1,457) and deferred tax income of KEUR 5 (prior year: KEUR 210).

Exchange Differences From Financing

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

