

itelligence

3/2001

Letter to the shareholders

Dear Shareholders,

In the first nine months of fiscal year 2001, we increased sales to EUR 129.3m from EUR 102.7m in the prior year. Despite the generally subdued economic situation and a weak IT market, we achieved 25.9 percent sales growth. This puts us on target for fiscal year 2001 as a whole.

Positive EBITDA of EUR 0.1m is indicative of a turnaround in the third quarter. Following EBITDA of minus EUR 0.8m in the first half of 2001, EBITDA now comes to minus EUR 0.7m after nine months. We are confident of achieving balanced EBITDA for fiscal year 2001 as a whole, despite the difficult market environment that continues to prevail in the United States.

For the first time in 2001, we achieved a positive cash flow from operating activities of EUR 0.6m, after minus EUR 4.3m in the first quarter and minus EUR 4.0m in the second quarter. Meanwhile, we clearly see a further improvement in liquidity.

Restructuring Program 2001

We launched an extensive restructuring program mid-year in response to the earnings situation. The multi-level program comprises measures focusing on both a strategic optimization of our business organization and a clear improvement of the cost situation. We implemented the second set of measures in the third quarter.

In September 2001 we restructured the German SAP division. The entire division is now organized according to industries and service lines. This has created a stronger focus on the one hand and achieved better central control of sales processes on the other. SAP AG served as the model for restructuring, with close consultation throughout. Aside from focused customer support, this move places greater emphasis on closer collaboration with SAP.

To improve our results of operations in the long term, we have been establishing more efficient structures in the areas of administration, research and development and sales since May 2001. The steps taken are beginning to show results. We expect to feel the full effect of all measures under the restructuring program on sales and results of operations in the first half of 2002.

SAP

We measure our performance and skills in the three divisions of SAP and Customized IT Consulting and Outsourcing & Services on the basis of our customer projects each and every day. The beginning of the second half of the fiscal year sees us positioned as one of the most important SAP partner companies operating on an international scale. Business in the consulting field developed most satisfactorily. Our consultants have been working to target capacity since the beginning of September. In contrast, the SAP licensing business continued to be sluggish, although demand did increase at the end of the third quarter. All in all, we won numerous new customers in the third quarter of 2001 thanks to the quality of our services and our extensive portfolio, which were singled out for distinction by SAP AG for the fourth year running. We bring our many years of industry experience as

well as our SAP expertise and special technology know-how to our customer projects. In the metallurgical industry especially, we have been able to extend our steadily growing expertise over the last twelve months, with seven customers from the steel/metal-working industry alone, including Wieland-Werke AG and EKO Stahl GmbH. This makes itelligence the leader in the implementation of SAP solutions for the metal-producing and metal-working industry in Europe.

With its specific cross-industry and technology expertise, itelligence is optimally equipped for Customer Relationship Management (CRM). Out of more than 200 SAP service providers itelligence AG's quality and expertise were singled out by SAP Germany for the award "Special Expertise Partner mySAP CRM". Our CRM team has demonstrated its extensive expertise at companies such as Melitta System

Service GmbH & Co. KG. We set up an upgradeable CRM tool for the coffee machine producer's external sales force. This involved our CRM specialists adapting the mySAP CRM component Mobile Sales to the customer's needs. The result is a solution that allows Melitta SystemService not only to control activities between the sales and technical customer service departments, but also to make mobile customer data management available to the sales staff. Next itelligence will extend the customer's CRM system to include other user groups, such as service and marketing.

Customized IT Solutions

The Customized IT business had a satisfactory third quarter. The division won several new projects, including a consulting engagement for Norddeutscher Rundfunk (NDR), the public broadcaster in northern Germany. Our team is designing a meta directory for NDR and a concept for the migration of the existing Microsoft Windows NT 4 server environment to the Microsoft Windows 2000 server and Microsoft Active Directory. Centralized user administration will be introduced for the systems linked to the meta directory, such as SAP, Lotus Notes, HiCom, the telephone system etc., and the entire client/server environment will be upgraded to the state of the art at

the state broadcasting centers in Hamburg, Lower Saxony, Mecklenburg-West Pomerania and Schleswig-Holstein as well as the associated regional studios.

The satisfaction of our customers tells us that we have the right focus. Bearing in mind the effects expected from the restructuring program, we look to 2002 with every confidence. In 2001 we have

established a platform which will allow itelligence to compete more effectively in the marketplace and increase the value of the business on a lasting basis. We succeeded in generating a positive cash flow from operating activities for the first time in the third quarter of 2001. This is a turnaround which we intend to achieve for all of itelligence AG's other key performance indicators in 2002.

