ANNUAL REPORT 2013

itelligence NTT DATA Business Solutions

1989
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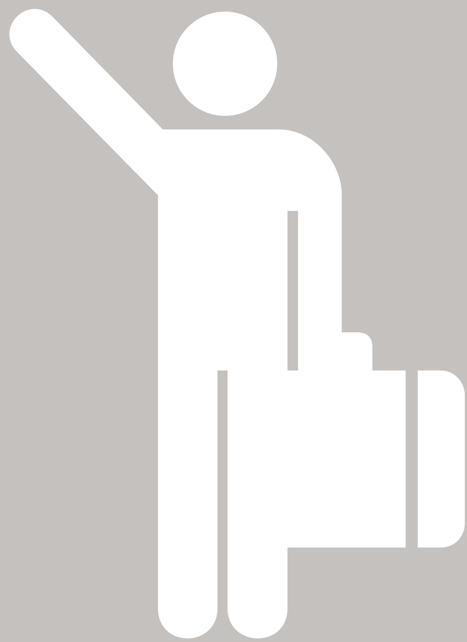
2014

SMEs from Oelde to Tokyo – Page 16

Around the world in ten days, itelligence international – Page 20



1989
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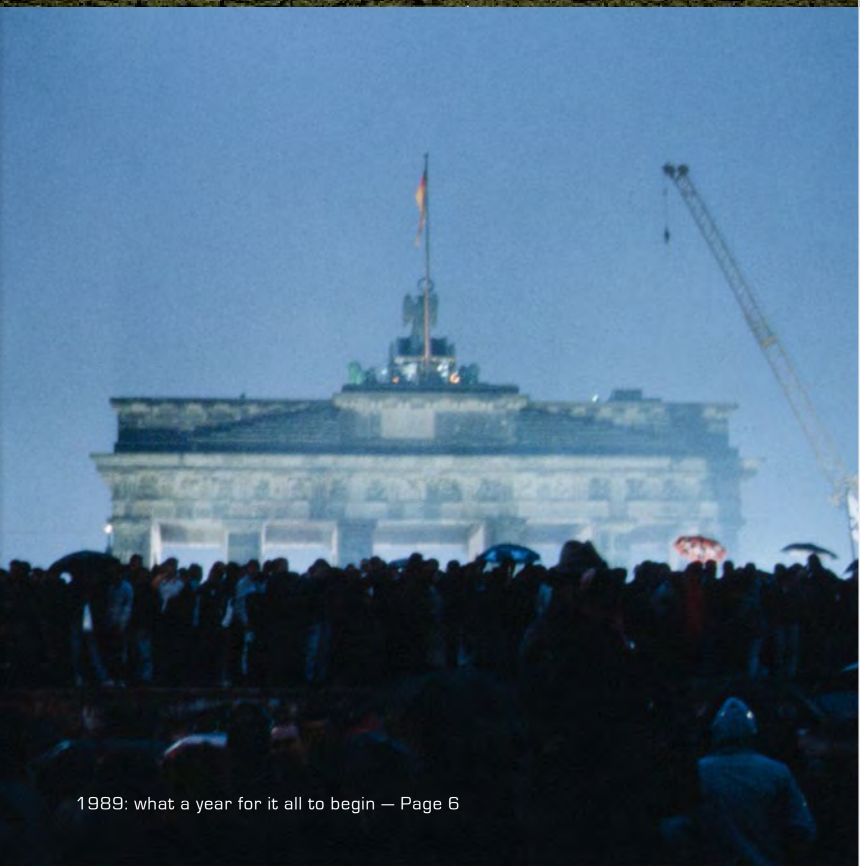
2014



1989: what a year for it all to begin — Page 6

こんにちは!

Konnichiwa! (Hello!)

NTT DATA and itelligence — Page 14

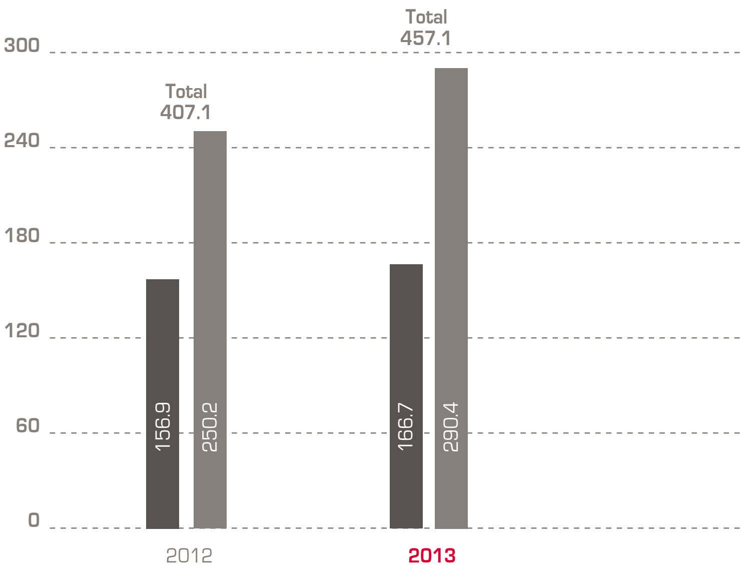
itelligence Key Figures

MEUR	IFRS 2013	IFRS 2012	IFRS 2011	IFRS 2010
Total revenues	**457.1**	**407.1**	**342.4**	**272.2**
Revenues by area				
Consulting	214.9	211.5	190.9	142.6
Licenses	56.9	38.3	37.5	33.8
Application Management	49.1	40.4	23.3	22.0
Outsourcing & Services	135.7	116.3	89.8	73.3
Other	0.5	0.6	0.9	0.5
Revenues by segment				
DACH (Germany/Austria/Switzerland)	192.9	185.0	163.6	144.3
Western Europe	104.7	86.7	66.6	36.1
Eastern Europe	48.1	32.0	22.1	19.2
USA	100.5	92.6	82.0	66.9
Asia	7.1	7.0	4.1	2.3
Other	3.8	3.8	4.0	3.4
EBIT in MEUR	22.2	19.2	20.4	14.9
EBIT margin	4.9%	4.7%	6.0%	5.5%
EBITA in MEUR	26.2	21.4	22.5	16.4
EBITA margin	5.7%	5.2%	6.6%	6.0%
EBITDA in MEUR	38.0	31.4	30.4	23.4
EBITDA margin	8.3%	7.7%	8.9%	8.6%
Earnings IFRS	16.2	13.7	12.8	10.0
Earnings per share	0.48	0.44	0.46	0.39
Cashflow per share	-0.08	0.17	0.29	-0.56
Return to sales	3.5%	3.4%	3.7%	3.7%
Cashflow in MEUR	-2.5	4.8	7.1	-13.8
Balance sheet total in MEUR	333.2	306.8	254.3	180.2
Equity in MEUR	121.8	112.0	68.0	61.2
Equity ratio	36.6%	36.5%	26.7%	34.0%
ROE (Return on equity)	13.3%	12.3%	18.9%	16.4%
ROA (Return on assets)	4.4%	4.5%	5.4%	5.4%
ROCE (Return on assets employed)	6.4%	6.4%	8.3%	8.4%
Investments in MEUR	43.1	43.1	32.5	30.6

	2013	2012	2011	2010
Employees as of December 31	3,078	2,765	2,251	1,844
Average	2,897	2,552	2,119	1,734
– Germany	1,121	1,088	935	836
– Abroad	1,957	1,677	1,316	1,008

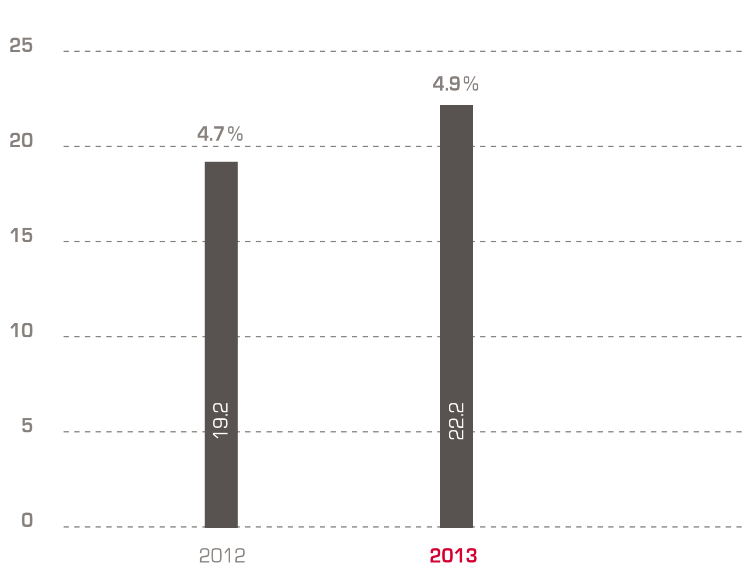
Revenue development (in MEUR)

Germany/Abroad

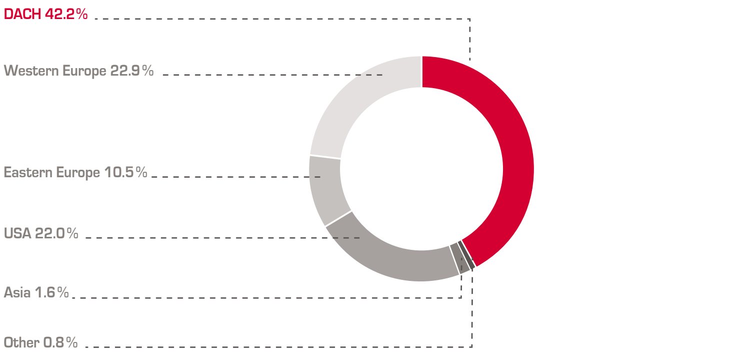


Growth in earnings (in MEUR)

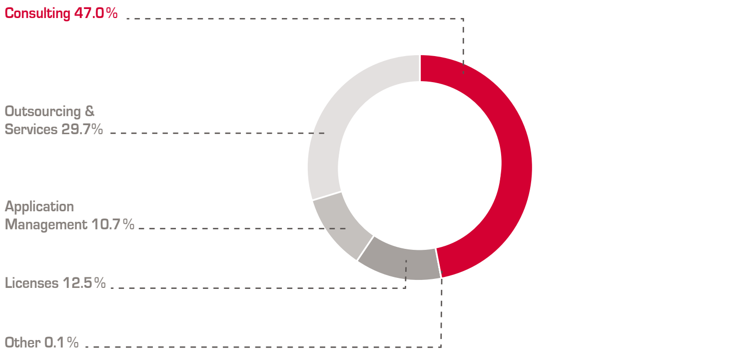
EBIT/EBIT margin



Revenue per segment 2013



Revenue per area 2013



1989

25 years later

Dear Friends of the Company,

1989 was a historic year. For us Germans – and by no means only for us – this date will always be closely linked with the fall of the Berlin Wall. Many people can still remember exactly where they were when the border between East and West Germany was opened. I was at home, watching events on television with a mixture of excitement, astonishment and delight. At the time, our company had existed for only a few months. Our three-man team was busy installing SAP software at large companies. Business was going well and it looked like my dream of independence was set to become a reality. I wanted a company with its own, special corporate culture. A company with flat hierarchies, where employees enjoy their work and do things together after the working day is done. Needless to say, this included excellent training and the will to realize a good project and, in particular, to keep winning new projects. The approach worked. And kept working.

The company grew and this corporate culture became our recipe for success. It was the glue that held everything together so well. Little by little, we found a clear market strategy that we have continued to pursue systematically to this day: itelligence is focused on SAP and the midmarket, and is now a leading international SAP full-service provider. We have enjoyed one successful year after another, time and time again. We have achieved constant growth and have continued to invest every year: in our employees, in establishing branches in new countries, in new technologies and new services. We have come through one painful crisis, namely the collapse of the stock markets and the subsequent recession from 2000 to 2003. We operated in the red for three years and were forced to lay off staff and close branches. We learned from this. I learned from this. And continue to do so today.

Nowadays, it would be impossible for me to spend an evening in the company of our entire workforce like back then, because itelligence has more than 3,000 employees in 23 countries. The company I founded 25 years ago has developed into a group with various divisions and subsidiaries spread around the world – and has itself become part of a major global corporation, the Japanese NTT DATA Group. On the occasion of our 25th anniversary, we would like to use this Annual Report not only to present the figures from another record-breaking fiscal year in 2013, but also to illustrate the individual facets of itelligence's strategy that have made us what we are today.

We want to show you who our customers are. We express our gratitude to SAP AG for the extremely good cooperation we enjoy, shine a light on the growth market of managed services, make trips to see our branches around the world, ask NTT DATA's managers how they see itelligence, and take a look back at 1989, the year in which itelligence was founded. We end by looking ahead to the coming years and imagining how things will be when itelligence celebrates its 50th birthday.

I hope you enjoy reading this Annual Report.

Yours,

Herbert Vogel

→ Let's go!

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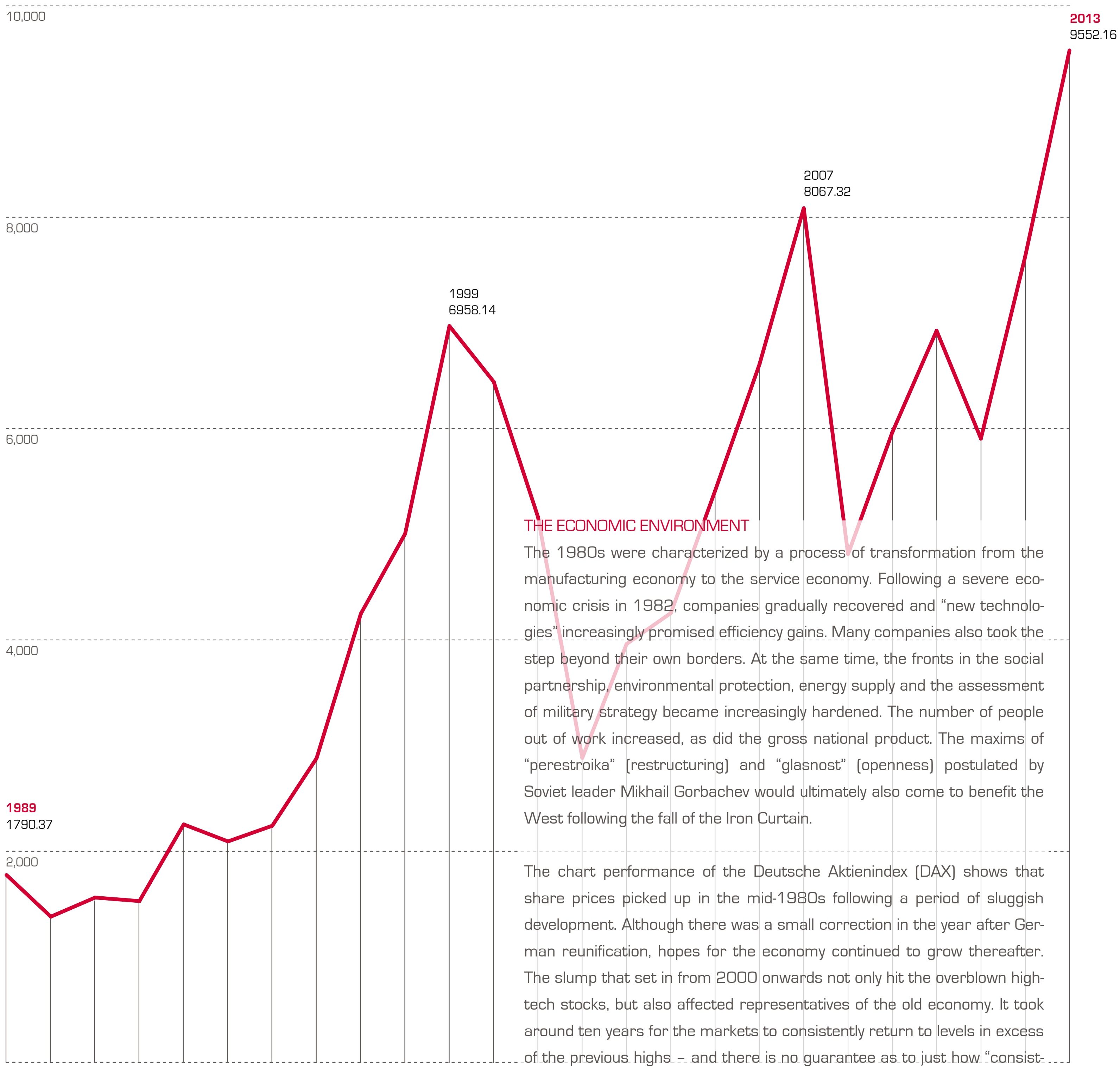
89

POLITICAL UPHEAVAL

Under pressure from the massed ranks of people, GDR officials open the border crossing at Bornholmer Strasse, Berlin, on the evening of November 9, 1989. Various points along the Berlin Wall and the inner German border follow in the course of the night. Hungary and Austria had opened a gap in the Iron Curtain by holding a “Pan-European Picnic” in summer 1989. Nowadays, the European Green Belt project is aiming to create a continuous ecological network along the 8,500-kilometer length of the former border.

According to a Forsa survey conducted in early 2014, many Germans still harbor prejudices even a quarter of a century after the Berlin Wall came down. The natural world also shows that old habits die hard: the migratory patterns of deer in the Bohemian Forest still stop at the former Iron Curtain as the animals have memorized the route of the former border.



Performance of DAX year-end closing quotations from 1989 to 2013

THE ECONOMIC ENVIRONMENT

The 1980s were characterized by a process of transformation from the manufacturing economy to the service economy. Following a severe economic crisis in 1982, companies gradually recovered and "new technologies" increasingly promised efficiency gains. Many companies also took the step beyond their own borders. At the same time, the fronts in the social partnership, environmental protection, energy supply and the assessment of military strategy became increasingly hardened. The number of people out of work increased, as did the gross national product. The maxims of "perestroika" (restructuring) and "glasnost" (openness) postulated by Soviet leader Mikhail Gorbachev would ultimately also come to benefit the West following the fall of the Iron Curtain.

