

itelligence powered by APCON & SVC

3/2000

Highlights

- Merger to form itelligence a success
- Sales up to EUR 102.7m, EBIT before integration costs EUR 9.8m
- Strong demand for customized e-business solutions

Merger to form itelligence AG

a Success

On September 4 the itelligence share was listed on the 'Neuer Markt' for the first time. More than 96 percentage of SVC shareholders had swapped their shares for shares of itelligence AG at a ratio of 1 : 1. The popularity of the share swap confirmed the new strategy linked to the merger of SVC and APCON. Work is under way to complete the integration and merger of SVC AG and APCON AG in itelligence AG under corporate law. A resolution to this effect is set to be adopted at the Supervisory Board meeting on December 19.

As complex e-business projects go to show, the best results can be achieved by teams that unite IT experts (APCON) and SAP experts (SVC) at all levels. The new itelligence organization will therefore fuse all IT and SAP units, right down to the 43 sales agencies worldwide. The two units will also be combined in the management board.

Business Development

This is the first quarterly report of itelligence AG. The previous year's figures are based on the SVC AG quarterly reports and the statistically computed quarterly figures of APCON AG. After lower than expected growth of only 21.8 percentage in the first six months, sales rose by 34.7 percentage in the third quarter. Overall, sales in the first nine months climbed from EUR 81.3m in the prior year to EUR 102.7m. This represents an increase of 26 percentage. Business continued to become more international. In the period under review itelligence was already generating 39.2 percentage of its sales abroad. The signs are that growth will accelerate further in the fourth quarter.

The result in the first nine months was largely due to the merger to form itelligence AG and the accompanying strategic realignment to become an e-business integrator. Disregarding planned one-off integration costs, EBIT comes to EUR 9.8m or 9.5 percentage of sales. The result after tax was EUR 4.8m or, after integration costs, EUR 0.1m. Excluding these one-off special effects, earnings per share were EUR 0.29 as against EUR 0.15 for the SVC share at the same time last year. This represents an increase of 93 percentage.

The merger tied up considerably more human resources than planned in the first nine months. However, this pres-

sure eased in the third quarter. This, and a further upturn in business, were the reasons why the adjusted after-tax result in the third quarter rose from EUR 1.2m in the previous year to EUR 1.9m. EBIT improved accordingly to EUR 3.8m or 10 percentage of sales.

Investments

In the third quarter investment activities focused on internationalization, with a 100 percentage stake in e.coetry CHAPTEC being acquired in the USA. Additional funds went towards building up the branches in Italy and the United Kingdom. The newly founded itelligence VC Holding GmbH acquired a 4 percentage interest in Heiler Software AG in the run up to its IPO. Another focus of investment activities were the itelligence industry solutions. A total of EUR 3.6m was booked as development expenses.

Strong Demand for customized E-Business Solutions

Demand for customized e-business solutions has picked up over the last few months. itelligence is a leading implementor of mySAP.com products. A number of SAP online stores and procurement solutions were installed on behalf of customers. Attractive contracts were also acquired on the strength of investments in building up know-how of other e-business technologies. One such project was the joint development of an electronic marketplace for the European copper industry in conjunction with Norddeutsche Affinerie, Europe's largest producer of copper. itelligence designed

this vertical solution in cooperation with Norddeutsche Affinerie. This solution combines suppliers and customers through optimizing of each process step in the internet. Beside sales of copper also recycling is part of it. The project includes web strategy consulting, IT development and web design. With many years of experience of the metalworking industry and a thorough knowledge of its processes, itelligence was able to efficiently connect and fully integrate this solution in the ERP systems such as SAP R/3 using its own software tools.

Norddeutsche Affinerie also awarded itelligence AG the contract for the operation and maintenance of the copper-online marketplace.

Outsourcing, ASP and Services

The outsourcing business also performed well. In its own computer centers, itelligence supports internally developed ASP solutions, SAP solutions and individual IT systems for numerous large and medium-sized companies. The operation of complex marketplaces is particularly attractive at the moment. Here, the company has succeeded in winning a number of outsourcing projects. One such project is the operation of a complete mySAP.com marketplace environment with major international users for the SAP subsidiary, SAPHosting. To accommodate the considerable growth in this area, itelligence is currently investing in expanding capacities at its computer centers in Bautzen and Bielefeld.

itelligence is also investing heavily in the ASP capability of its industry solutions. This is an area in which the company has gained an enormous level of industry process know-how in

its many years of consulting experience. itelligence has a number of industry solutions which are marketed by its own sales agencies and partners and are operated from its own outsourcing centers. In the service segment itelligence entered into an alliance with the SAP subsidiary, SAPMarkets, in the third quarter; this partnership is initially limited to two years. itelligence will support SAPMarkets, especially in e-procurement and e-marketplace and the new MarketSet. As a special focus, this alliance will tackle customer problems. The development support project is yet another example of the successful partnership with SAP AG.