Herbert Vogel

Key figures itelligence 01.01.- 30.09.

million Euro	itelligence 01.01.-30.09.2001	itelligence 01.01.-30.09.2000
Sales	129,3	102,7
Consulting	103,3	77,9
Licenses	9,2	15,6
Outsourcing & Services	15,6	7,2
other	1,2	2,0
Germany	67,1	61,8
Rest of Europe	32,3	18,2
America	29,9	22,7
EBIT	-6,3	0,1
EBIT margin	-4,9%	0,1%
EBITDA	-0,7	3,2
Net result acc. to US-GAAP	-4,8	0,1
Earnings per Share	-0,29	0,01
Employees at the end of the period	1.502	1.241

Sales

In the first nine months of the current fiscal year, itelligence AG increased its sales by 25.9 percent to EUR 129.3m, up from EUR 102.7m in the prior-year period.

EUR 67.1m of total sales in the reporting period were generated in Germany, EUR 62.2m abroad. This means that foreign sales account for almost one half of total sales. At EUR 32.3m, sales in the rest of Europe rose considerably against the same period last year (EUR 18.2m). While Germany only recorded a slight increase in sales (8.6 percent), sales in the United States were up by 31.7 percent from EUR 22.7m to EUR 29.9m.

In the first nine months, itelligence generated 32,6 percent sales growth in the consulting business, with sales at EUR 103.3m. The performance of the Outsourcing & Services segment was particularly pleasing. At EUR 15.6m, this division's sales have more than doubled since last year (EUR 7.2m). By contrast, the licensing business continued to be slow.

At EUR 9.2 million (previous year: EUR 15.6 million), licence sales were, however, in line with the company's conservative expectations in view of the general market development. This was in particular attributable to even weaker IT spending by US companies which had already started to show restraint at the beginning of the year.

Earnings Situation

In the first three quarters of 2001, EBITDA came to minus EUR 0.7m. This is an improvement in EBITDA in the third quarter following minus EUR 0.8m in the first half of 2001.

Nine months into the fiscal year, EBIT amounted to minus EUR 6.3m as compared with EUR 0.1m in the same period last year. Write-downs of receivables by EUR 2.7m affected earnings in the current year (EUR 0.5m in the third quarter). The costs associated with the restructuring program, such as severance payments, also had a one-off impact on earnings. All the costs related to the restructuring program will be recognized in the current fiscal year.

Price and Cost Trend

In the first nine months, prices remained unchanged compared with the first half of 2001. The most important cost factors in research and development and sales and marketing were improved.

In research and development alone, costs in the third quarter only increased by EUR 0.7m, amounting to EUR 3.6m as of September, 30.

Capital Expenditure

Capital expenditure came to EUR 5.9m as of September 30, 2001, the third quarter accounting for EUR 1.0m of this amount. Most of the overall spending went towards the new building in Bielefeld, which houses a client training center and a new computer center. Itelligence also invested in extending its computer center in Bautzen.

Investment allowances for the computer center in Bautzen were recognized as a reduction of the acquisition cost. Net of these allowances, total capital expenditure amounted to EUR 1.5m in the current fiscal year. Research and development investments of EUR 3.6m were posted immediately to expenses as in the past.

Research and Development

Research and development was given a facelift as part of the restructuring program, giving it greater customer and market focus. Itelligence was able to further develop promising service lines and technologies while still cutting costs considerably. Examples include improved project implementation methods and technologies as well as ASP solutions, electronic purchasing with Catalog Services and a solution for tax and business audits in close cooperation with SAP and Wago Curadata. All solutions are ready to be put to use. Itelligence AG also invested in the successful new CRM division in the last nine months.

Employees

As of September 30, 2001 itelligence AG employed 1,502 people compared with 1,241 at the same time last year. The restructuring process affected personnel policy in the third quarter. Personnel in the SAP division were reshuffled in order to create operating units in tune with the market. In the United States itelligence adjusted its structures in response to the market situation, streamlining the areas of sales and marketing, administration and consulting. In this context, the Management Board was forced for the first time in company history to part with 50 employees in Germany. 40 people were laid off in the United States. However, in order to constantly maintain the high standard of know-how expected of an IT company, management intends to adhere to its long-term personnel policy. At the end of the year, the Management Board expects itelligence to have around 1,450 employees.