The chart performance of the Deutsche Aktienindex (DAX) shows that share prices picked up in the mid-1980s following a period of sluggish development. Although there was a small correction in the year after German reunification, hopes for the economy continued to grow thereafter. The slump that set in from 2000 onwards not only hit the overblown high-tech stocks, but also affected representatives of the old economy. It took around ten years for the markets to consistently return to levels in excess of the previous highs – and there is no guarantee as to just how "consistent" this development will prove to be.

Vague but exciting ...

CERN DD/OC

Information Management: A Proposal

Tim Berners-Lee, CERN/DD

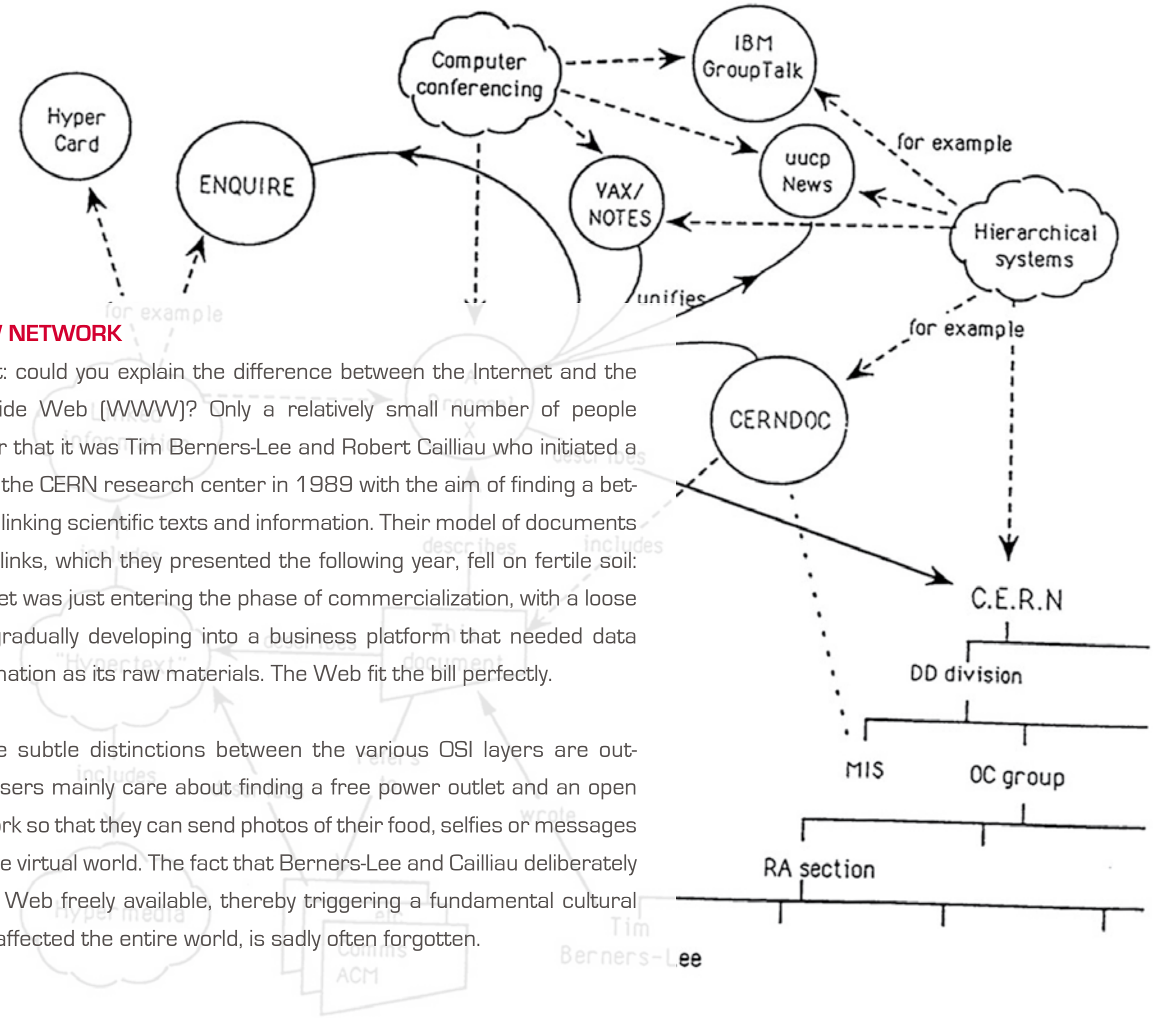
March 1989

Information Management: A Proposal

Abstract

This proposal concerns the management of general information about accelerators and experiments at CERN. It discusses the problems of loss of information about complex evolving systems and derives a solution based on a distributed hypertext sytstem.

Keywords: Hypertext, Computer conferencing, Document retrieval, Information management, Project control



THE NEW NETWORK

Be honest: could you explain the difference between the Internet and the World Wide Web (WWW)? Only a relatively small number of people remember that it was Tim Berners-Lee and Robert Cailliau who initiated a project at the CERN research center in 1989 with the aim of finding a better way of linking scientific texts and information. Their model of documents and hyperlinks, which they presented the following year, fell on fertile soil: the Internet was just entering the phase of commercialization, with a loose network gradually developing into a business platform that needed data and information as its raw materials. The Web fit the bill perfectly.

Today, the subtle distinctions between the various OSI layers are outdated – users mainly care about finding a free power outlet and an open wi-fi network so that they can send photos of their food, selfies or messages out into the virtual world. The fact that Berners-Lee and Cailliau deliberately made the Web freely available, thereby triggering a fundamental cultural shift that affected the entire world, is sadly often forgotten.

<head>**Upheaval in the IT landscape**

<a>**Manager Magazin** crowns SAP as “company of the year” after one year on the stock exchange.

<b>**SAP’s data center** is equipped with servers from IBM, Siemens, DEC and Hewlett-Packard with a total capacity of 1,224 megabytes (for comparison: today, Apple’s compact “iPod Shuffle” offers 2 GB of storage for EUR 49).

<c>Dataquest reports sales of 917,000 business PCs in **Germany**. A further 408,000 home computers are also sold.

<d>**NTT International** establishes the key elements of the first global multimedia network, connecting all of the domestic and foreign offices of a Japanese insurance company via fiber optic cables and bringing together fax, telex, data transmission and telephony services.

<e>**Olof Lundberg**, Director General of the London-based Inmarsat (International Maritime Satellite Organisation), believes that the launch of “pocket telephones” could be just around the corner. In early July 1989, the European Conference of Postal and Telecommunications Administrations (CEPT) approves the mobile communication services offered by Inmarsat within Europe.

<f>**Compucamp GmbH** holds special summer courses to make computing accessible to adults, from a general introduction to IT for newcomers, via MS-DOS and application software, through to programming languages for advanced users.

<g>**Bielefeld University** introduces a new course in the 1989/90 winter semester: Informatics in the Natural Sciences. The eight-semester degree course combines a basic qualification in informatics with the specialist knowledge of a natural science discipline.

<h>**E-mail systems for LANs** are becoming increasingly popular. According to a study by International Resource Development (IRD), the market volume for e-mail programs for business is expected to increase from around 38 million dollars to 80 million dollars in the next two years.

<i>Many traditional providers, including **IBM, Apple, Control Data, Unisys, Wang, Cray, Prime, DEC, Nixdorf and Amdahl**, deliver patchy figures for the first half of the year. Only some PC providers, such as Compaq and Microsoft, enjoy strong growth.

<j>**Market researchers from IDC** expect the IT industry to see growth of between 12 and 12.5 percent in 1989 as a whole. The market for software and services is set to expand by between 18 and 19 percent. However, this means the segment is unable to repeat the levels enjoyed in the “golden years” of the early 1980s, when growth rates hit 20 percent.

FIGHT FOR EQUAL RIGHTS

Following the men's team's embarrassing loss to the Netherlands at the European Soccer Championships in 1988, their female counterparts made amends at the 1989 women's event, easily beating Norway 4:1 in the final in Osnabrück. "The victory for the German team marked the breakthrough for women's soccer in Germany," is the euphoric verdict expressed on Wikipedia today.

However, there was little in the way of equal rights to speak of: the prize awarded to the victorious players was a coffee service from the Mariposa series, with a floral design, and allegedly consisting of factory seconds anyway. Even the "Heroes of Berne" received a prize of DM 1,000 and a fee of DM 200 per appearance from the German Soccer Association when they won the men's World Cup in 1954.

25

years is no age at all!

Born 1989

AN EMPLOYEE THE SAME AGE AS OUR COMPANY

Name
Tracy Levine

Date of birth
April 29, 1989

Siblings
Marla (+ 3 years),
Todd (+ 5 minutes)

Place of birth
Cleveland, Ohio

Hobbies
Reading, team sports,
hosting parties, travelling abroad

In the 90s I remember
Beanie Babies, Boy Bands, AOL and an
overwhelming sense of optimism

Education
Bachelors of Science in Business Administration, The Ohio State University

Major
Operations Management (Supply Chain), Spanish

At itelligence since
July, 2011

Why itelligence?
Every single individual has an immense sense of proprietorship over the organization

Actual position
SAP Application Consultant focusing on SAP Governance, Risk and Compliance (GRC) and SAP Security

Position 2039
Crew member on the itelligence sail boat… Through my work on my blog and since becoming involved in the SAP community I've realized that I'm incredibly passionate about working with people from all walks of life. Whatever capacity it's in, I hope to do more of it in the future.

Blog
postgradsap.com

THANK YOU FOR THE HELP STARTING UP

Right from the outset, SAP supports the young company from Bielefeld and commissions it with various services for its customers. Back then, operations are still in a corporate environment. The standard business software is a novelty and seems to be designed primarily for large companies. But it soon becomes clear that the solution is also an attractive one for SMEs. SAP decides to organize this business together with partners. itelligence is one of the first service providers to be offered this partnership by SAP.

THANK YOU FOR TRUSTING US

Why should the powerful SAP AG with its extensive network of partners listen to a company like itelligence AG, let alone take its views into account? Because there is mutual trust. The global corporation can count on the loyalty of its partner. Conversely, itelligence also knows that SAP can be relied on and that its own perspectives and interests will be accepted.

THANK YOU FOR BEING OPEN

The relationship with SAP is characterized by open dialog. The managers know each other and get along well. Ideas and visions are brought up at an early stage and can therefore be discussed together. SAP treats itelligence as an equal and listens to its arguments. The two companies do not always agree, but the honest and respectful interaction between them always leads to a solution that is successful for both parties.

THANK YOU FOR THE INNOVATIVE PRODUCTS

SAP has always been a pioneer when it comes to innovation. From establishing standard business software to expanding its product range with areas such as mobility and cloud computing. This innovativeness constantly boosts itelligence's business and makes the company what it is today and what it will be in the future.

THANK YOU FOR BEING LOYAL

SAP stands by itelligence over the years. The Walldorf-based company demonstrates this in the phase between 2000 and 2003. The previously successful business is no longer going smoothly and itelligence is in the red. Employees have to be laid off, branches have to be closed down. But for SAP this is no reason to leave its longstanding partner by itself. On the contrary, the software corporation offers support wherever possible.

THANK YOU FOR THE CONTINUOUS GROWTH

The founders of SAP and its current management never just rested on their laurels. The desire for further growth is always a driving force in their decisions. They decide at an early stage to go abroad and to expand the use of SAP systems with new solutions. This also paves the way for itelligence to generate more growth and develop new business areas. This appetite for more combined with a feeling for the right product strategy is a key reason for the success of both partners.

THANK YOU FOR THE ACKNOWLEDGEMENT

Each year SAP presents awards to partners and projects in various different categories. And each year itelligence is among those who receive an award, whether it's for successful sales of licenses, high quality in individual projects, or leading positions in different segments. These awards reflect genuine esteem and therefore send an important signal to itelligence's employees and to its customers.

THANK YOU FOR THE FREEDOM

Although the two companies work together closely, itelligence is always able to go its own way. This freedom is particularly necessary in the midmarket, where being close to the customer is the key principle. SAP takes an interest but does not interfere. This allows itelligence to establish its own range of solutions and position itself as a full-service provider. SAP knows that its partner needs space to conduct its business successfully. Or in other words, that you have to give up a little to get more back.

If you want to be successful, you must learn to share. This motto of SAP's founder Dietmar Hopp remains just as true today and forms the basis for the successful cooperation between SAP and itelligence. It certainly cannot be taken for granted that the larger and supposedly stronger partner will treat its counterpart as an equal, listen to it and give it its full support. But SAP did all of this. Now it's time for us to thank it.

THANK YOU, SAP!

ERP = Efficient, Retreated, Pragmatic

The devil may be in the detail, but sometimes only a complete ERP platform can become a big success. Together with itelligence, the company Haver & Boecker discarded its old systems for its machinery division and replaced them with an SAP solution. Sometimes it's the wind that sweeps through Oelde, sometimes it's the "Westfalen-Express". The town in Münsterland between Hamm and Bielefeld in north-western Germany is home to the midsize family company Haver & Boecker, where tradition and precision have been top priorities throughout the company's 127-year history. Haver & Boecker consists of a wire weaving company and a machinery company that was founded in 1925. The machinery company focuses on business with packing machines and equipment for bulk materials. Here, the whole is more than the sum of its parts: To ensure efficient manufacturing of high-quality products in the areas of building materials, minerals, chemicals, food and animal feed, it is not enough just to link up machines or ideal individual processes, says managing director Dr. R. Festge: "Only an overall view and optimization, taking account of investment and operating costs, brings the desired success and gives our customers planning security." »

More than a toy

It doesn't always have to be a complete ERP platform – sometimes a small optimization is all it takes to provide the perfect solution. The Japanese toy manufacturer TOMY has worked with itelligence to develop an app for connecting its European sales organization with the backend. Any time, any place, using an iPad or a PC. One day, Stuart Kahn made an interesting discovery: his company's sales employees were calling up customer service from their cars to ask for contact details and driving directions to customers. "We were very good at producing reports and sales information," recalls Kahn, Head of IT at TOMY UK, "but we were not getting the information to where it was needed – namely to the employees in the field." Not an ideal situation for the distribution and sales arm of a Japanese toy manufacturer. »

ERP = Efficient, Retreated, Pragmatic

» This sentence could also have served as the keynote for the company's biggest IT project – replacing its existing, relatively isolated old systems with a uniform SAP landscape. Although financial reporting and controlling at Haver & Boecker had already changed over to SAP in 2009, the key stage was still to follow: "In the second step, sales, production and the whole of logistics were modernized in terms of IT," reports Dirk Nowosatko, who managed the project for itelligence AG up until completion.

The scoping workshops began in early 2011, after which the target concept was defined. First up was the SD module for the sales department, which was put into operation in January 2012 already. "We definitely wanted this to be the first to go live in order to package an overall introduction in manageable portions, especially since this needed to create a comprehensive interface to the old system," says Nowosatko, explaining the process. By the middle of the year, the team had completed and set the target concept, and then it was the turn of the other departments. Next in line were MM (materials management), PP (production planning and management), PLM (product lifecycle management) and QM (quality management). The package was rounded off with the WM (warehouse management) module with a connection to an automated small-parts warehouse.

In December 2013, a week before Christmas, the replacement of the old systems was completed. "Since then, the value chain from the customer order to procurement and production and through to quality management, warehousing and shipping including invoicing has been mapped in the SAP world," says project manager Nowosatko. In addition, there is the whole area of customer service. Only in quotation management did Haver & Boecker implement a different tool. The machines configured using this are then transferred electronically to the SAP system.

One of the main reasons for the new software was to introduce end-to-end processes. "The many different tools that were not consistently linked with one another often resulted in reduplicated work," Nowosatko remembers. The integrated system fits in with the company's forward-looking IT concept and provides a quick overview with uniform key figures. Furthermore, improvements could also be made at many critical points as part of the changeover: For shipping, for example, the itelligence product "it.x-press" was used, allowing for a direct electronic SAP connection with courier, express and parcel service providers and forwarding companies.

The production processes also became more efficient: "The customer can now synchronize bills of materials from construction with bills of materials from production and can therefore transfer construction data to production more effectively," explains Nowosatko. The integration creates the possibility in the first place to track complex processes and simplify workflows. Even if the standard software is not necessarily always gold standard: "There are a few spots where we sometimes have to lower our sights, which didn't occur in the old system."

And what about modern topics such as cloud computing, process integration with customers and mobility? "First we have to lay the foundations with a well-coordinated SAP system whose components are consistently linked with one another," says managing director Dr. R. Festge. Now the system is to be introduced step by step at Haver & Boecker's roughly 50 branches and subsidiaries around the world. "And we will make sure that our employees understand the point of the change and recognize the advantages for their activities." And so it happens that even in Münsterland tradition sometimes has to take a back seat to pragmatism. ■

Haver & Boecker Drahtweberei und Maschinenfabrik OHG
Founded: 1887, Head office: Oelde
Development, production and sale of systems and equipment
for weighing, filling and processing technology and of wire mesh
Employees worldwide: around 2,700
itelligence customer since 2006

More than a toy

» In 2007, TOMY became one of the first toy manufacturers to launch a universal SAP solution and a B2B website based on SAP E-Commerce. “Our customers can login to the site, check product availability and prices, and submit and track their orders,” explains Kahn. Products and prices vary from country to country. The aim was for sales employees to also have access to the system so that they could place orders on behalf of customers. “A mobile connection the backend for our twelve European branches was needed.”

This was by no means new territory for TOMY, which had already developed a mobile solution for its previous ERP software in 2004. Kahn: “The program ran on the first generation of tablets, but when we moved to SAP, technical reasons meant we could not use the tool any more.” To close the gap, a national subsidiary even tried a workaround using an Access database, which was not particularly satisfactory. “We wanted to provide sales with information and make it as easy as possible for them to submit their orders,” explains the Head of IT. Both online and offline.