Strengthening E-Business

Know-How through Investments

itelligence entered into a strategic alliance with Heiler Software AG, also listed in Frankfurt's Neuer Markt. Both companies will work together closely to develop new e-business technologies. The primary goal is to enable all processes in an industry to be tracked and handled throughout the supply chain – across all trading, production, storage and delivery stages.

Via its newly founded venture capital company itelligence acquired a 4 percentage interest in Heiler Software AG in the run up to its IPO. itelligence is planning to constantly expand its know-how and product portfolio in the future by means of strategic alliances and investments in technology leaders.

Internationalization

Parallel to the strategic realignment of itelligence AG, progress was made in internationalization in the last quarter. With SAPRYMA S.L. itelligence has taken over one of Spain and Portugal's largest SAP and e-business consultants. With 120 employees at 6 branches the new subsidiary is present throughout Spain and therefore is a stepping stone for the expansion of the itelligence

branch network to the South American continent. In the United States itelligence increased its exclusive distribution right for SAP products to medium-sized companies to 13 states, becoming the leader in this field. These states account for 33 percentage of all medium-sized US firms. Apart from license sales, this acquisition offers a particularly lucrative potential for growth in the consulting and service business.

Employees

On September 30, 2000 itelligence employed 1,241 people worldwide. This is 42 percentage more than in the previous year (874 employees as of September 30, 1999). In the current fiscal year, large sums were invested in employee training, especially in mySAP.com and new e-business technologies such as Heiler and Intershop.

Outlook

The new itelligence AG business model has met with widespread acclaim.

Customers and investors alike have backed the Management Board in its bid to strategically position itelligence as the leading e-business integrator, with an international perspective and ASP-capable one-stop solutions. The market demands that companies involved in e-business provide a full range of services covering all fields – from

strategy consulting to system implementation and integration, from front office and back office to web design. itelligence offers such a comprehensive range of services and technologies. Coupled with in-depth industry know-how, itelligence has an outstanding market position worldwide.

The strategic reorganization, investments in international business and unique products have paved the way for future dynamic development. With extensive resources being tied up in the merger process until the end of the third quarter, the Management Board now expects annual sales to fall short of the originally targeted 49 percentage growth to EUR 167.9m. Nevertheless, the company will refrain from short-term income-optimization measures in the fourth quarter, as in the third quarter, and will continue to concentrate on investing in international expansion

and its own products. The order situation for the fourth quarter is excellent. The atypical year and the short-term license business make it difficult to forecast the final result for the year. However, it is unlikely that the targeted EBIT growth of 60 percentage to EUR 17.5m (before integration costs) will be reached for the reasons mentioned above. In the last few weeks a large number of attractive high-volume orders were acquired, which points to a very promising first quarter in 2001.

Service

All itelligence AG reports can be downloaded from the Internet. At www.itelligence.de you will find reports in German and English. At this Internet address (Investor Relations/Dialog) you can also register by e-mail for entry in the mailing list to receive the latest news and press releases.

Dates

Mid-March 2001	Publication of annual report
April 2001	Results press conference and analyst meeting
Mid-May 2001	Publication of three month report
June 2001	Annual meeting
Mid-August 2001	Publication of six month report
Mid-November 2001	Publication of nine month report

Consolidated Balance Sheets according to US-GAAP

Assets	30. 9. 00 million Euro	31. 12. 99 million Euro
Current Assets		
– Cash and cash equivalents	12.02	33.32
– Trade accounts receivable	40.35	29.59
– Inventories	1.60	0.82
– Other current assets	4.35	1.62
– Prepayments	1.26	1.16
Total Current Assets	59.58	66.51
Non-Current Assets		
– Deferred taxes	2.19	0.81
– Other non-current assets	0.12	0.07
– Financial assets	4.20	0.29
– Intangible assets	15.81	8.65
– Property, plant and equipment	8.88	7.12
Total Non-Current Assets	31.20	16.94
Total Assets	90.78	83.45