Investor Relations

Shareholders were the focus of attention at the beginning of the third quarter. At the general meeting of shareholders in Frankfurt on August 8, itelligence AG reported on fiscal year 2000 and brought its shareholders up to date on the current fiscal year. One year after the beginning of the merger process, the Management Board and Supervisory Board were able to announce to shareholders the completion of the merger of APCON and SVC to form itelligence AG.

Having assumed responsibility for investor relations, CEO Herbert Vogel cultivated relations with shareholders and the financial community in the third quarter. In addition to numerous meetings with the financial press and analysts, Herbert Vogel presented the company at Commerzbank AG's analysts' conference in Heidelberg in August.

Outlook on profitability and order situation

The company is set to complete its extensive restructuring program at the end of the current fiscal year 2001. The Management Board expects the results of restructuring to take full effect in the first half of 2002.

With a more efficient structure now in place across all divisions, the company is well positioned for 2002, especially in light of the poor market situation in the industry and the economy as a whole. The Management Board expects to see a continuation of the excellent performance by Outsourcing & Services. The current order situation in the licensing business will see the divisions faring much better from the fourth quarter of 2001.

All in all, the Management Board stands by the sales forecasts for the entire fiscal year 2001 drawn up at the beginning of the year and expects EBITDA to be balanced.

Consolidated Balance Sheets according to US GAAP

Assets	30. 9. 01 million Euro	31. 12. 00 million Euro
Current Assets		
- Cash and cash equivalents	10.75	12.48
- Trade accounts receivable	41.91	51.90
- Inventories	3.29	2.65
- Other current assets	5.73	4.62
- Prepayments	1.87	3.97
- Deferred tax assets	1.75	1.07
Total Current Assets	65.30	76.69
Non-Current Assets		
- Deferred taxes	4.55	2.36
- Other non-current assets	0,24	0.00
- Financial assets	0.50	2.16
- Intangible assets	17.80	18.87
- Property, plant and equipment	11.97	10.60
Total Non-Current Assets	35.06	33.99
Total Assets	100.36	110.68

Liabilities and Shareholders' Equity	30. 9. 01 million Euro	31. 12. 00 million Euro
Current Liabilities and Accruals		
- Short-term financial debt	17.87	6.24
- Trade accounts payable	13.81	25.49
- Liabilities to associates	0.00	0.00
- Advance payments	0.70	2.86
- Other accruals	9.62	8.84
- Other current liabilities	8.74	7.64
- Deferred taxes	0.41	0.99
- Accrued taxes	1.49	1.74
- Deferred income	2.88	6.92
Total Current Liabilities and Accruals	55.52	60.72
Non-Current Liabilities and Accruals		
- Pension reserves	0.62	0.29
- Bonds	0.90	0.50
- Long-term financial debt	7.67	7.68
- Deferred taxes	0.04	0.04
Total Non-Current Liabilities and Accruals	9.23	8.51
Minority Interest	0.44	1.76
Shareholders' Equity		
- Share capital	16.77	16.36
- Capital reserves	19.77	18.93
- Retained earnings	0.70	5.50
- Comprehensive income/loss	-2.07	-1.10
Total Shareholders' Equity	35.17	39.69
Total Liabilities and Shareholders' Equity	100.36	110.68

Consolidated Statements of Income according to US GAAP

	1. 1. – 30. 9. 01 million Euro	1. 1. – 30. 9. 00 million Euro	1. 7. – 30. 9. 01 million Euro	1. 7. – 30. 9. 00 million Euro
Sales	129.27	102.68	41.87	38.42
Cost of sales	-96.09	-75.38	-31.45	-25.23
Gross Income	33.18	27.30	10.42	13.19
Selling	-13.67	-10.57	-4.75	-4.34
General and administration	-18.02	-13.09	-5.65	-5.02
Research and development expenses	-3.58	-3.63	-0.65	-3.31
Goodwill amortization	-2.27	-1.09	-0.68	-0.38
Other Operating Income/Expense, net	-1.98	1.18	-0.46	1.14
Operating Income	-6.34	0.10	-1.77	1.28
Income from investments	0.06	0.00	-0.14	-0.02
Interest income, net	-0.63	0.35	-0.20	0.14
Income before Tax	-6.91	0.45	-2.11	1.40
Income taxes	2.20	-0.23	0.62	-0.63
Net Income before Minority Interest	-4.71	0.22	-1.49	0.77
Minority interest	-0.08	-0.13	-0.15	-0.10
Net Income/Loss	-4.79	0.09	-1.64	0.67