The shortlist was quickly whittled down to two apps running on the Apple iPad. The specific challenge at TOMY: split orders and progressive delivery. “When a supermarket orders 1,000 wooden train sets, they do not want to receive them all right at the start of the campaign.” This means sales must be able to enter all of the delivery data when the order is submitted, check availability and retrieve the order status at every subsequent meeting. The SAP sales app and CRM were also examined as an option, but this variant would have been too much for the IT budgets of the national subsidiaries.

itelligence came into consideration thanks to its position as TOMY’s SAP Partner and its familiarity with the company’s structure. As split orders could not be realized using an off-the-shelf app, itelligence proposed developing a program for mobile ERP access together with TOMY that would meet all of the client’s requirements. Technical implementation of the project was done through close collaboration between the UK itelligence team and the Mobile Centre of Excellence in Eindhoven in the Netherlands. “Two meetings were held with our local project team to discuss the scope of the functions and to examine feasibility,” recalls Kahn.

After the technical details had been clarified, development work began in January 2013. The schedule was tight: the project had to be completed by September. “But we came in within schedule and on budget,” notes the Head of IT. Since Christmas, a pilot plan has been underway in the United Kingdom, France, and Ireland with a view to optimizing the app. This will be followed by Spain, the Benelux countries, and the German-speaking area. And – in contrast to an off-the-shelf app – sales employees in France are not having to switch to iPads, but can instead continue to use their Windows notebooks: the new HTML5-based program is platform-independent.

Now TOMY’s customer service can concentrate on its actual job of supporting customers and providing them with information. And sales employees no longer have to call head office when they need information on customers. “The new app saves us time and money by allowing us to process orders more effectively,” confirms Kahn. After all, the software is oriented towards the requirements of employees and business processes. And this has not gone unnoticed, as the Head of IT reports: “The sales organization in the USA has already shown an interest.” ■

TOMY Company Ltd.
Founded: 1924, Head office: Tokyo
Planning, development and production of toys and baby products
Employees worldwide: around 2,170, employees in Europe: around 120
itelligence customer since 2006

Please fasten your seatbelts!

A JOURNEY INTO THE WORLD OF ITELLIGENCE

An international presence is a key competitive advantage. In the last few years, itelligence has tapped new markets and gained in diversity. Each country is different: the economy, the SAP market, itelligence's customers.

DAY 1

Starting at itelligence's head office in Bielefeld, it's best to take the 7:20 flight from Düsseldorf to Barcelona. It lands in the city of Gaudi before ten o'clock, so chances are good of arriving at itelligence's Spanish headquarters just in time. There are a lot of business people on the flight. No wonder: After France, Spain is Germany's most important trading partner. Ties between the two countries are close-knit and go back a long way.

The economic and financial crisis has left its mark on Spain. Unemployment is still high, and not just among young people. "After five difficult years the country is now slowly recovering," observes Juan Carlos Encío, Managing Director of itelligence in Spain. "There are promising signs for an improvement in the situation."

Servicios Informáticos itelligence, S.A., operates on a market in which SAP is very widespread. "The software is used in all classic industries such as processing, consumer goods or automotive," reports Juan Carlos Encío. "However, actual SAP growth is based on new sectors like services."

Juan Carlos Encío
Managing Director, itelligence Spain

Even considering that itelligence Spain has grown in 2013, the Spanish IT market has suffered. Many companies lacked the financial scope to invest in new technologies. "Nonetheless, there are great expectations among Spanish IT managers for SAP's new product portfolio with technologies such as HANA and cloud computing," says Encío. There are several early adopters for these products in Spain, however it will take a little time to go to midmarket in a wide way.

When business gathers pace again, itelligence will profit from it, that much is certain. "We enjoy a good reputation in the SAP field," he says. "Companies appreciate our loyalty, qualified employees and the high quality of service."

Nine in the evening: time to eat – too late for us, but a nice dinner at the seaside is something special and very appreciated.

DAY 2

Whether you slept well or not, you have a long journey ahead of you on day two. Maybe you should prepare yourself with a typical Spanish breakfast. Coffee and a pastry, perhaps, a croissant or a cream cake. In any event you can enjoy it at your leisure, because the plane to Istanbul doesn't take off until 11:45.

The city on the Bosphorus is actually just a layover on the way to Shanghai. But why not use the eight-hour wait to take a trip downtown. The itelligence office in the Asian part of the city is too far away, but it should be possible to arrange a meeting on the European side.

Turkey inspires curiosity. Until more than a year ago, the country dazzled the media mainly with its economic clout. But the story has changed due to the recent political unrest in the country. The pressure on the Turkish lira seems to keep threating the economic stability of the country. One can only wait and see which course events will take. Savas Komban is optimistic: "Thanks to the increase in productivity in the past decade, Turkey is a fast-growing, dynamic country with a relatively young population," says the CEO of itelligence Turkey.

The SAP market is even benefitting more than most from this momentum. The penetration of software technologies in companies has increased exponentially in the last few years. "Business people's enthusiasm for SAP has also led to new investment in the SAP services market," Komban adds. SAP is today well on its way to becoming the prevalent software on the Turkish market.

Local business life centers around western Turkey. Light and heavy industry (textiles, vehicles, chemicals, machinery, electrical engineering), which make up around a quarter of the country's output, are well represented here. However, the biggest share of GDP is accounted for by the services sector at 60%.

itelligence Turkey is finding plenty of options here for exciting projects. The local staff has a lot of experience, whether in medium-sized companies or major projects. "We have implemented international projects in 17 different industries and more than 50 countries around the world," explains Komban. The customer response has been positive. SAP has presented its quality award for successful project implementation to itelligence Turkey three times. "Companies appreciate our commitment to offering innovative IT strategies because we understand their needs and visions. This is what sets us apart from the competition in our customers' minds."

Savas Komban
CEO, itelligence Turkey

It's time to head back towards the airport. Turkish Airlines takes off punctually for China at 12:40 am. But there's time for a little sightseeing if it's the right time of year: On summer evenings a sound and light show begins between the Blue Mosque and Hagia Sophia at 8 o'clock. It's worth it.

DAY 3

Strictly speaking, day three begins shortly after midnight when you get on the plane. The flight is fully booked – good for you if you have a business class ticket. Just a small supper and then it's best to sleep. The time difference can be unpleasant for some people. Day three is already coming to an end in the Far East when we finally land in Shanghai. Because the distances to be covered in the Chinese metropolis are so substantial, the next day is entirely dedicated to this visit. Together with Kent Jiang, Managing Director of itelligence in China, you will then have a chance to get to know the city and its people a little.

DAY 4

You have to take full advantage of day four. But you still won't be able to get more than a tiny peek into the Middle Kingdom. Nonetheless, Shanghai is excellently suited to get an impression of the country's potential. Together with Hong Kong, this city of 23 million people is considered one of the most "westernized" places in China. There are sights to see from both worlds here: In Shanghai architecturally highly respected skyscrapers reach up to the clouds, between them temples or the old town with its twisting streets and wooden houses.

Justin Brading
Vice President and Managing Director, itelligence UK

Life in the megacity pulsates, as it does in many regions of this giant country with 1.36 billion inhabitants and a gross domestic product of USD 8.6 trillion. But the constant growth is also a challenge, and is reaching its limits in some areas. For example, Chinese industrial production is highly energy-intensive – estimated at four times as high as in Europe. The current government has recently sent clear signals in this respect. "Companies are expected to use state-of-the-art technologies in order to work more efficiently while at the same time saving resources," explains Jiang.

"Naturally this also means that companies have to invest massively in cutting edge ERP systems, specifically in industry solutions," reports Jiang. itelligence China's customer industries include automotive and mechanical engineering in addition to firms in general from discrete manufacturing and the high tech sector. "This is a big opportunity for itelligence," smiles Jiang. "Because our industry expertise is winning over local companies as well."

Nonetheless, the ERP market is still hard fought. Competition from domestic products is intense, and above all there is strong price competition. The head of itelligence in China does not let this bother him: "We are building resources in the production-related areas of PLM and MES," he explains. "We are therefore specifically supporting the automotive and mechanical engineering industries along their entire process chain. This clearly sets us apart from other providers."

Kent Jiang
Managing Director, itelligence China

The conversation about China's exciting market continues during a walk through Shanghai's French Quarter. The combination of colonial style buildings, streets lined with sycamores and several parks prepare one somewhat for a return to Europe. It's an early flight to London, so best not to stay out too long in a bar with colleagues. But as is explained in the most delicate terms possible, this is something everyone must decide for themselves.

DAY 5

The fifth day begins with a trial of patience: The journey to the airport takes its time, there there's ticket and security inspections. But the travelers know this and are prepared for the long waiting times. British Airways takes off as scheduled at ten till eight and welcomes the passengers with an English-Chinese breakfast. All a question of taste.

After almost 13 hours you land in London at midday, local time 12:40, more or less well rested. Next up is a meeting at Lutyens Restaurant. The establishment, run by a Norwegian, is located in the former Reuters building on Fleet Street, just around the corner from the itelligence office.

The British economy has been through some difficult years as a result of the global financial crisis, but achieved a remarkable turnaround in 2013 thanks to some, at times, painful measures by the government. "The UK is traditionally a trading nation," explains Vice President and Managing Director Justin Brading. "The most important sector is the service industry." You can feel that in London especially. 25% of Britain's entire economic output is concentrated here in sectors such as financial, legal and other professional services.

Software and consulting market in the UK is characterized by tough competition. But unlike China, the struggle here is less about price and more about the quality of offering. "The ERP market is a very mature industry," says Brading. "The technology in areas such as analytics, mobile and cloud computing is cutting-edge." So customers have very high expectations of their service providers. But this is an exhilarating challenge, because UK companies are open to change. "They see a competitive edge not in low labour costs, but in efficiency, service expertise, service quality and intellectual property."

Customers think a lot of the established expertise of their itelligence consultants, their broad knowledge of SAP and the company's all-round services. "We have an exclusive range for best-in-class project implementation and for a suitable onshore support model," highlights Justin Brading. "We therefore provide services for the full customer lifecycle."

Given the rosy prospects for the economy in general and the software business in particular, Brading feels there is a wealth of opportunities for the company's expansion. The three most important: 1. Business Analytics. "The SAP Business Analytics portfolio can be effectively exploited with the massive demand for big data management." 2. NTT DATA. "We want to offer large companies as well as midsize one's the full range of itelligence and NTT DATA services." 3. Cloud computing. "itelligence is peerlessly well positioned to support SAP in the implementation of the hybrid cloud strategy as a combination of cloud and on premise applications."

After lunch a walk along the Thames calls. But not long, because you simply have to ride a double-decker when you're in London. Here we have nice lesson for newcomers, and a charming reminder of British manners for old hats: When you get off the bus you say thank you to the driver.

Steve Niesman
President and CEO, itelligence Inc. USA

DAY 6

On the morning of the sixth day the British Isles rapidly disappear from view on the flight from London to Chicago, take-off at 10:15. Once over the pond and deep into the heartland of the United States. And another time difference – it's still 4.15 in the morning in Chicago. We arrive at our destination after a flight lasting exactly nine hours. Now just what feels like half an eternity in immigration, collecting your suitcase, and off into a taxi.

Luckily the journey to itelligence takes less than half an hour. The office is outside Chicago in a generously spaced office area, embedded in greenery. itelligence has a total of four locations in the US: the head office in Cincinnati and field offices in Chicago, Atlanta and Irvine, California. "Our customers are spread out over a wide area, from Oregon and California on the west coast to Boston and Florida on the east coast and in the southeast," remarks Steve Niesman. Steve Niesman is the President and CEO of itelligence Inc.

Niesman thinks that what makes his home so special is the different peoples and cultures. "Together we form this unique American culture." Part of this uniqueness is the way people interact with new technologies. "Technology has a far-reaching influence in the US," says Niesman. "Old and young people alike make the advantages and possibilities their own."

The US is the world's strongest economic power with an enormous domestic market. In 2013 the country generated a gross domestic product of USD 16.2 trillion. The economy is now growing again since output contracted in 2009. Tentatively at first, but there have been signs of a higher rate since the end of 2013. Private construction investment is up and capacity utilization in industry is stabilizing again.

"The market for ERP is highly fragmented," says Niesman of itelligence's sphere. Competition is considerable and significantly tougher than in SAP's home country. Because here there is also competition from big companies such as Microsoft, Epicor and Oracle. Moreover, low cost offshore players and a growing number of cloud providers are elbowing their way onto the market. Why do customers choose itelligence? “Most of all they appreciate our single focus on SAP and the depth of our industry solutions,” answers Niesman. “Moreover, you won’t find anything like our customer focus anywhere else on the market.”

The prospects of surviving in the SAP environment and continuing to grow are good. “There is a booming market for new SAP products, including SuccessFactors, Cloud, HANA, BPC and Mobility,” says Niesman, listing the development potential. “Subscription models and cloud-based services are also spreading more and more in the US.”

There’s no time for more information this time. The SAS flight to Copenhagen takes off at 10:05 at night. Europe and jetlag beckon.

DAY 7

Lunchtime on day seven, 1:20 in the afternoon, back in “Old Europe”. The long-haul flights are done. The connecting flight to Aarhus is a breeze.

With a population of around 300,000, Aarhus is Denmark’s second-biggest city. Aarhus is hard at work tidying itself up: it is set to be a European Capital of Culture in 2017. The charming cityscape is also characterized by a dynamic university community with around 40,000 students. After being sat down for so long Aarhus is like a breath of fresh air – you can rent a bicycle everywhere for a small deposit and travel safely and conveniently through the entire city on dedicated bike lanes. itelligence is located close to the Institute for Informatics.

itelligence’s Nordics region consists of the branches in Denmark, Sweden and Norway. With a total population of around 20 million, this is a small domestic market. This forced companies to expand early on. The Danish, for example, generate around a third of their gross domestic product with exports, particularly machinery and machine parts, food, pharmaceuticals and electronics. Copenhagen is at the heart of business life, which applies to itelligence as well: “We do around 70% of our business in Copenhagen,” explains Nicolaj Vang Jessen, Vice President and Managing Director for the region.

The use of ERP for the integration of cross-border business processes is highly advanced in the Scandinavian countries. “It’s not unusual for a company with sales of around EUR 400 million to have an international market presence and subsidiaries all over the world,” explains Nicolaj Vang Jessen. “A typical company for us would probably be a mid-sized production company with an international presence.”

However, as export-oriented countries, Sweden and Denmark felt the effects of the economic and financial crisis. The economy may be picking up, but at a modest rate. Norway is in a better position thanks to its oil reserves. What is currently driving companies here to invest in IT? “Our countries all have high labor costs in common. We are predestined to increase productivity and efficiency by reducing the workload with the use of technology,” says Vang Jessen.

Like everywhere else, companies are also looking to master the ever more complex challenges of today’s global economy. “I see good potential here to introduce Business Analytics, CRM and Mobility,” Vang Jessen continues. There is also potential in stepping up business in Sweden. “SAP has invested in a lot of new technologies and solutions that are highly relevant to the countries of Scandinavia. We are looking at a unique opportunity to become the internationally proven and SAP-focused partner to join Swedish companies on the next steps of their ERP journey.”

If there’s still time and the skies are clear, you should enjoy Aarhus’ rainbow panorama. A giant circle made of glass in all the colors of the spectrum that you can walk through. It crowns the art museum and provides visitors with a colorful panorama view over the city and beyond.

Nicolaj Vang Jessen
Vice President and Managing Director, itelligence Nordics

DAY 8

Early. Really early. Day eight begins with a flight back to the Danish capital at 6:20. The flight only takes 40 minutes, so there's still time for a coffee at Copenhagen Airport. The journey continues on to Prague at 9:15. Arrival 10:40.

If you visit the Czech capital, you can't spend your time in the office – even in itelligence's. From there it takes less than 25 minutes by car to reach enchanting downtown Prague. This area invites you to stroll through the old alleyways and later to visit the terrace of Kampa Park, a restaurant on Prague's tranquil Kampa Island.

The Czech Republic is at the end of a recession that began in 2011. Economic output declined in 2012 and 2013, but the prospects for 2014 are good. The national bank is anticipating growth of around 2%. With a population of more than ten million people, the Czech Republic is one of the smaller countries in Europe. itelligence CEO Rajmund Pavla sees things similarly to his colleagues in Scandinavia. "Our market is limited by its lack of size alone."

Most big companies, the public sector and the upper midmarket are already equipped with SAP. Drumming up new business is one of the biggest challenges facing itelligence in the Czech Republic. Having to hold one's ground against 15 competitors on this limited market is more than sporting. Pavla is therefore satisfied with the takeover of the Czech and Slovak SAP business of Software AG in 2013 in two respects: Overall, the acquisition meant 40 more experienced SAP consultants for itelligence. "This has boosted our visibility and our firepower," explains Pavla. "Measured by the number of consultants, we are now placed second on the Czech market."

The business community here essentially consists of a series of large international corporations that have branches and production facilities in the Czech Republic, a handful of government or semi-government operations and a large number of small to medium-sized local firms. There are brisk exports – mainly with Germany – by far the country's most important trading partner. "But we also have customers in other countries. From all over Europe and Russia," reports Pavla. "The fact that itelligence is a strong player on the international stage is a big advantage for us. It allows us to score points."

For the second time, itelligence Czech Republic has received the award for best SAP license partner on its home market. "Most of it is BW and BI solutions," says Pavla. These will also remain the areas that have to be addressed because "this is what companies are looking for".

itelligence has had a hard time in Eastern Europe. But things changed tack around two years ago. Since then the region has been flourishing. Being part of the itelligence Group is nothing but an advantage for Pavla: All sides benefit from the ties all over the world, the extensive SAP expertise and not least the fair treatment of each other. "itelligence doesn't tell us what to do. Instead we discuss the right course together," says Rajmund Pavla happily of the trusting relationship between parent and subsidiary. "And if we shake hands on a decision, that counts as well."