Liabilities and Shareholders' Equity	30. 9. 00 million Euro	31. 12. 99 million Euro
Current Liabilities and Accruals		
- Short-term financial debt	5.90	5.07
- Trade accounts payable	12.11	11.57
- Liabilities to associates	0.00	0.17
- Advance payments	0.41	0.51
- Other accruals	11.22	6.34
- Other current liabilities	4.91	4.88
- Deferred taxes	1.04	0.95
- Accrued taxes	3.68	4.25
- Deferred income	2.07	1.53
Total Current Liabilities and Accruals	41.34	35.27
Non-Current Liabilities and Accruals		
- Pension reserves	0.32	0.29
- Bonds	0.50	0.53
- Long-term financial debt	3.35	3.07
- Deferred taxes	0.02	0.02
Total Non-Current Liabilities and Accruals	4.19	3.91
Minority Interest	0.93	0.22
Shareholders' Equity		
- Share capital	16.36	16.76
- Capital reserves	19.77	19.77
- Cumulative translation adjustment	0.74	0.13
- Retained earnings	7.44	7.39
Total Shareholders' Equity	44.31	44.05
Total Liabilities and Shareholders' Equity	90.78	83.45

Consolidated Statements of Income according to US-GAAP

	1. 1. – 30. 9. 00 million Euro	1. 1. – 30. 9. 99 million Euro
Sales	102.68	81.27
Cost of Sales	-75.38	-59.34
Gross Income	27.30	21.93
Selling	-10.57	-6.68
Research and Development Expenses	-3.63	-0.27
General and Administration	-13.09	-6.57
Goodwill Amortization	-1.09	-0.44
Other Operating Income/Expense, Net	1.18	0.31
Operating Income	0.10	8.28
Income from Investments	0.00	0.01
Interest Income, net	0.35	0.13
Income before Tax	0.45	8.42
Income Taxes	-0.23	-4.71
Net Income before Minority Interest	0.22	3.71
Minority Interest	-0.13	-0.05
Net Income	0.09	3.66

Consolidated Statements of Cash Flow according to US-GAAP

	30. 9. 00 million Euro	31. 12. 99 million Euro
Net income	0.09	4.89
Minority interest	0.13	0.09
Net income before minority interest	0.22	4.98
Amortization and depreciation	3.13	2.55
Changes in pension reserves	0.02	0.08
Changes in other non-current liabilities and accruals	0.29	-0.16
Changes in inventories	-0.78	-0.32
Changes in trade accounts receivable	-10.76	-9.97
Changes in deferred tax assets	-1.37	-0.66
Changes in other current assets	-2.83	-1.52
Changes in other non-current assets	-0.05	-0.07
Changes in trade accounts payable and advance payments	0.27	4.32
Changes in other current liabilities and accruals	4.98	5.06
Cash flow from operating activities	-6.88	4.29
Investments in intangible assets and property, plant and equipment	-12.05	-11.07
Changes in financial assets	-3.91	-0.23
Purchase of minority interest	0.58	-0.05
Change in unappropriated profits brought forward	-0.04	0.00
Cash flow from investing activities	-15.42	-11.35
Capital increase and contribution for capital increase	-0.40	5.17
Premium from capital increase	0.00	17.17
Profit distributions, net	0.00	-3.25
Profit distribution to minority shareholders	0.00	-0.03
Issue of convertible and option bonds	-0.03	0.53
Changes in medium and long-term financial debt	0.00	2.99
Cash flow from financing activities	-0.43	22.58
Decrease in pro forma adjustment item	0.00	-0.10
Foreign exchange rate differences	0.60	0.13
Net change in cash and cash equivalents (term under 3 months)	-22.13	15.56
Cash and cash equivalents as of January 1	28.25	12.69
Cash and cash equivalents as of Sept. 30, 2000/Dec. 31, 1999	6.12	28.25

itelligence AG

Westendstrasse 16-22 ▪ D-60325 Frankfurt

Phone: (+49) 69/714 02-0 ▪ Fax: (+49) 69/714 02-222

Investor Relations

Katrin Schlegel

Gadderbaumer Strasse 19 ▪ D-33602 Bielefeld

Phone: (+49) 5 21/9 14 48-0 ▪ Fax: (+49) 5 21/9 14 45-1

e-mail: dialog@itelligence.de ▪ www.itelligence.de