Net income per share (basic)	-0,29	0,01
Net income per share (diluted)	-0,28	0,01
Weighted average share outstanding (basic)	16.429.661	16.358.317
Weighted average share outstanding (diluted)	17.029.190	16.861.653

Changes in Shareholders' Equity

	Commonstock million Euro	Additional paid in capital million Euro	Comprehensive income/loss million Euro	Accumulated other comprehensive income/loss million Euro	Retained earnings million Euro	Total equity million Euro
December 31, 1999	16.36	18.93		0.13	7.24	42.66
Net income			0.09		0.09	0.09
Foreign exchange rate differences			0.61			
Valuation of securities available for sale			0.00			
Losses not resulting from operations			0.00			
Other comprehensive loss			0.61	0.61		0.61
Comprehensive income/loss			0.70			
September 30, 2000	16.36	18.93		0.74	7.33	43.36
Net loss			-4.80		-4.80	-4.80
Capital increase*	0.41	0.84				
Foreign exchange rate differences			0.01			
Valuation of securities available for sale			-0.98			
Losses not resulting from operations			0.00			
Other comprehensive loss			-0.97	-0.97		-0.97
Comprehensive income/loss			-5.77			
September 30, 2001	16.77	19.77		-2.07	0.70	35.17

*Exchange of the remaining SVC-Shares

Consolidated Statements of Cash Flow according to US GAAP

	30. 9. 01 million Euro	30. 9. 00 million Euro
Cash Flow from Operating Activities		
Net income/loss	-4.79	0.09
Adjustments to Net Income/Loss		
Minority interests	0.08	0.13
Depreciation and amortization	5.60	3.13
Change in deferred taxes	-2.77	-1.37
Change in pension reserves	0.33	0.02
Change in other long term liabilities and accruals	0.00	0.29
Change in inventories	-0.64	-0.78
Change in trade accounts receivable	9.99	-10.76
Change in other current assets	0.99	-2.83
Change in other non-current assets	-0.23	-0.05
Change in trade accounts payable and advance payments	-13.84	0.27
Change in other current liabilities and accruals	-2.40	4.98
Other cash income/expenses	0.00	0.00
Cash Flow from Operating Activities	-7.68	-6.88
Cash Flow from Investing Activities		
Investments in intangible assets and property, plant and equipment	-5.91	-12.05
Investments in financial assets	0.00	-3.95
Investments in minority interests, investments and loans	0.00	0.58
Cash Flow from Investing Activities	-5.91	-15.42

	30. 9. 01 million Euro	30. 9. 00 million Euro
Cash Flow from Financing Activities		
Capital increases and contribution for capital increase	0.41	-0.40
Premium from capital increase	0.84	0.00
Changes in capital reserves due to transactions with no effect on income	0.00	0.00
Dividends paid, net	0.00	0.00
Dividends paid (minority interest)	-0.09	0.00
Issue of bonds	0.40	-0.03
Change in financial debt	-0.01	0.00
Change in minority interest	-1.33	0.00
Cash Flow from Financing Activities	0.22	-0.43
Foreign exchange rate differences		
Foreign exchange rate differences	0.01	0.60
Net Change in Cash and Cash Equivalents	-13.36	-22.13
Cash and Cash Equivalents at the Beginning of the Year	6.24	28.25
Cash and Cash Equivalents at the End of the Period	-7.12	6.12

Notes to the Interim Financial Statements

General Information

The consolidated interim financial statements for the period ended September 30, 2001 were prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP). The consolidated financial statements were not reviewed by the auditor.

Changes to the Legal Background

itelligence AG was incorporated in May 2000. Under the merger agreement signed in May 2000, the principal shareholders of SVC and the shareholders of Apcon contributed approx. 45 percent and approx. 55 percent, respectively, of the company's shares. This ratio changed in the course of the public exchange offer to SVC's other shareholders, which saw an increase in the percentage held by SVC shareholders. 96.04 percent of shareholders accepted the offer to swap their shares. During the merger of SVG AG into itelligence in accordance with the merger agreement dated March 29, 2001, the remaining shares in free float were exchanged. Fractions were settled in cash as stipulated by the merger agreement.

New Accounting Principles

In July 2001 the Financial Accounting Standards Board ("FASB") adopted Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations and SFAS No. 142, Goodwill and Intangible Assets. SFAS 141 requires the use of the purchase method for all business combinations initiated after June 30, 2001. In addition, SFAS 141 distinguishes between acquired intangible assets that should be recognized and disclosed apart from goodwill and

acquired intangible assets that should be included in the amount recognized as goodwill.