Should you really take a bottle of Becherovka as a souvenir? The famous herb liqueur, whose recipe nobody knows. Perhaps the very small bottle? Perhaps not? Time is short anyway, the next flight is at 8:10 in the evening. This is when the Polish airline LOT takes off for Warsaw on a flight that takes just over an hour. You would do well to check in to one of the airport hotels, such as the Marriott, when you get there.

Rajmund Pavla
CEO, itelligence Czech Republic

DAY 9

The itelligence office in Warsaw is close to the airport. The taxi takes less than 15 minutes. This is the ninth day, and today we are looking at the Polish market.

Poland has stood out in recent years with its good performance compared to the Central and Eastern Europe region and the EU as a whole. The country has the sixth-largest population in the EU. Almost 40 million people, 38.5 million to be more precise, live here, 1.7 million of them in Warsaw alone.

Warsaw's old town was declared a UNESCO World Heritage Site and is definitely worth a look. The rest of the city is impressive as well. Warsaw is the economic center of Poland and, for many international investors, the starting point for their business in Central and Eastern Europe. This can also be seen by the many new high-rise office buildings and hotels. In the 1990s the city was nicknamed "Europe's biggest construction site".

SAP has also been operating here for 17 years; its customers today number more than 1,500. These are organizations of all stripes, from all sectors, small, medium, large, private or public. "SAP is the clear market leader here in the categories of ERP, CRM, and BI software," reports Arnold Nowak, itelligence's Managing Director for Poland. "Around 80% of the 100 biggest Polish companies use SAP solutions."

Customers can choose from a large number of service providers offering consulting and implementation services for their SAP systems. "There are more than 50 SAP partner companies in Poland," says Nowak. "But only a few international players like itelligence."

Nonetheless, itelligence Poland is really unique: The company was declared a "customer-friendly company" for the second time in a row in December 2013. An honor for companies that observe the highest standards in customer care and effectively manage their customer relationships. The most recent customer survey confirmed this: 95% of those questioned rated the products and services offered by itelligence as high quality, and find the company trustworthy (90%) and honest (96%). Nowak is delighted by this. "Our employees are seen as polite, helpful and competent."

This is an excellent reputation for the future. Poland's economy was able to avoid sliding into recession, but lost momentum in the last two years. Experts are forecasting stronger growth again for 2014, which means that the country should continue to hold a top position within the EU.

Nowak intends to leverage this development for the expansion of business. "I anticipate strong interest in additional SAP modules such as EWM or CRM," he says. He has also observed growing demand for SAP services in the retail and logistics industries. SAP has been setting standards in these sectors for years. "The Polish market is catching up with the western ones," says Nowak. "Companies are choosing the latest information technology, tested by the world's leading companies."

"Good evening, ladies and gentlemen, this is your captain speaking. Welcome aboard" – the plane leaves Warsaw Airport for Zurich at 9:55 in the evening. If you prefer airport hotels, you can check in straight away. But there are plenty of accommodation options in nearby Regensdorf as well. Regensdorf is a community in Zurich's lowlands with a population of around 17,000. However, there are roughly 10,000 jobs because it is home to one of the largest industrial areas in

Arnold Nowak
Managing Director, itelligence Poland

the Canton of Zurich. Its proximity to the Zurich's northern bypass and the airport has moved many companies, including SAP and itelligence, to set up shop here.

DAY 10

Switzerland has a very special market structure: 26 cantons, four official languages and lots and lots of small companies. More than 99% of Swiss businesses have less than 250 employees. "Most firms are even very small, with only up to nine people," says Claude Flükiger, Managing Director of itelligence AG Switzerland. "Only around 1,300 companies have more than 250 employees."

The Swiss Federation (the "CH" stands for Confoederatio Helvetica) is one of the most affluent and innovative countries in the world. In 2013, the World Economic Forum, which is headquartered in the Canton of Geneva, declared it the most competitive country for the fourth time in a row – thanks to its innovation and flexible labor market. In terms of GDP, Switzerland ranks as Europe's eighth most economically powerful country. Although its strong currency is currently weighing heavily on the export-oriented country, the growth in its economic performance is stable and analysts are forecasting that figures will continue to rise. "Switzerland is going into 2014 with panache," was Neue Zürcher Zeitung's summary of forecasts from various market observers at the end of 2013.

itelligence knows what to do with this panache. SAP has high market penetration in Switzerland and is gaining market share year for year. SAP grew by almost a further 9% in fiscal 2013 – three times the rate of the market. This panache comes from different directions. Flükiger is still anticipating further demand for classic ERP, and especially strong growth in demand for areas such as analytics, enterprise content management (ECM), in-memory technology, mobile and cloud-based solutions. SAP more than doubled its business with cloud applications in the past year, increasingly making it a key market in Switzerland.

Something else that many companies want is to further improve the way their processes interact. Such as by connecting ERP and ECM systems. "Connecting the structured and unstructured data world makes many processes more efficient," explains Flükiger. And companies are interested in this and the possibilities for analyzing data. HANA and BI are also drawing customer attention in the wake of the flood of big data, which will be reflected in further strong growth in business in the future. "Business intelligence is a key pillar for us."

With a team of more than 100 employees, itelligence offers its Swiss customers a full range of services – from consulting and implementation, to proprietary SAP solutions and Outsourcing & Services at a data center in Switzerland. itelligence has been on the Swiss market since 1997 and customers can sense that. "They value our continuity," says Flükiger. They also appreciate itelligence's employees, who noticeably identify with our customers' goals.

The high quality of its services often leads to customers opting for itelligence, as does its range of innovative proprietary industry solutions. Naturally, its international presence also plays a key role for customers. Many customers have sales branches and production facilities around the world, and benefit from itelligence's international positioning. The global cooperation as part of the NTT Group will strengthen this even more moving ahead. "We are not yet even taking full advantage of the opportunities of being a part of NTT," says Flükiger.

The flight back to Düsseldorf takes off at 4 pm on the dot. There is time for a quick look at the city today as well. Zürich's famous Bahnhofstrasse can safely be ignored today – too many tourists, too expensive, too trendy. Instead our visit to Switzerland

Claude Flükiger
Managing Director, itelligence AG Switzerland

ends in the city's well-known Prime Tower. The bistro with a view from the 35th floor is a place to meet – carefree and lively. It is a place where people come together in their everyday professional life. High above the clouds a panorama opens up, extending from prosperous west-end Zurich to far into the snow-covered Alps – an inspiring view to lift one's spirits.

And now back to the airport for the last time. The flight to Düsseldorf takes over an hour. Finally time to think back on the many different worlds of itelligence. Barcelona, Istanbul, Shanghai, London, Chicago, Aarhus, Prague, Warsaw and Zurich. And that wasn't even all of them. ■

Trust meets responsibility

MANAGED SERVICES A GROWTH MARKET

First it was support, then hosting, and now managed services – the nature of outsourcing changes to reflect demand. In addition to technical and business expertise for critical IT systems, itelligence focuses on one key aspect in particular: over the past decades, it has worked continuously to secure the trust of its midmarket customers.

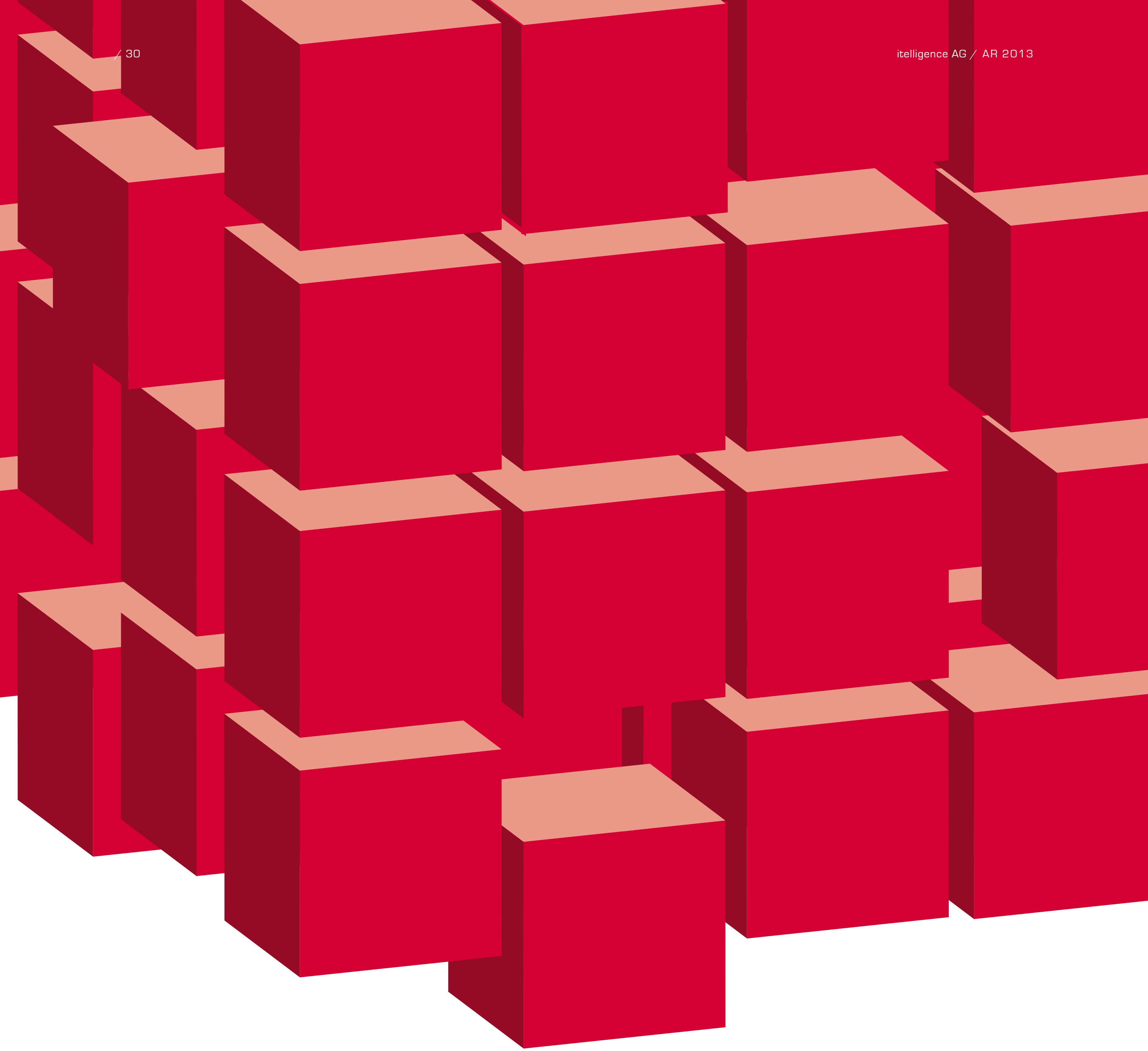
Things did not exactly get off to an easy start. For a long time, outsourcing had a poor reputation. After all, no IT officer would be happy to surrender responsibility, least of all as part of an untested delivery model – and when there was no reason to do so. In 1989, the term "outsourcing" appeared just twice in the German edition of the industry magazine "Computerworld". If nothing else, it was deemed worthy of note that First Tennessee Bank in Memphis, USA, had outsourced parts of its IT operations accounting for up to 50 employees. In doing so, it followed in the footsteps of Eastman Kodak Co., whose decision to outsource was described by the daily and business press as a "revolution in data processing". And how many IT managers spend their working hours planning a revolution?

At itelligence, too, the early days of outsourcing were characterized more by pragmatism than by euphoria: "Since 1996, we have offered our customers support services in addition to maintenance," recalls Oliver Schreiber. "Every SAP reseller was contractually obliged to do so." The response of the manager, who is now the head of itelligence's Outsourcing & Services division (the fact that he has the same initials is merely a coincidence), was to establish the support hotline and supplement it with it additional services. "We originally saw this as a matter of fulfilling our commitments – until we realized the potential it could entail for us." Schreiber systematically leveraged the opportunity, and by the late 1990s the business unit had grown to such an extent that he had to hang up his hat as an IT consultant: "Outsourcing had become a full-time job."

Things progressed rapidly after that. In 1998, Schreiber started offering data center services together with partner companies and in joint ventures. The next year, the former Philips data center in Bautzen was acquired and a data center was opened in Poland together with APCON. And in 2000, SVC and APCON merged to form itelligence AG. "As a full-service provider, customers at the time were increasingly asking us if we could provide hosting in addition to support," says Schreiber. The brief flourishing of application service providing (ASP) ultimately opened the door for outsourced SAP services for the midmarket – not only in Germany, but worldwide.

The nucleus of itelligence's outsourcing activities – support – took something of a back seat during the hosting boom, and responsibility was transferred to the national subsidiaries under the now-standard name of application management services (AMS). A logical development: "In AMS, communication with the end user is far more intensive, making the delivery concept less centralized," explains Lars Janitz, who moved from SAP to itelligence in 2011 and has been the head of Application Management Services ever since. After all, he adds, a customer's business processes and business models can be managed and optimized only in close cooperation with the customer.

As Janitz recalls, however, AMS at itelligence was "spread across a large number of separate islands" – something that became increasingly problematic in terms of ensuring an efficient delivery model as the company's globalization progressed: "Our international customers in particular meant that we needed a consistent global delivery platform offering a ticket tool, reporting, processes and contacts from a single source." The SAP landscape had also become so complex that



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MANAGED SERVICES

none of the individual national subsidiaries had all of the necessary skills for AMS: "Centers of expertise which can be expanded to include offshore and nearshore locations for cost reasons are essential nowadays."

This was why the separate areas of hosting and AMS were gradually brought together again in a single organization for managed services, at least in terms of their face to the outside world. Janitz: "We developed from a technical problem-solver to a partner who can take responsibility for its customers' systems and applications." This required hosting, AMS and maintenance to be combined in a one-stop shop. The role of the customer service manager at itelligence exemplifies this development. The "Project Manager Managed Services" is responsible for coordinating SLA-compliant service provision and discussing the further optimization of IT operations and support with the customer's IT officers at a strategic level, including how to manage the continuous growth in complexity.

Ultimately, itelligence does not see itself as a traditional outsourcer that takes over the entire IT operations of a customer, but rather as a trusted advisor for the operation and support of an IT solution. Janitz: "Pure offshore providers can accept, process and return a ticket at a lower cost than us." The customer service manager contributes his industry, service and SAP expertise on-site, while key users at the customer contribute their company-specific process knowledge: "Working together like this allows us to find the best solution." This also reflects the fact that decision-making processes nowadays look at far more than just the bottom line, as Janitz knows from practical experience: "Customers consider the entire business case. They look at the total cost, but also at qualitative criteria such as the expertise of the partner and user satisfaction."

The market for traditional hosting has also seen some changes: "Systems have become more complex, requirements in every phase have increased and customers nowadays have far more experience," says Oliver Schreiber. Prices have also come under pressure, prompting all providers to permanently automate and optimize their IT landscape – a real balancing act. Even in this supposedly technical, virtual and anonymous line of business, however, it is the personal touch that counts: "At the end of the day, customers and service providers in the areas of consulting and hosting must be familiar with each other and have confidence in each other if cooperation is to work in the longer term," notes Schreiber.

The outsourcing market is now facing new upheaval thanks to cloud computing and the in-memory technology SAP HANA. "The potential offered by these areas in the medium term is huge," says Schreiber, who has introduced systems at all data centers for testing the state-of-the-art technology and implementing reference projects. "Cloud-based and HANA-based customer systems require specific expertise that is available on the market only to an extremely limited extent – so we have given ourselves an advantage here." In both cases, the separation of applications operation and management is no longer feasible. Lars Janitz also expects the shared success story that has been written over recent years to continue. "Cost pressure, new customer requirements and the growing complexity of IT mean that there is clear growth potential for us in the area of managed services." ■

Interview with two managers for managed services

Oliver Schreiber, Executive Vice President, Head of Global Business Unit Outsourcing & Services / at itelligence since April 1994

Lars Janitz, Executive Vice President, Head of Global Application Management, Head of Region Central & Eastern Europe / at itelligence since May 2011

Driving the global SAP strategy

NTT DATA AND ITELLIGENCE

In 2008, itelligence became part of NTT DATA. For the Japanese Group, it was the prelude to its implementation of a global strategy. Building on the success achieved in the domestic market, NTT DATA now focused on expansion overseas. itelligence plays an important role in this context.

"Before itelligence become part of the NTT DATA Group in January 2008, our global revenues excluding Japan amounted to less than USD 200 million", recalls Kazuhiro Nishihata. "We employed less than 1,000 people outside Japan," says Kaz Nishihata, Executive Vice President, Managing Director Global Business at NTT DATA and therefore responsible for the global strategy of the NTT DATA Group.

The powers in Tokyo took the decision to start looking for suitable partners in the SAP arena. "An ever-increasing number of Japanese Groups were using SAP," says Takashi Enomoto, now an Executive Advisor at NTT DATA, of the decision. "In order to meet the needs of our customers, including those outside Japan, NTT DATA needed to expand its offering into other countries."
Enomoto became aware of itelligence. In 2006, he visited the company for the first time and was impressed. "I experienced the outstanding track record and the entrepreneurial spirit of itelligence at first hand and was convinced that the company is the most suitable partner for NTT DATA." He also felt at home in the surroundings of Bielefeld: "The two things that struck me first were the good organization and the cold weather," he smiles. "I thought it was a typical German company, and that it was not dissimilar to a Japanese one."

The starting shot for globalisation It was to take another two years before the two companies joined forces. As if this was the starting shot, NTT DATA focused even more systematically on its objective of offering multinational customers a globally competitive alternative to the existing global IT firms in the future. "The performance of itelligence encouraged NTT DATA to make additional global investments," says Kaz Nishihata. "And I am delighted to say that the success we achieved with itelligence has helped accelerate the global growth of the entire NTT Group."

この結束力と情熱こそがitelligenceの強みの源泉だ。

The strength of itelligence derives from solidarity and passion.
Eiji Yamada

The Group now has a presence in over 30 countries in Europe, the Middle East, Africa, as well as in Argentina and Brazil with more than 6,000 IT experts. The overall workforce has grown to more than 70,000 employees. "We have taken a major leap forwards," adds Eiji Yamada. As Senior Executive Vice President & Representative Director and Company President of the Global Business Company at NTT DATA Corporation, his focus is on the global orientation. Market analysts at

Eiji Yamada
Senior Executive Vice President &
Representative Director, Company President,
Global Business Company,
NTT DATA Corporation, Tokio

Kazuhiro Nishihata
Executive Vice President,
Managing Director Global Business,
NTT DATA Corporation, Tokio

Gartner already rank NTT DATA sixth among the world's leading providers of IT services. However, the Group has not yet reached the target it has set itself. As Eiji Yamada explains: "Our business performance remains weak in all regions apart from Japan, where we rank second. In North America and Western Europe, however, we rank somewhere around 40th."

Phase two: Global teams But the next steps have already been decided. "If you assume that we have been in the first phase thus far, we are now entering the second phase," announces Eiji Yamada. "The objective is for our operating companies, including itelligence, to work as hard as possible on driving revenues. We will expand our business activities 'glocally'." Although he says there will be no restrictions in terms of industries or regions, the main area of focus is clear: "Our product offering is concentrated to a significant extent on strong products like SAP."

"The first of our G1Ts was the SAP Global One Team, which we established three years ago," reports Kaz Nishihata. "SAP currently represents the strongest global service offering from NTT DATA – a fact that was also recently confirmed by analysts at leading research companies such as Gartner and Forrester."

itelligence plays a central role The goal for the medium term is for SAP G1T to become one of the top five global SAP service providers. "In order to achieve this, we will develop a plan to increase revenues at SAP-related divisions to USD 2.0 billion – which represents a significant increase over the USD 1.2 billion generated in 2012." With regard to customers, NTT DATA aims to position itself in future as follows: The regional operating companies of NTT DATA will focus on major companies, and will provide SAP application development and upgrades as well as Application Management Services (AMS). itelligence and the Business Solutions Group, which operates in the Asia Pacific

SAPはNTTデータのグローバルオファーリングで現在最も強いオファーリングである

SAP currently represents the strongest global service offering from NTT DATA.
Kazuhiro Nishihata

This concentration is also reflected in the organization of NTT DATA. Under the "One NTT" slogan of the parent NTT Group, NTT DATA launched the "Global One" worldwide initiative. Part of this strategy involves bundling expertise from around the world into what are called Global One Teams ("G1T") that focus on various specialized areas. Included among these is the business with SAP software and services, cloud computing, business intelligence, Oracle and test environments.

region, will concentrate on the SME market with system implementation, end-to-end hosting, support and AMS and will operate as resellers for SAP licenses. "I expect that itelligence will play a central role in this context and firmly believe that we will achieve this goal," says Kaz Nishihata.

Eiji Yamada adds: "In particular, we want itelligence to share its superlative expertise and experience with other operating companies

Takashi Enomoto
Executive Advisor,
NTT DATA Corporation, Tokio

including NTT DATA EMEA and NTT DATA Inc. and to continue its efforts to offer the full spectrum of IT services in close cooperation with these operating companies." His visit to the international employee event in Bielefeld in February inspired him: "It was when I saw the itelligence employees, glasses in hand, engrossed in discussions late into the night that I became convinced that the strength of itelligence derives from precisely this solidarity and passion."

Today, six years after itelligence merged with NTT DATA, Takashi Enomoto sees the confirmation of what he felt during his first visit to Bielefeld: "My efforts really paid off as the investment has benefited NTT DATA", he says. "And it was also important for itelligence. I am delighted that revenues at itelligence have grown from EUR 250 million to more than EUR 450 million during the cooperation with us." His message to the successful subsidiary: "Thank you for your understanding and for the outstanding cooperation!" ■

itelligenceはNTTデータにとって、最適なパートナーであると確信している。

I was convinced that itelligence is the most suitable partner for NTT DATA.

Takashi Enomoto

Norbert Rotter
CFO

"The importance of IT will increase further"

The future of IT is clearly recognizable: It will continue as before, but different. Management Board member Norbert Rotter risks a look into the year 2039, when itelligence turns 50 years old.

→ **In the past 25 years, IT innovations have had a huge impact on the economy and society. Can the IT industry maintain this fast pace or will there be a consolidation?** *Norbert Rotter:* In the long term, the changes are of course tremendous. But, after a change in perspective, you can recognize wave movements in which the troughs are small consolidation phases. This is true for financial markets and stock prices as well as for market penetration of innovations. This form of self-regulation keeps the whole system going and prevents a sudden crash. However, the frequency of the IT waves in recent years has increased – at least it feels to me like the wheel is turning faster and faster. This is clear in the example of the World Wide Web, which was created by Tim Berners-Lee 25 years ago. Since then, there has been a development and economization of the Internet that has permanently changed and will continue to change the way we communicate and conduct ourselves.

To what extent is IT to blame for the development? *Norbert Rotter:* You can't talk about blame here. IT simply developed from a tool to a "progress accelerator" that can now be found in all areas of life. The combination of mobility, social media, cloud computing and big data analysis is continuing unabated. Increasingly faster processors and end-user devices are allowing more and more new applications.

So then where do you see the biggest IT challenges in the coming years in the enterprise sector? *Norbert Rotter:* Companies must manage the digital revolution and change themselves into digital organizations that continue to integrate themselves further with their customers, partners, and employees. I see challenges in the area of integration of data and information at companies. A lot has been done in the past few years, but we are just at the beginning. The economy must succeed in bringing data with different structures and dimensions together, for example via the sensible combination of ERP systems and ECM systems as well as more integration of web technologies and social media tools. Only when all the "senses" of a company are working synchronously does a holistic view of value added open up. Stand-alone solutions and disconnects are dangerous to success.

Digitalization of companies will increase the amount of data enormously: keyword 'Industry 4.0'. What options does a company have to channel the flood? *Norbert Rotter:* This will succeed only by standardizing IT. Companies should work on reducing the complexity with the multitude of processes, products, customers, suppliers and their relationships among one another. They need standardized modules for this that can be used over and over and can be adapted easily. The aim is to create results from resources as quickly and efficiently as possible. SAP's HANA technology will play an important role here. We are counting on this as an SAP partner.

How fast will IT be going in 2039, when intelligence turns 50? *Norbert Rotter:* I assume that we will be dealing with IT phenomena at that time that no analyst even has on his radar yet. Who would have thought that the WWW would turn many established business models, such as trade and the media, on its head in 25 years or those large sections of the society would have a relaxed attitude towards data security? Maybe companies will open up in the same direction as people and find new ways of working together. New generation of products will drive new applications and machines will communicate with each other independently. I can only speculate here. But the fact is that the importance of IT for people and companies will increase further.

What IT role will itelligence have in 25 years? *Norbert Rotter:* 25 years is a very long time in the IT world that we really cannot plan for strategically. Our core competence will remain SAP and I am banking on continuity in that area. We advise on and deliver IT solutions where companies no longer can or want to master these tasks themselves. In 2039, it will probably make no difference if this happens on site or from the cloud.

And how do you assess the development of itelligence as an organization? *Norbert Rotter:* Many companies and business models will no longer exist in 25 years. We belong to the number one global IT group NTT/NTT DATA and thus have the power and capability to expand our global network. Of course itelligence in 25 years will no longer be comparable with itelligence today. The company then will be characterized by employees who start working for us now or in the next ten years. That's why talent management is also so important for the development of a company. ■

Annual Report 2013
itelligence AG


→ Aufzug

"An excellent finish"

Herbert Vogel and Norbert Rotter on fiscal year 2013

Mr. Vogel, looking back at 2013, we can see that there was a steady recovery in the economy. Was this development also reflected in the course of business at itelligence? *Herbert Vogel:* 2013 was a patchy year that fell below our expectations in some respects but exceeded them in others. The lower level of incoming orders in the previous year was a notable factor in the early part of 2013. Although revenue increased across all divisions, we were not satisfied with our profitability. This situation continued through the middle of the year, reaching a low point in August and September. Then things changed for the better. We recorded an excellent finish to the fiscal year in the fourth quarter, reaching a high point in December and returning to strong profitability. In summary, sentiment really did improve over the course of 2013, starting in the USA and followed by Europe – and by the end of the year, the upturn had become more robust than we had anticipated.

All the same, Mr. Rotter, you failed to achieve the target you announced at the end of the previous year, namely an EBIT margin of more than six percent for 2013 as a whole. Were you too optimistic? *Norbert Rotter:* In hindsight, yes. The prior-year order situation in our consulting business in the USA and Germany fell below our expectations. Accordingly, consultant utilization was below-average, which had a considerable negative impact on earnings in the first three quarters. Many projects were not concluded until the fourth quarter. The new acquisitions made in 2013 also impacted our earnings, as we had to recognize substantial write-downs on orders on hand. All in all, this effect reduced our EBIT by half a percentage point. This meant that our operational EBIT margin was around 5.4%. Our recurring business enjoyed strong development in 2013, outperforming our expectations by some distance. SAP maintenance, application management and hosting now account for 40% of our revenue, and we achieved our strategic objective in this area. The EBIT margin is an important strategic target, but it is by no means the only factor we take into account when making decisions.

And yet itelligence can look back on another record-breaking year. *Norbert Rotter:* itelligence achieved growth in a number of key figures once again. In fiscal year 2013, revenue increased by 12.3% or MEUR 50.0 year-on-year to MEUR 457.1, thereby falling within the forecasted range. At the same time, EBIT improved by 15.6%, from MEUR 19.2 in the previous year to MEUR 22.2 in 2013, while consolidated net profit rose by 18.2% in the same period, from MEUR 13.7 to MEUR 16.2. We also broke new ground in terms of our workforce: itelligence had more than 3,000 employees for the first time. At year-end, we had a total of 3,078 colleagues, more than half of whom are located outside Germany. Internationally, we are also the leading SAP partner for the midmarket. Despite a weak start, 2013 was another record-breaking year in many respects. This makes us proud and gives us motivation for the new fiscal year.

itelligence's business is based on four segments: consulting, outsourcing & services, application management and license sales. What trends can be observed at an individual level? *Herbert Vogel:* All of the segments recorded clear growth in 2013 as a whole. Consulting revenue increased from MEUR 211.5 to MEUR 214.9, while revenue in the outsourcing & services segment rose by 16.7% year-on-year, from MEUR 116.3 to MEUR 135.7. Application management saw even more dynamic performance, with revenue improving by 21.5%, from MEUR 40.4 to MEUR 49.1. However, license revenue saw the strongest growth in percentage terms, with sales rising by almost 50%. Revenue for the year as a whole amounted to MEUR 56.9 compared with MEUR 38.3 in 2012, an increase of 48.6% in concrete terms. This is particularly satisfying because license sales are always accompanied by follow-up business.

What was the strategy behind the acquisitions made in 2013? *Norbert Rotter:* itelligence has outperformed the market for a number of years in terms of its organic growth alone. However, we have increasingly also strengthened our position through acquisitions – almost all of which have been outside Germany to date. This reflects our objective of providing our customers with a global product and service range as a strategic SAP consultant. Our customers quite rightly expect us to support them outside Germany, too. However, our aim is not only to follow our customers, but also to develop local markets in new regions. We believe acquisitions are the right way to gain a foothold in a country or a region – providing that the right candidates can be found. To cite an example: as well as enjoying success in Turkey, our subsidiary in Istanbul has opened the door to the Middle East, an economic region with huge potential for the future. ***Herbert Vogel:*** Both parties benefit from this strategy. Whether in Scandinavia, the United Kingdom or Southeastern Europe, our national subsidiaries operate on the market with great success under the itelligence brand. They now form part of a globally active group and can offer their customers a significantly broader range of products and services. ***Norbert Rotter:*** Acquisitions are also interesting for us from a technological perspective. In addition to traditional ERP business, we are strengthening our portfolio in the areas of business itelligence and analytics in particular. Accordingly, the acquisition of a business intelligence specialist in the United Kingdom is a perfect match when it comes to meeting the demands of the market. The situation in the USA is similar: with the Aster Group, the itelligence family is expanding in the area of enterprise performance management (EPM), which is a particularly interesting topic for CFOs. And as recently as January, we acquired the 4C Group in Denmark, which is also active in the areas of BI (business intelligence) and BPC (business planning and consolidation).

One of the largest acquisitions in recent years was in Turkey. itelligence has also significantly expanded its presence in Eastern Europe and Scandinavia. Is there not a danger that you will overstretch yourselves? ***Norbert Rotter:*** This is an important consideration. Each acquisition must also be absorbed and integrated by the respective national organization. We plan extremely carefully when it comes to identifying the regions in which we can manage acquisitions and when. With around 200 employees, our subsidiary in Turkey represents one of our largest acquisitions to date – and one of the most successful. The integration process was seamless and reinforced our policy of taking the corporate culture into consideration when searching for suitable candidates. From the outset, the atmosphere between us felt right – and that is always a good sign. We have a young and extremely motivated team that is enjoying great success on the market. itelligence Turkey received no fewer than three “SAP Quality Awards” in 2013.

As the parent company, how do you support the integration of new subsidiaries? ***Herbert Vogel:*** Our foreign subsidiaries are run by managers from the respective countries. I consider this to be an important factor for success. And we have introduced dedicated integration officers for the individual regions whose sole focus is on integration. They are responsible for harmonizing the various workflows to ensure that we work in the same way throughout the entire group. This includes harmonizing internal IT systems. They also ensure that employees are integrated successfully. We have conducted a total of 14 acquisitions since 2008. While this is undoubtedly a large number, all of the subsidiaries acquired are making a significant contribution to itelligence’s revenue and profitability. As such, we can say with some pride that we are capable of mastering this challenge.

Let us look at the past fiscal year from a customer perspective. What drives the company forward? What products, solutions and services were a particular focus of activity in 2013? ***Herbert Vogel:*** The main reason companies invest in IT is to accelerate and optimize their business processes. The time from the initial idea to production via development is becoming shorter and shorter, and the requirements made of IT are increasing as a result. There is still a high level of demand for traditional ERP, but specialist topics are clearly becoming more important. This includes communication using CAD systems, the use of mobility solutions and social network connections. Improvements to websites, webshops, CRM and PLM are also in demand. But the central control unit for a company’s entire IT landscape is and will remain ERP. Customers who already use SAP are now expanding their systems using add-ons. ***Norbert Rotter:*** Business is being driven by what is generally described as the “digitization of the economy”. Automation within individual areas of a company is on the rise, as is the degree of interrelation within companies and the economy as a whole. This means that we still find ourselves in a growth market – and SAP remains the undisputed frontrunner within this market. However, the rise in automation also represents a challenge for midmarket companies. This is underlined by the sustained growth in demand for outsourcing and application management, for example.

You talked about the specialist topics that are intertwined with ERP. SAP's HANA technology is surely one of these. Is HANA just marketing hype, or is it a realistic approach? ***Herbert Vogel:*** HANA is awakening people's curiosity – and understandably so, as far as I am concerned. Writing off the debate as mere marketing is unfair to the technology. We are seeing a number of tangible projects involving HANA. The technology allows us to perform evaluations in real time that would previously have required several hours. SAP has decided to offer the technology not only as a database, but as a complete application layer, i.e. a platform. As it happens, itelligence itself was one of the first customers to go live with the suite. HANA is particularly interesting for companies that need to handle large volumes of data. I am confident that there are also many midmarket companies that will benefit greatly from the technology in the long term when it comes to making significantly more efficient and more rapid decisions.

Cloud computing is another specialist topic. Has the initial skepticism among German companies now subsided? ***Norbert Rotter:*** Cloud computing helps to make the IT landscape more flexible and is becoming increasingly relevant for German companies, too. The level of demand is certainly tangible. SAP has made huge investments in cloud technology and adopted a clear position with SuccessFactors, Ariba and Hybris. We have aligned ourselves with this commitment and are now an important cloud partner for SAP. SAP Business ByDesign is a fixed component of our product range, and we have also been a member of the SuccessFactors partner program since the start of 2013. This partnership allows us to offer our customers an optimal product range in the area of human capital management. Contrary to what some might believe, we do not see cloud computing as a replacement for traditional ERP business. However, it is an interesting add-on for our customers and for itelligence as a provider.

More countries, more topics, more customers and ultimately more employees. How do you bring the workforce with you on this "tour de force"? ***Herbert Vogel:*** Our employees are central to our success as a company. Accordingly, we look after them intensively and continuously, whether through a wide range of training and staff development measures, target agreements and appraisal interviews or joint events such as the Employee Day. We have two programs for junior managers: one under the itelligence brand and another that runs globally for the entire NTT DATA Group. Our employees and their expertise are our capital. itelligence works on this continuously, e.g. by investing in methods for permanently improving the quality of our services. Our ability to deliver quality is underlined by the various awards we have received. itelligence has been given the SAP Quality Award for its work on customer projects on several occasions, not only in Turkey.

In mid-2013, the decision was taken for itelligence to withdraw from the stock exchange. Following the resolution by the Annual General Meeting, all of the remaining shares held by the minority shareholders were transferred to NTT DATA EUROPE, which is now the sole shareholder of itelligence. Why was this last step necessary? ***Herbert Vogel:*** The past five years of working with NTT DATA have shown how valuable this partnership is for our company. itelligence has grown consistently every year and is excellently positioned for the future. The final acquisition of all of the shares will make our future cooperation a great deal easier, both at a management level and for projects that are jointly implemented by different companies. It goes without saying that we will continue to provide our customers with our products and services as itelligence. ***Norbert Rotter:*** Ultimately, the strategic withdrawal from the stock exchange is a logical step. itelligence will remain an independent company within the NTT DATA network with a clear positioning as an international SAP service provider. This makes joint long-term planning easier. Although we have left the stock exchange, we will certainly not disappear from view. We plan to continue publishing transparent reports on our financial data and to keep the public and our customers continuously informed.