Under SFAS 142 goodwill is no longer amortized on a straight-line basis over its useful life in compliance with SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, but has to be tested for impairment at least once a year at the level of the reporting unit. SFAS 131 defines reporting unit as an operating segment or one level below an operating segment.

The intangible assets recognized apart from goodwill should be amortized over their expected useful lives and tested for impairment in accordance with SFAS 121. Intangible assets that have indefinite useful lives are not amortized but tested for impairment pursuant to SFAS 142 until their useful lives are determined to be no longer indefinite.

The accounting provisions of SFAS 141 and SFAS 142 have to be applied from January 1, 2002 for the first time, with the exception that the purchase method must be applied to all business combinations initiated after June 30, 2001. Early or retrospective application of these accounting principles is not permitted. Goodwill and intangible assets that have indefinite lives acquired in a business combination after June 30, 2001 are no longer amortized, while such assets must be amortized if acquired before July 1, 2001.

At the time of initial application of SFAS 141, the company is required to review and possibly reclassify its existing intangible assets and goodwill in order to meet the new disclosure requirements. When SFAS 142 is initially applied, the company must review the useful lives and carrying amounts of all intangible assets and, if need be,

adjust them as of March 31, 2002.

The current goodwill amortization expense comes to approx. EUR 3.1m (for the itelligence Group for twelve months). The effect of the initial application of these Standards has yet to be determined.

In June 2001, the FASB issued SFAS 143, Accounting for Asset Retirement Obligations. SFAS 143 governs accounting for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, or development and (or) the normal operation of such assets, except for certain obligations of lessees. SFAS 143 requires recognition of the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. The asset retirement cost is included in the carrying amount of the long-lived asset and allocated to expense over the asset's useful life. The initial application of this new Standard is unlikely to have a material effect on the company's financial position and results of operations. The company will initially apply SFAS 143 in fiscal year 2003.

Segment Reporting

The company has one operating segment according to the requirements of SFAS 131. Please refer to the key figures for the revenue of the divisions.

Depreciation and Amortization

Depreciation of property, plant and equipment and amortization of intangible assets came to a total of EUR 3.3m (prior year: EUR 2.0m) in the functions of production, sales and marketing, research and development and administration. Goodwill amortization is disclosed separately in the income statement.

Changes to the Supervisory Board

Hans-Holger Lamb, one of the founding shareholders of APCON AG, was appointed Deputy Chairman of the Supervisory Board with immediate effect on September 5, 2001.

Shareholders

As of September 30, 2001 itelligence AG's shares are held by:

Wolfgang Schmidt	16.2%
PSO Vierte Verwaltungsges.	17.2%
Familie Vogel	15.9%
Familie Frank	8.0%
Burkhard Berner	4.3%
Petra Berner	2.3%
Streubesitz	36.1%

Notifiable securities transactions and changes to the shareholder structure after September 30, 2001:

The two principal shareholders and founders of PSO Vierte Verwaltungsgesellschaft mbH, Burkhard Berner and Hans Holger Lamb, transferred shares to family members in a private, off-floor replacement. This results in the following change to the shareholder structure

PSO Vierte Verwaltungsges.	0%
Burkhard Berner	4.3%
Petra Berner	9.0%
Familie Lamb	7.5%

The pool agreement signed in December 2000 remains unaffected by this transaction. Mr. Berner's wife and Mr. Lamb's wife and children have joined the pool agreement. 55 percent of the total capital stock is therefore tied up until September 2002.

Directors' Holdings

The following shares and convertible bonds are held by the Management Board and Supervisory Board of itelligence AG as of September 30, 2001:

Management Board:

	Shares	Convertible bonds
Herbert Vogel	1,657,286	-
Burkhard Berner	1,848,798	-
Norbert Frank	450,659	-
Prof Dr Hermann Hueber	22,881	-

Supervisory Board:

Dr Markus Wenserski	-	-
Hans-Holger Lamb	284,149	-
Leonhard Fischer	-	-
Dr Andreas Leimbach	-	-
Peter Schultz-Ossmer	10,000	-
Wolfgang Schmidt	2,723,167	-

Service

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Important Dates

- End of March 2002 - publication of the annual report
- April 2002 - results press conference and analyst meeting
- Mid-May 2002 - publication of the three month report
- Mid-August 2002 - publication of the six month report
- Mid-November 2002 - publication of the nine month report

itelligence AG

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