NTT DATA intends to become one of the world's largest IT service providers, as well as developing into a global player in the area of SAP services. itelligence plays a leading role in terms of global SAP business. How far has the cooperation between the different companies progressed? ***Herbert Vogel:*** The cooperation is reflected in two initiatives within NTT DATA's SAP activities. Firstly, I am responsible for managing the NTT Business Solutions Group, a network of subsidiaries in Singapore, Malaysia and Australia that is well on the way to achieving close cooperation. We have established shared methods and workflows in areas such as controlling and HR planning, and the number of joint projects is rising continuously. We are also part of NTT DATA's Global One initiative. I am responsible for coordinating NTT DATA's entire SAP services business, which is also going extremely well. With "OneMethod", we have established mutual, uniform procedures within this initiative, too. The benefit is that we can now combine our strength and expertise in our face to the market, as well as to SAP. By acting as partners, we bring an impressive weight to the table.

The global economy has slowly picked up pace over the past year. The general forecasts for 2014 are positive if not euphoric. What are your expectations for the current fiscal year? ***Norbert Rotter:*** After enjoying such a strong finish to 2013, I am optimistic for 2014. Our good order situation and the high propensity to invest will help us to achieve our targets of revenue in excess of MEUR 500 and an EBIT margin of around 5.5%. Growth of 4.6% is forecast for the IT market as a whole. However, I expect our segment to outperform this figure, as the SAP market traditionally grows more quickly than the overall market. We closed 2013 with the highest revenue and the highest absolute profit in our history, and itelligence will be in an even better position by the end of 2014. ***Herbert Vogel:*** The prospects for fiscal year 2014 are good. We will break through the MEUR 500 barrier, make additional acquisitions, further improve our profitability, and remain the largest SAP partner for the midmarket. We are also continuing to address new topics such as SAP HANA and cloud computing, as well as focusing on the training and advancement of our employees. For me, the qualification of our young consultants is one of the key items on the agenda this year. From today's perspective, the economy is likely to provide a comfortable environment – bringing us closer to achieving our aim of revenue of one billion euros in 2016.

The turn of the year is a time for making resolutions. Do you have any personal objectives for 2014? ***Norbert Rotter:*** I intend to make sure that my many professional challenges and targets do not overshadow my private life too much. I recently started playing tennis regularly once again and would like to keep up the habit. A bit more physical activity never hurts. ***Herbert Vogel:*** My objectives involve the "Rund um 2014" regatta on Lake Constance and the "Centomiglia" on Lake Garda, the largest sailing regatta. Last year we took second place in both events, so you can imagine what my aim for 2014 is. ■

Friedrich Fleischmann

Chairman of the Supervisory Board

Report of the Supervisory Board

Ladies and Gentlemen, Dear Friends of the Company,

itelligence AG can look back on a successful fiscal year 2013 in which it recorded further revenue growth, thereby achieving the highest revenue volume in its history once again. This was driven by impressive organic revenue development and a targeted acquisition strategy including the successful integration of the companies acquired. On the earnings side, itelligence AG also improved all of its key figures, not least thanks to an extremely strong fourth quarter. All in all, we can be very satisfied with our performance. As previously, our aim for the coming years is to continue to increase our margins as well as our revenues.

In the year under review, the Supervisory Board performed the tasks assigned to it by law, the Articles of Association and its Rules of Procedure and regularly advised and monitored the Management Board in its management activities. As in previous years, the Supervisory Board was involved in all decisions of material importance to the Company immediately and at an early stage. The Supervisory Board voted on the reports and proposed resolutions by the Management Board following a detailed examination and discussion.

One event of note in fiscal year 2013 was the Company's withdrawal from the stock exchange and the corresponding resolutions. On April 8, 2013, the Supervisory Board adopted a proposed resolution to the Annual General Meeting on the transfer of the shares held by the minority shareholders to NTT DATA EUROPE GmbH & Co. KG as requested by the latter company (squeeze-out). In order to prevent conflicts of interest, Mr. Kazuhiro Nishihata and Mr. Akiyoshi Nishijima abstained from voting on the resolution. The reason for their abstention was that Mr. Kazuhiro Nishihata and Mr. Akiyoshi Nishijima hold management positions at NTT DATA Corporation. NTT DATA Corporation holds all of the shares in NTT DATA EUROPE GmbH & Co. KG, the majority shareholder of itelligence AG. Mr. Herbert Vogel also abstained from voting on the Management Board's adoption of a proposed resolution to the Annual General Meeting on the squeeze-out requested by NTT DATA EUROPE GmbH & Co. KG in order to prevent the appearance of a conflict of interests in connection with the itelligence shares he sold to NTT DATA EUROPE GmbH & Co. KG in response to the public purchase offer.

No further conflicts of interest arose within the Management Board or the Supervisory Board in the year under review.

The Supervisory Board received detailed, timely information from the Management Board in both written and verbal form on the Group's position, with a particular focus on the development of its net assets, financial position and results of operations, fundamental issues of corporate planning and strategy, the financing and liquidity situation, the risk situation, risk management, compliance requirements and significant transactions. In all cases, the Management Board met the requirements of the Supervisory Board in terms of the content and scope of its reporting in full. In addition, the Chairman of the Supervisory Board was regularly informed by the Management Board about current business developments, the medium-term outlook and other key issues and discussed the outlook and the future focus of the divisions with the Management Board.

In fiscal year 2013, the Supervisory Board held a total of eight meetings personally attended by the members. The members of the Supervisory Board regularly attended the meetings of the Supervisory Board. More than half of the members were present at all meetings. In some cases, individual Supervisory Board members were connected by video or telephone. Members unable to attend submitted their votes on resolutions in writing.

The meetings regularly discussed the Company's economic position and development, the financing and liquidity situation, planned investments, the risk situation and risk management, and corporate planning and strategy. In addition, the meetings focused on the following topics and resolutions in particular:

1. **Implementation of the squeeze-out by NTT DATA EUROPE GmbH & Co. KG**
2. **Suspension of stock exchange listing**
3. **Approval and adoption of the single-entity and consolidated financial statements for 2012**
4. **Commissioning of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for fiscal year 2013**
5. **Budget definition and budget review**
6. **Investments and planned acquisitions**
7. **Integration process for the acquired companies**
8. **Monitoring of the risk early recognition system established by the Management Board**

In fiscal year 2013, the Audit Committee met on March 13, April 9 and September 18. At these meetings, the Audit Committee intensively discussed the audit of the single-entity and consolidated financial statements, new accounting provisions and their future inclusion in the audit of the Company, and matters relating to the planning process and risk management.

The Personnel Committee met on February 18, 2013 and September 18, 2013. Discussions at the meetings focused on employee development and the harmonization of the recruitment process. In addition, the Strategy Committee met on February 19, 2013 and December 4, 2013 to discuss the expansion strategy, the Company's strategic orientation within the NTT DATA Group and the strategic development of the SAP partnership in particular.

At the Annual General Meeting on May 23, 2013, the Supervisory Board and Management Board proposed a dividend of EUR 0.06 per share for fiscal year 2012. The Annual General Meeting approved this proposal with a large majority. The Annual General Meeting of itelligence AG also approved the transfer of the shares held by the minority shareholders to NTT DATA EUROPE GmbH & Co KG, and hence the squeeze-out. Following the entry of the squeeze-out in the commercial register, the minority shareholders of the Company were paid cash compensation of EUR 10.80 per share. With the entry of the squeeze-out in the commercial register, the shares held by the minority shareholders were transferred to NTT DATA EUROPE GmbH & Co. KG and the minority shareholders received the agreed cash compensation.

In fiscal year 2013, the Supervisory Board also regularly addressed the adherence to and further development of corporate governance at the Company and intensively discussed the recommendations and suggestions of the German Corporate Governance Code together with the Management Board. Although itelligence AG's shares are no longer listed on the stock exchange following the squeeze-out, the Management Board and Supervisory Board continue to identify with the objectives of the German Corporate Governance Code. Adherence to and the further development of corporate governance is intended to promote good, trustworthy company management in the interests of benefiting shareholders, employees and customers. On March 20, 2014, the Management Board and Supervisory Board jointly submitted a revised declaration of compliance in accordance with section 161 of the German Stock Corporation Act and made this available on the Company's website.

In accordance with the resolution by the Annual General Meeting on May 23, 2013, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was elected as the auditor of the single-entity and consolidated financial statements for fiscal year 2013. Prior to the proposal for election, KPMG had declared in writing to the Supervisory Board that there were no circumstances that could compromise its independence as an auditor. KPMG examined the single-entity financial statements of itelligence AG, the consolidated financial statements and the management reports of itelligence AG and the itelligence

Group in detail. As stated in its unqualified audit opinion, this examination did not give rise to any objections. The dependent company report prepared by the Management Board was also audited and issued with an unqualified audit opinion by the auditor. The audit opinion is worded as follows:

"Following the completion of our audit in accordance with professional standards, we confirm that
a. the factual statements made in the report are correct,
b. the Company's compensation with respect to the transactions listed in the report was not inappropriately high, and
c. there are no circumstances that would justify a materially different opinion of the measures listed in the report than that held by the Management Board."

At its meeting on March 19, 2014, the Audit Committee discussed the single-entity and consolidated financial statements for 2013 and the management reports with the Management Board and the auditors. The relevant documents, including the audit reports, were provided to the members of the Audit Committee and the Supervisory Board in good time prior to the meeting. The responsible auditors informed the members of the Audit Committee of the key findings of their audit and answered additional questions. The Committee concluded by recommending that the Supervisory Board approve and adopt the financial statements.

At the meeting of the Supervisory Board to adopt the financial statements on March 20, 2014, the consolidated financial statements and Group management report prepared in accordance with the International Financial Reporting Standards (IFRS), the single-entity financial statements and management report prepared in accordance with the German Commercial Code (HGB), the audit reports and the dependent company report prepared by the Management Board were addressed in detail and discussed in the presence of the Management Board and the auditor. The auditor reported on the key findings of its audit and was available to provide additional information and answer questions as necessary.

Based on its own careful examination of the documents relating to the financial statements and the audit reports, the Supervisory Board did not raise any objections and approved the findings of the audit by KPMG. It thereby approved the annual financial statements of itelligence AG and the consolidated financial statements of the itelligence Group prepared by the Management Board for the year ended December 31, 2013, meaning that the annual financial statements of itelligence AG have been adopted. Following its own examination, the Supervisory Board also approved the Management Board's proposal on the appropriation of net profit. Based on its own careful examination of the dependent company report and the audit report, the Supervisory Board did not raise any objections to the declaration by the Management Board at the end of the dependent company report and approved the findings of the audit by KPMG.

The Supervisory Board will continue to actively support itelligence's strategic focus and course of business in future, thereby making a contribution towards the continued positive development of the itelligence Group. The Supervisory Board would like to thank the employees and the members of the Management Board for their high level of personal commitment and performance in fiscal year 2013. They have made a major contribution to another extremely successful business year for itelligence.

Bielefeld, March 20, 2014
For the Supervisory Board

Friedrich Fleischmann
Chairman

Corporate Governance Report

The Management Board and the Supervisory Board of itelligence AG placed a high degree of importance on further developing corporate governance topics during the previous fiscal year 2013. They are committed to the principles of the German Corporate Governance Code and follow the majority of the recommendations contained therein in fiscal year 2013, even after the termination of its listing from the stock exchange. The aim is to ensure responsible corporate management with a view to achieving a sustainable increase in enterprise value. itelligence AG sees corporate governance as an important element of responsible corporate management that strengthens the trust of customers, employees and the public in the Company.

The Management Board and Supervisory Board addressed corporate governance topics on several occasions during fiscal year 2013 and jointly submitted a revised declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) on March 20, 2014. According to this declaration, itelligence continues to comply with the majority of the principles set out in the current version of the Code dated May 13, 2013 and deviates from these principles only where it has good cause on account of its size, structure or other Company-specific factors. The declaration was made permanently available to the public on the Company's website.

Management Board and Supervisory Board

As a stock corporation under German law, itelligence has a two-tier management and supervisory structure consisting of the Management Board and the Supervisory Board. The Management Board is responsible for managing the Company. The Supervisory Board is responsible for monitoring the Management Board and appointing and dismissing Management Board members. The two executive bodies of itelligence AG strive to ensure efficient cooperation in a spirit of mutual trust.

In the 2013 reporting period, the Management Board regularly, promptly and comprehensively informed the Supervisory Board on all material aspects of planning, business development and the position of the Group by way of written and verbal reports. This also included the risk situation, risk management and compliance. Transactions of material importance require the approval of the Supervisory Board.

The Management Board continues to consist of two members: Herbert Vogel (founder and CEO) and Norbert Rotter (CFO). As a precaution, Mr. Herbert Vogel abstained from voting on the Management Board's adoption of a proposed resolution to the Annual General Meeting to transfer the shares of minority shareholders to NTT DATA EUROPE GmbH & Co. KG (squeeze-out) in order to prevent the appearance of a conflict of interest in connection with the itelligence shares he sold to NTT DATA EUROPE GmbH & Co. KG in response to the public purchase offer. There were no further conflicts of interest within the Management Board in the year under review.

The Supervisory Board of itelligence AG advises and monitors the Management Board in its management of the Company. The Supervisory Board is of the opinion that it has a sufficient number of independent members. In addition, the Supervisory Board ensures that its composition takes account of the principle of diversity and is appropriate with regard to the geographical, industry-specific and other material requirements of the Company. As in previous years, the Supervisory Board formed an Audit Committee, a Personnel Committee and a Strategy Committee from among its members in the reporting year. To avoid a conflict of interest, Mr. Kazuhiro Nishihata and Mr. Akiyoshi Nishijima abstained from voting on the Supervisory Board's adoption of a proposed resolution to the Annual General Meeting on the squeeze-out requested by NTT DATA EUROPE GmbH & Co. KG as a precaution. The reason for their abstention was that Mr. Kazuhiro Nishihata and Mr. Akiyoshi Nishijima hold management positions at NTT DATA Corporation. NTT DATA Corporation holds all of the shares in NTT DATA EUROPE GmbH & Co. KG, the majority shareholder of itelligence AG. No further conflicts of interest arose within the Supervisory Board.

Information on the remuneration paid to the members of the Management Board and Supervisory Board can be found in the remuneration report in the Group management report of this Annual Report.

Further detailed information on the cooperation between the Management Board and the Supervisory Board and the work of the Supervisory Board and its committees can be found in the Report of the Supervisory Board.

Shareholder structure and Annual General Meeting

Since the execution of the squeeze-out in fiscal year 2013, NTT DATA EUROPE GmbH & Co. KG is the sole shareholder of itelligence AG. itelligence AG therefore no longer conducts a public annual general meeting.

Transparency

Even after the termination of its listing, itelligence AG continues to provide timely, comprehensive information to all interested parties equally. One key communication instrument is the Company's website (www.itelligence.ag), which provides an extensive body of information in various languages, reflecting the Company's international focus.

Accounting and auditing

The Management Board prepares consolidated financial statements for the full year and condensed consolidated financial statements for the half-yearly reports. Group financial reporting is performed in accordance with the International Financial Reporting Standards (IFRS), thereby ensuring a high degree of transparency and international comparability. The audit for fiscal year 2013 was performed by the auditor elected by the Annual General Meeting on May 23, 2013, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as well as the Audit Committee and the Supervisory Board.

In accordance with Article 161 of the Aktiengesetz (German Stock Corporation Act), the management and supervisory boards of listed companies are obliged to issue an annual declaration stating whether the recommendations of the Government Commission on the German Corporate Governance Code, as published by the German Federal Ministry of Justice in the official section of the Bundesanzeiger (Federal Gazette), have been and are being complied with or which of the Code's recommendations have not been or are not being applied.

Declaration by the Board of Management and Supervisory Board of itelligence AG on the German Corporate Governance Code

Although the shares in itelligence AG (itelligence-shares) are no longer listed, the Board of Management and Supervisory Board of itelligence AG identify with the objectives of the German Corporate Governance Code, namely to promote good, trustworthy company management that is oriented towards benefiting shareholders, employees and customers. The aim of itelligence AG is to achieve a sustainable increase in enterprise value. Accordingly, the Board of Management and Supervisory Board of itelligence AG endorse the recommendations and provisions of the German Corporate Governance Code and decided to issue a declaration on the German Corporate Governance Code, although the listing of the itelligence-shares has ended in the fiscal year 2013.

itelligence AG acted in accordance with the recommendations of the German Corporate Governance Code throughout the 2013 financial year and will continue to do so in future based on the version of the German Corporate Governance Code last amended on May 13, 2013, on which this declaration is based. itelligence AG departed from the recommendations of the German Corporate Governance Code in some aspects. Details of the individual departures are provided below. With regard to the following declaration, it should be taken into account that, after implementation of the squeeze-out in the fiscal year 2013, NTT DATA EUROPE GmbH & Co KG holds meanwhile all shares in itelligence AG and, in connection therewith, the listing of itelligence-shares has ended. Therefore, itelligence AG will no longer conduct a public General Meeting and the statutory provisions for listed stock corporations do no longer apply to itelligence AG.

The following recommendations of the German Corporate Governance Code have not been implemented:

Section 4.2.3: Severance Pay Cap

„In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his/her contract, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the employment contract."

After the listing of the itelligence shares has ended, the contracts of the members of the Board of Management do no longer provide for a severance pay cap. The Company is convinced that the Supervisory Board will negotiate an adequate severance payment with a Management Board member in case of a premature termination.

Section 5.1.2: Age limit for members of the Board of Management

"An age limit for members of the Management Board shall be specified."

An age limit has not been included in the contracts of members of the Board of Management in the past, nor does itelligence AG plan to implement such an age limit in the current or future contracts of members of the Board of Management.

Contracts with members of the Board of Management are always concluded for a limited term. The age of the respective member of the Board of Management will be taken into account to a sufficient extent when determining the term of the contract. This makes the specification of an age limit in the respective contract unnecessary.

Section 5.3.3: Formation of a nomination committee within the Supervisory Board

"The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting."

itelligence AG has not formed a nomination committee and does not intend to do so in future.

itelligence AG does not consider a nomination committee to be necessary on account of the size of its Supervisory Board.

Section 5.4.1: Specification of concrete objectives regarding the composition of the Supervisory Board

"The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report."

From the Company's perspective, the composition of the Supervisory Board complies with the requirements of the German Corporate Governance Code, particularly with regard to the number of independent Supervisory Board members and the aspect of diversity. The aforementioned objectives will be formally taken into account in future proposals for election. Concrete objectives are not specified, and hence are not published in the Corporate Governance Report. A specification and publication of concrete objectives and their periodical amendment would create a significant effort, which is not justified on account of the shareholder structure and size of the Company and the Supervisory Board.

Section 5.4.3: Elections to the Supervisory Board

"Elections to the Supervisory Board shall be made on an individual basis."

In the past, with regard to the rapid completion of the General Meeting, itelligence AG has made elections to the Supervisory Board on a block basis rather than on an individual basis. After implementation of the squeeze-out in the fiscal year 2013, all shareholder representatives on the Supervisory Board are elected by the sole shareholder NTT DATA GmbH & Co KG without participation of minority shareholders. Against this background, the question whether elections to the Supervisory Board are made on a block basis or on a individual basis is no longer relevant.

Bielefeld, March 20, 2014
itelligence AG

For the Board of Management
Herbert Vogel

For the Supervisory Board
Friedrich Fleischmann

Group Management Report
for Fiscal Year 2013

Key Figures in Fiscal Year 2013

Consolidated revenues improve by +12.3% to MEUR 457.1

- Organic growth of +6.1%
- Revenue up +6.2% due to acquisitions
- Revenue distribution: 63.6% outside Germany, 36.4% within Germany

Earnings before interest and taxes (EBIT) up +15.6% to MEUR 22.2

- Strong fourth quarter with EBIT margin of 7.2% (previous year: 5.8%)
- EBIT margin of 4.9% for fiscal year as a whole (previous year: 4.7%)

Continuous growth in orders on hand

- Orders on hand rise 22.7% to MEUR 351.6
- Non-current orders on hand account for MEUR 269.7 (previous year: MEUR 213.7)

Number of employees increases by +11.3% to 3,078 (previous year: 2,765)

- Addition of 134 employees through new appointments and a further 179 employees through acquisitions
- Successful integration of acquisitions in the USA, Canada and Eastern Europe

Forecast for 2014 as a whole

- Forecast revenues of more than MEUR 500
- Organic revenue growth target of more than 10%
- Above-average improvement in EBIT margin to around 5.5% expected

Basic Information on the itelligence Group

Business activities

itelligence was formed in 1989 as an SAP consulting company and is now a leading international full-service IT provider and partner of SAP AG with a particular focus on customers in the traditional and upper midmarket with a strong international presence. itelligence's customers currently include more than 5,000 companies managed from 54 locations in 22 countries. Accordingly, itelligence AG generates the majority of its revenues outside Germany.

itelligence focuses on the sale of usage rights for SAP software solutions for midmarket companies and SAP consulting. Customers see itelligence as a long-term partner that shapes their IT business processes efficiently and flexibly, thereby achieving a sustainable improvement in their economic value added and company management.

itelligence has used its extensive industry expertise to develop various industry solutions for the more efficient implementation of SAP in Germany and abroad. Key sectors addressed by the Group include manufacturing and the automotive supply industry, food processing, mechanical and plant engineering, the wood and furniture industry, the process and pharmaceutical sector, the service industry, retail and expertise in the area of educational institutions. itelligence is also driving ahead the industry-specific integration of mobile and analytical solutions.

In addition, itelligence's SAP maintenance and global support and hosting business has been growing in strategic importance in recent years and now makes an important revenue contribution. This is where a long-term, benefit-oriented relationship of trust with its customers is particularly valuable to itelligence.

Organization

itelligence has a regional organization. It provides customer support through subsidiaries with local sales and consulting teams in the DACH region (Germany/Austria/Switzerland), Western Europe (Spain, France, Belgium, Netherlands, United Kingdom, Denmark, Norway, Sweden), Eastern Europe (Russia, Ukraine, Poland, Czech Republic, Hungary, Slovakia, Turkey), the USA, Canada and Asia (China, Malaysia, India).

The areas of application management and hosting have been bundled internationally in order to optimally meet customer demand for a global service range. As an international outsourcing service provider, itelligence AG operates a total of ten state-of-the-art data centers in Germany, Poland, Malaysia, Denmark, Switzerland and the USA, from which it manages all SAP solutions and releases for its more than 400 outsourcing customers. itelligence was certified as an SAP Global Partner for the HANA Enterprise Cloud in September 2013. itelligence already operates numerous SAP HANA landscapes for customers at its data centers and has migrated its own SAP ERP system to SAP HANA.

In order to ensure a uniform, consistent global market presence, itelligence has established the International Sales & Operations organizational unit, which is focused on international business. Its tasks include networking the various internal competence centers and developing and driving ahead global projects and initiatives. It is also focused on the development of a specific methodology for international projects based on the roll-out of sector-specific solutions.

Including the companies acquired in 2013, the organizational structure of the itelligence Group encompasses a total of 39 subsidiaries around the world. The largest subsidiaries are located in Germany, the USA, Switzerland, the United Kingdom, Denmark and Turkey. itelligence AG is domiciled at its head office in Bielefeld.

Shareholdings

itelligence AG had the following shareholder structure at the reporting date:

NTT DATA EUROPE GmbH & Co. KG	100.00%

On January 16, 2013, NTT Communications Corporation, Tokyo, Japan, informed itelligence AG that its share of the voting rights of itelligence AG had fallen to 0% on December 28, 2012.

Group strategy and objectives

itelligence AG's success is based on a clear, long-term corporate strategy and its systematic implementation and further development. itelligence ensures sustainable, partnership-based relationships with its customers and assumes responsibility for the success of the IT projects initiated.

itelligence's customers are faced with intensive global competition and must permanently adjust to this dynamic environment. The continuous improvement of internal structures and the value chain plays a particularly important role in this process. itelligence sees itself as a strategic partner that provides innovative IT solutions to support its customers in their challenges, particularly when it comes to managing the digital revolution. itelligence's aim is to ensure greater efficiency and transparency in its customers' workflows.

Growth strategies

Growth strategies are the cornerstone of itelligence's long-term focus. This includes:

- Expansion of the successful business model to include even higher-revenue international customers
- Systematic internationalization of industry solutions
- Expansion and globalization of recurring business, particularly application management and hosting
- Targeted expansion of regional coverage through acquisitions and expansion in growth markets
- Strategic positioning as an SAP service provider in NTT DATA's international network and within the NTT Group
- Investments in IT innovations and their implementation as customer offerings
- Expansion of general business involving SAP cloud products
- Reinforcement and expansion of global knowledge management
- Investment in quality improvements and project management
- Being the most attractive employer in the SAP environment
- Sustainable improvement in profitability to ensure continued growth

Controlling system

To manage its operating business, the itelligence Group uses selected financial and non-financial key figures that are consolidated into central performance indicators at Group level. These are described in the section "Financial and non-financial performance indicators" at page 84.

Annual and multi-year planning for all segments and divisions

All management and controlling processes are based on an established planning process. Building on strategic multi-year planning for the management of the itelligence Group's long-term focus, the Management Board derives annual operating targets applying a top-down approach. The annual plans developed at the level of the national subsidiaries are then coordinated with the overall targets. The results of planning are compared with rolling forecasts on a quarterly basis in order to identify deviations. In addition, target and actual figures are compared on a monthly basis and provided as management information in order to allow deviations from the agreed targets to be identified at an early stage and measures aimed at ensuring target achievement to be implemented in good time.

Market positioning

itelligence has an excellent position as one of the leading international full-service IT providers for the SAP environment, particularly in the traditional and upper midmarket segment. itelligence offers its customers a coordinated solution and service portfolio over the entire lifecycle of an IT investment. Consulting, development and system integration in the SAP environment and the SAP Licensing and Outsourcing & Services divisions form the core of itelligence's portfolio. These products and services are offered to itelligence's customers around the world. Alongside Germany, itelligence has a long-established market presence in Western Europe, Eastern Europe and the USA, and has also been active in Asia since 2009. This extremely strong market position will be expanded in future through organic growth and targeted acquisitions.

Acquisitions

itelligence successfully continued its expansion by making further acquisitions in 2013.

With effect from January 16, 2013, itelligence AG acquired the business operations of Software AG in the areas of SAP consulting, SAP licensing and SAP maintenance in Canada and the USA. This transaction means that itelligence USA's geographical presence now also encompasses the Ontario region of Canada, as well as increasing the customer base in the USA. The USA is now the second-largest region in the itelligence Group after Germany. The acquisition of the former IDS Scheer business of Software AG provides an extremely good opportunity for itelligence to expand its market share while strengthening its recurring business. Customers include clients from the automotive, consumer goods and manufacturing industries, as well as young, dynamic start-ups in the region, all of which can now benefit from cooperation with a leading SAP partner and an extensive service portfolio. itelligence has established a new subsidiary in Toronto for the English-speaking Canadian market.

Another transaction in the USA was the strategic acquisition of the Aster Group by itelligence USA. In November 2013, itelligence announced the 100% acquisition of the Aster Group, one of the most successful business technology consultancy firms specializing in enterprise performance management (EPM) and business intelligence solutions. Headquartered in Concord, North Carolina, the Aster Group is a leading provider of SAP business planning and consolidation (BPC) applications in North America and one of the most experienced EPM-focused solution providers in the SAP environment.

With this strategic acquisition, itelligence is further strengthening its business in the USA and expanding its market presence both regionally and globally with a focus on particularly high-growth SAP areas.

Effective August 31, 2013, itelligence acquired the SAP Consulting, SAP Licenses and SAP Maintenance and Outsourcing business areas from Software AG in the Czech Republic, Slovakia and Hungary. With this transaction, itelligence is expanding its presence in Eastern Europe as well as increasing its customer base in the region through the acquisition of Software AG's SAP business.

itelligence is now the largest SAP partner in the Czech Republic, while itelligence Hungary has expanded its consulting business and its maintenance portfolio. itelligence is the exclusive reseller partner for Software AG in Hungary.

Partnerships

Partnerships are central to itelligence's business model. itelligence's primary focus is on its customers: with a global base of more than 5,000 customers around the world, the Company seeks to achieve relationships that are profitable for both parties in the long term.

SAP partnership

itelligence AG is a partner of SAP, whose products form the core of its service portfolio along with the related services. itelligence regularly demonstrates its importance within the SAP partner environment by winning awards and obtaining all of the partner status titles that SAP currently confers to service providers. Major titles include "SAP Global Services Partner" and "SAP Global Hosting Partner". itelligence is one of a select group of only seven SAP partners to be certified for both global categories.

In November 2010, itelligence announced the signing of a Global Value-Added Reseller (Global VAR) agreement with SAP AG. itelligence is one of seven companies worldwide to have concluded this exclusive global agreement on the sale of SAP on-premise and cloud solutions. Global Value-Added Reseller (Global VAR) is the highest status in SAP AG's PartnerEdge program. Value-added resellers (VARs) sell SAP software licenses and develop industry-specific SAP Business All-in-One solutions as well as other preconfigured solutions on the basis of SAP platform technologies. itelligence offers a total of 12 industry solutions based on SAP Business All-in-One. The signing of the Global VAR agreement is dependent on strict quality criteria that are evaluated by SAP in an extensive selection process. For customers, this means that a Global VAR such as itelligence is quality-certified and is closely involved in SAP's latest developments, product strategies, release updates and new technologies worldwide at an early stage.

itelligence AG is one of the world's most successful SAP partners for the midmarket. This is underlined by the SAP partnerships that itelligence won once again in 2013. Since early 2013, itelligence AG has been part of the partner program of SuccessFactors, an SAP company and the leading provider of cloud-based business execution software solutions. This means that itelligence resells the SuccessFactors BizX Suite for business execution in Europe as a SuccessSales partner.

SuccessFactors is the leading provider of cloud-based business execution software, offering solutions for the areas of business alignment and employee performance for companies of all sizes across more than 60 industries. The new partnership will expand itelligence's customer base, addressing not only installed SAP customers but also new customers individually and using a scalable approach.

itelligence AG was certified as part of SAP's new global quality accreditation program in the first quarter of 2013. Certification was performed by the SAP team for Active Quality Management (AQM) and confirms that the sale and implementation of SAP solutions at itelligence meet clearly defined quality standards. The cooperation with SAP in the area of quality management will enable itelligence to provide better customer care before and after the implementation phase and ensure that projects can be executed in accordance with the relevant specifications, budget and schedule. itelligence has Gold Partner status in the SAP PartnerEdge program.

SAP has introduced a global quality accreditation program (SAP Active Quality Management) for value-added resellers (VARs) specializing in SAP Business All-in-One solutions. Accreditation is awarded to SAP partners around the world that can demonstrate the active quality management of their sales processes and delivery methodologies.

itelligence has further underlined its SAP HANA expertise with additional certification: itelligence offers SAP-certified implementation services for three rapid deployment services from SAP in Germany, Austria and Switzerland. In the first quarter, itelligence received SAP certification for itelligence implementation services for "SAP HANA Operational Reporting rapid deployment solution", itelligence implementation services for "SAP HANA Profitability Analysis rapid deployment solution" and for "SAP Electronic Data Interchange rapid deployment solution", thereby reinforcing its leading position in the SAP ecosystem.

itelligence is one of SAP's midmarket partners that offers its solutions internationally and also has them certified. For itelligence's customers, this means tested and consistently high quality when it comes to projects such as the implementation of SAP HANA solutions.

itelligence operates various SAP HANA systems at its in-house data centers around the world, in productive customer environments at its data centers in Bautzen and Salzenforst and at its test and demo labs for test drive scenarios at the data centers in Malaysia, Bielefeld, Horsens and Cincinnati. With this global concept, itelligence AG is a leading player in the provision of SAP HANA proof of concepts in the SAP partner environment.

For the third time in a row, itelligence AG was ranked among the best SAP channel partners in the area of SAP OnDemand solutions. itelligence is the SAP Cloud Best Partner 2012 in the DACH region (Germany, Austria and Switzerland). This award, which was received in June 2013, once again highlights itelligence's success in the implementation of SAP OnDemand solutions for midmarket customers. This enables the quick adaptation and realization of the various SAP offerings, which itelligence connects with the broad range of scenarios at its customers.

The nomination as SAP Cloud Best Partner follows extensive auditing based on various criteria, including a comparison of the number of new cloud customers, the qualification of the employees, the number of successfully realized projects, and the number of marketing and distribution activities conducted.

In June 2013, itelligence also announced the certification of eleven industry-specific SAP Business All-in-One solutions as rapid deployment solutions. These solutions are deployable with traditional databases as well as using the SAP HANA in-memory platform. This makes itelligence AG one of the first and fastest SAP consulting houses worldwide to offer its customers comprehensive solutions and services based on rapid deployment solutions for SAP Business All-in-One and SAP HANA.

The itelligence solutions designated for this certification are it.service, it.consumer, it.trade, it.retail, it.pharma, it.chemicals, it.manufacturing for discrete manufacturing, it.manufacturing, it.metal, it.automotive and it.hightronics.

With this certification, itelligence's solutions now bear the "Qualified SAP Business All-in-One Rapid Deployment Solution" label. This certification initially applies for Germany and Austria, with further markets set to follow.

Since September 2013, itelligence AG has been an SAP-certified provider of hosting services for SAP HANA Enterprise Cloud technology. itelligence became one of the first SAP partners to achieve this certification for its ability to deliver hosting services for SAP HANA Enterprise Cloud with high-quality operational standards. Customers can now benefit from simple and easy access to SAP HANA technology provided by itelligence.

itelligence already successfully offers global hosting services for SAP HANA at its data centers and operates systems for numerous customers using the SAP HANA platform. From the start, itelligence has focused on the important growth market of Asia in addition to the established European and American markets. itelligence is planning to offer its Asian customers cloud services in support of SAP HANA Enterprise Cloud from its data centers in Malaysia. itelligence will then be in a position to provide services for the SAP HANA platform around the world not only via a traditional hosting model, but also via cloud services.

itelligence received another award at the SAP Americas Field Kick-Off Meeting (FKOM) in January 2014, where it was presented with the SAP North America Regional Partner Excellence Award 2014 in the category "Top Business All-in-One Reseller". SAP gives these awards to the top-performing SAP partners in North America that have made outstanding contributions to SAP's overall sales.

Selected from SAP's wide-ranging North American partner base, the nominees for the SAP Regional Partner Excellence Awards were based on internal SAP sales figures. A steering committee composed of regional and global SAP representatives determined the winners in the individual categories according to extensive criteria including sales and performance. Awards were presented in a variety of categories, including overall sales, innovation, technology, services and solution-specific areas.

NTT DATA

The partnership with the Japanese NTT DATA Group is allowing itelligence to continue to significantly expand its own international market position. In fiscal year 2013, NTT DATA EUROPE GmbH & Co KG acquired the shares held by the remaining shareholders by way of a squeeze-out and now holds all of the shares of itelligence AG. This close relationship under company law forms the basis for a tightly-knit partnership within the framework of a cooperation agreement.

With NTT DATA as a strong partner, itelligence intends to press ahead with its development as an international provider of IT systems and services for SAP. As a company that will continue to operate independently within the growth-oriented NTT DATA Group in future, the close relationship with NTT DATA will allow itelligence to increase its growth potential on the international stage, particularly in Asia. NTT DATA is also an extremely strong partner for itelligence in terms of its financial and capital resources.

A number of joint international customer projects serve to underline the successful partnership between NTT DATA and itelligence.

NTT DATA and itelligence: NTT DATA Business Solutions Company

In 2012, NTT DATA and itelligence bundled their expertise in the newly formed NTT DATA Business Solutions Company as part of their global market strategy in the SAP environment. This created one of the largest global SAP resellers and one of the largest solutions-based SAP service providers.

The Business Solutions Company is coordinated by Herbert Vogel, CEO and founder of itelligence AG. In taking this step, itelligence is also expanding its SAP consulting range in the Asia Pacific (APAC) region. This will lead to a further expansion in itelligence's global presence. The Business Solutions Company forms part of NTT DATA's global strategy of assigning its foreign subsidiaries to four regions: Americas, EMEA, APAC and China, and the international Business Solutions Company.

Customers in the APAC region will have access to the world's largest jointly coordinated network of SAP consultants. The organization in the APAC region will serve as the point of contact for global and multinational companies, government agencies and internationally active SMEs, thereby providing an interactive, global network for the most varied of local customer requirements. The aim is to achieve a leading position for SAP project implementation and consulting in the Asia Pacific region.

NTT Communications

itelligence AG has focused in particular on its Outsourcing & Services business. To this end, it signed a cooperation agreement with NTT Communications Corporation, a wholly-owned subsidiary of Nippon Telegraph and Telephone Corporation (NTT), in 2008. NTT Communications operates in the field of national and international telecommunications and offers global solutions for information and communications technology.

In Malaysia (Cyberjaya, Kuala Lumpur), itelligence uses one of NTT Communications' high-availability data centers, thereby allowing it to offer the full range of SAP Hosting Services in the Asia region. The partnership with NTT Communications also allows additional infrastructure components to be included in itelligence AG's service range.

NTT Communications previously held 10% of the shares of itelligence AG. On January 16, 2013, NTT Communications Corporation, Tokyo, informed itelligence AG that its share of the voting rights of itelligence AG had fallen to 0% on December 28, 2012.

Other partnerships and awards

In October 2013, compamedia recognized the best consultants for SMEs for the fourth time – and itelligence AG was again awarded the honor of "Top Consultant" for 2013/14. Only 114 out of a total of 14,000 consultants and consulting firms in Germany were allowed to call themselves a "Top Consultant" in 2013. The SAP consultants at itelligence AG were included in this leading group for the third time. The title is awarded on the basis of a multi-phase testing process and a qualified customer survey.

Customer-focused, SME-oriented consultants are crucial to the awarding of the "Top Consultant" seal of quality. In the course of the assessment process, candidates had to name ten reference customers to the team headed by Prof. Dietmar Fink. These customers were asked about the professionalism and performance of the respective candidate and their overall satisfaction with the cooperation.

itelligence also maintains a number of technology partnerships with the aim of expanding its own solutions portfolio. The objective of these partnerships is to meet the needs of existing itelligence customers in an even more flexible manner by offering additional services and complementary solutions, as well as acquiring new customers through technology issues, SAP industry solutions and partner recommendations. itelligence achieves this by way of joint customer information days, trade fairs, advertising on partner portals and marketing campaigns.

itelligence's customer projects and developments

Licensing and Consulting
2013 was a successful year for itelligence AG that was characterized by numerous SAP awards, among other things.

In December 2013, itelligence was recognized for three projects at the "SAP Quality Awards 2013". The prizes were given to Unilever, Mercedes-Benz Türk and a prominent Turkish bank for their successful SAP projects.

Unilever's U2K2 rollout project, which was implemented in cooperation with itelligence Turkey, received the "Gold Winner of the SAP Quality Awards 2013" award in the Large Implementation category.

itelligence also implemented an SAP business planning and consolidation project for Mercedes-Benz Türk. Following the completion of the project, Mercedes-Benz Türk was recognized as the "Gold Winner of the SAP Quality Awards 2013" in the Medium Implementation category. Mercedes-Benz Türk now has a more intelligent reporting system for its business activities.

The Turkish bank was recognized as the "Bronze Winner of the SAP Quality Awards 2013" in the Large Implementation category for the SAP BusinessObject Web Intelligence project implemented by itelligence. The successful completion of this project has made the operations of the bank's branches more interactive.

itelligence also received an award for its project at Peiner Umformtechnik GmbH. SAP Deutschland AG & Co. KG recognized Peiner Umformtechnik GmbH as the "Gold Winner of the SAP Quality Awards" in the Medium Implementation category within the Germany market unit. The project recognized by SAP was implemented by itelligence in just eight months. itelligence supported Peiner Umformtechnik GmbH and its affiliated company, TVS Peiner Service GmbH, with the introduction of the it.automotive SAP Business All-in-One industry solution developed by itelligence.

itelligence received another award for its project at Contec, for which it was given the SAP Quality Award for SAP implementation. Within an extremely short period of time, itelligence's Vienna office implemented a complete SAP midmarket solution for the business processes of Contec Steuerungstechnik & Automation GmbH in Ebbs, Tyrol. The SAP project met the highest demands with regard to project quality, as underlined by the SAP Quality Award conferred to Contec by SAP Austria.

itelligence reported the successful conclusion of extensive new business in 2013. In the third quarter, itelligence gained the valve and plant construction firm DILO Armaturen und Anlagen GmbH, Babenhausen, as a new customer. In future, the it.manufacturing industry solution developed by itelligence AG will be at the heart of the new SAP environment for DILO Armaturen und Anlagen GmbH.

Allegro, which is domiciled in Poznan, Poland, is an Internet auction company that operates an e-commerce platform of the same name that is extremely popular in Poland. It is ranked 192nd among the world's most-visited websites. Allegro is a new customer for itelligence Netherlands, which is cooperating with itelligence Poland.

Other new customers opting for itelligence as their consulting company in fiscal year 2013 included Mercer Pulp Sales GmbH, Berlin, Smyths Toys, Galway (Ireland), Borregaard AS, Sarpsborg (Norway), Sarten Ambalaj San. ve Tic. A.Ş., Istanbul (Turkey), Vepa Aktif Spor Giyim A.Ş., Istanbul (Turkey), Standard Profil Otomotiv Sanayi ve Ticaret A.Ş., Izmir (Turkey), Moscow Dom Knigy, Moscow (Russia), Sotex, Moscow (Russia), Centravis Production Ukraine, Nikopol (Ukraine), Fotexnet Kft, Budapest (Hungary), Mendel University, Brno (Czech Republic), Ciech Pianki sp. z o.o., Bydgoszcz (Poland), Grupa Allegro sp. z o.o., Poznan (Poland), Wolters Kluver S.A., Warsaw (Poland) and SMS Systems Maintenance Services Inc., Charlotte (North Carolina, USA).

itelligence also enjoyed further success in its activities with existing customers. The MEGGLE Group will use the strategic possibilities of SAP Suite with HANA in future. The traditional company from Wasserburg is one of the best-known manufacturers of dairy products in Europe, Asia and the Americas, and is also one of the world's largest manufacturers of pharmaceutical lactose. MEGGLE has been an SAP consulting customer of itelligence AG for the past three years. itelligence is currently advising the MEGGLE Group on the implementation of its it. consumer industry solution. Based on SAP All-in-One, itelligence's consultants have equipped it.consumer with many industry-specific refinements, including for specification management, an important area for the food industry. In future, MEGGLE will use SAP Suite with HANA as a data platform for its SAP landscape. The HANA technology enables further workflow optimizations, as the necessary data can be made available in a much shorter timeframe. Complex analytical reports can also be performed directly on the basis of transactional data, meaning it is no longer necessary to transfer and process data in a business warehouse.

In March 2013, GEA Group AG, Düsseldorf, concluded a master agreement with itelligence and NTT DATA as "strategic IT suppliers" for an initial term of five years. itelligence will manage GEA's SAP-related initiatives and projects. Rollout implementations are currently being performed in the USA, Denmark, Germany, the Netherlands, Poland, India and China. GEA is a leading global mechanical engineering company and one of the largest providers of equipment and process technology, particularly for the food industry.

For Bicentury, Girona, itelligence realized the CPG Sales project with add-ons in order to improve administrative processes and allow the company to control all of its agreements for large areas. CPG Sales was developed by itelligence Spain for the purpose of controlling large areas, thereby leading to significant savings in administration and hence improved product margins. The project was classified by AECOC as one of the best practices in the area of business administration. Bicentury is a manufacturer of food products for weight control. It has almost 300 employees at a plant with an area of 15,000 m2. The plant is IFS and BRC certified and has its own pharmaceutical laboratory.

Roland DG Corporation, Shizuoka-ken (Japan), is a leading global manufacturer of wide-format inkjet printers, milling and engraving machines, cutting plotters, 3D scanners, wax model milling machines for jewelry production and photo impact printers. Roland is a pioneer in the development of printing/cutting technology and the leading brand for wide-format inkjet printers, with more than 130,000 units sold around the world. It provides products and services for customers in 133 countries worldwide via a total of 24 partner companies.

In Europe, Roland DG is seeking to improve its business development by integrating management processes and providing high-quality services across its five existing business units. Within 16 months, itelligence successfully managed SAP implementation at the new company Roland DG EMEA alongside the integration of these five business units. The integrated processes of Corporate Performance Management, Supply Chain Management, Information Services, Human Resources Development and Corporate Compliance are now managed using SAP.

TOMY is a global toy manufacturer and distributor with 130 employees around Europe. The company's customers include toy retailers such as Toys 'R' Us. itelligence was given the opportunity to address the challenge of improving the effectiveness of TOMY's sales process. The company was tasked with developing a tailored mobile sales application to meet the requirements of TOMY's field sales team. At its Mobile Center of Excellence in the Netherlands, itelligence compiled a team whose aim was to become intimately acquainted with the workings of TOMY's sales processes in order to develop a solution that would work seamlessly in the hands of the end users. The project went live in September 2013. This included accurate product pricing during lead times, additional information for sales representatives, and a simplified, automated order entry process.

itelligence realized a project focusing on SAP implementation and the exchange of the financial system at the head office of Ekornes ASA, Ikornnes (Norway), within twelve months. Elements of the it.wood solution were rolled out at six factories in Norway, one factory in the USA and a distribution company in the USA. The project encompassed finance, logistics and production and involved the integration of conveyor systems, product data management and business intelligence. Using an integrated system, Ekornes significantly improved the instruments for its production planning. Among other things, the it.wood solution led to a time-saving internal workflow. Ekornes ASA is the largest furniture manufacturer in the Nordic region and owns brands such as Ekornes, Stressless and Svane. The company has 1,626 employees and revenues of NOK 2.762 billion.

With a network of around 17,000 post offices, LA POSTE is responsible for mail delivery to 45 million private individuals and 3.5 million business customers throughout France. The company conducts the majority of its postal business via Le Courrier. The ColiPoste business unit delivers packages in France, while the affiliated company GeoPost offers international express mail and package delivery services.

itelligence successfully implemented SAP Transportation Management 9.0 at the ColiPoste business unit. ColiPoste specializes in the rapid shipping of packages up to 30 kg. A million packages a day are processed for dispatch.

In fiscal year 2013, itelligence also successfully went live at customers including Genuport Trade AG, Norderstedt, Cronimet Holding GmbH, Karlsruhe, Fenerbahçe Futbol A.Ş., Istanbul (Turkey), Boytaş Mobilya Sanayi ve Tic. A.Ş., Kayseri (Turkey), Bausch + Lomb Saglık ve Optik Ürünleri Tic. A.Ş., Istanbul (Turkey), Berlin-Chemie, Kaluga (Russia), BDI PL, Budapest (Hungary), BDI SK, Budapest (Hungary), Szintetika Kft, Györ (Hungary), ČŠI – Czech School Inspection, Prague (Czech Republic), Akwawit – Polmos S.A., Wrocław (Poland), Biuro Informacji Kredytowej, Warsaw (Poland), McCormick Polska S.A., Stefanowo (Poland) and Morris Communications, Augusta (Georgia, USA).

Outsourcing & Services

Since 2013, itelligence AG has been an SAP-certified provider of hosting services for SAP HANA Enterprise Cloud technology. itelligence became one of the first SAP partners to achieve this certification for its ability to deliver hosting services for SAP HANA Cloud with high-quality operational standards. Customers benefit from the simple and easy access to SAP HANA technology provided by itelligence.

itelligence offers global hosting services for SAP HANA at its data centers and operates systems for numerous customers using the SAP HANA platform. From the start, itelligence has focused on the important growth market of Asia in addition to the established European and American markets. itelligence offers its Asian customers cloud services based on SAP HANA Enterprise Cloud from its data centers in Malaysia, thereby putting it a position to provide services for the SAP HANA platform around the world not only via a traditional hosting model, but also via cloud services.

With its extensive service range, itelligence gained more than 30 new customers in the Outsourcing & Services division in fiscal year 2013, including several SAP HANA customers. itelligence concluded a long-term outsourcing agreement with Molkerei MEGGLE Wasserburg GmbH & Co. KG, Wasserburg. The company is one of the most established and well-known manufacturers of dairy products in Europe, Asia and the Americas. The Meggle Group has more than 2,500 employees worldwide and generates revenues of around MEUR 1 billion from the development, production and marketing of high-quality products based on milk and whey. The customer opted for the SAP Suite on HANA database platform for its SAP landscape.

itelligence also concluded a global SAP outsourcing agreement with ArcelorMittal S.A. in Luxembourg, under the terms of which it provides hosting services for SAP systems via the itelligence cloud. This also includes the provision of SAP HANA hosting via the itelligence HANA Enterprise Cloud (iHEC). ArcelorMittal is the world's leading steel manufacturing and mining company, with a market presence in more than 60 countries and an industrial presence in more than 20 countries.

Another new customer of the Outsourcing & Services division is Southeastern Mills, Rome (Georgia, USA), where itelligence is operating the SAP landscape ECC (on Sybase with a future upgrade to HANA – the company has acquired HANA Runtime) and the native database HANA Edge with BusinessObjects, PI, data services and Adobe document services. Southeastern Mills' SAP landscape is hosted at itelligence's data center in Cincinnati (Ohio). Southeastern Mills is a fourth-generation, professionally managed food company.

itelligence Poland concluded an outsourcing agreement with Propex Global, a US company that manufactures specialty fabrics for agriculture and the construction and textile industries. itelligence is providing outsourcing services for Propex's new business center in Poznan, which coordinates the operations of its European subsidiaries in the areas of accounting, customer service, logistics, supply chain management and human resources.

International Application Management

The overall economic situation at companies meant that IT officers were required to use their IT budgets as effectively as possible in 2013. Although some companies have insourced their operations and the management of IT solutions, more and more CIOs are seeking to make an active contribution to their companies' success by concentrating on innovation and IT services that relate directly to their own value chain. The result is that IT operations (operation and management) are increasingly being outsourced or that external support is required in this area. The rapidly growing complexity of the global IT landscape is also driving this trend.

Cost efficiency and transparency and the availability, stability and performance of IT-based business processes remain the key objectives when it comes to outsourcing the operation and/or management of IT systems. The importance of active support for converting technological innovation into measurable business success is also becoming increasingly relevant in the selection of service providers. Examples include the real-time processing of mass data through storage in-memory (HANA) and cloud services.

The past year also saw increased demand for international services and service models among midmarket and upper midmarket customers. A growing number of companies in this segment have production, distribution and/or service locations beyond their own national borders.

These market trends and conditions underline the fact that itelligence was correct in the portfolio optimization measures it started to introduce in 2011 and its expansion and internationalization in the area of application management services (AMS). This continuous transformation process is progressing under the motto "Global capabilities – local presence". itelligence is focusing on local sales and customer responsibility in the respective countries, supported by a scalable global AMS delivery platform. When required, itelligence provides support from one of its 20 AMS locations in the national language, including a knowledge of the country-specific characteristics and features.

Customer-specific services are defined and implemented on the basis of a proven mix of reactive and proactive services for the support, optimization and development of SAP-based IT solutions. In addition to completing its global portfolio harmonization, activities in 2013 focused on the further expansion of nearshore and offshore capacities, the optimization of the service infrastructure and the increased use of SAP innovations such as cloud and HANA solutions.

AMS is an integral element of itelligence's overall portfolio as a full-service provider for the entire lifecycle of a SAP-centered IT landscape. itelligence offers AMS as a service in its own right or as an embedded component of ITIL-based SAP managed services, which range from product maintenance, AMS and hosting through to integrated cloud services for productive operations.

The cooperation with the companies of the NTT DATA Group is becoming increasingly important with respect to the development of AMS at itelligence AG. The resulting significant improvement in the scalability of supply resources, increased flexibility in terms of locations and cost rates and shared service innovation activities have already led to the first business successes.

With global AMS revenues doubling within two years and a steady expansion in the customer base, including some new strategic customers in the international environment, AMS has become an important pillar of itelligence's business. More than 800 customers – including AMS-specific contracts that are often concluded for several years – as well as the successful transformation process and the acquisitions that have been implemented and that are planned for the future provide a solid basis for long-term success. itelligence's recertification by SAP as a global AMS partner also confirms the success of this business model.

International Sales & Operations

Modern companies today work in a complex environment. They are faced with increasing globalization, the need to enter new markets, growing competitive and cost pressure, ever quicker development cycles, and dynamic technological change. These challenges apply in particular to small and medium-sized companies, which generally do not have access to an existing globally-oriented organization or development departments in various markets.

To enable them to keep up with their considerably larger competitors, many midmarket companies are currently undergoing a process of fundamental change. All around the world and across various industries, business models are being adapted, new products are being developed, new go-to-market strategies are being initiated and entirely new markets are being entered. And state-of-the-art technology – and IT in particular – are playing the key role in this process.

SAP solutions have an important part to play in this evolution. The sheer scalability of SAP, from micro-businesses right up to Fortune 500 companies, means that many midmarket companies are now using the same technological platform as their globally active and, in some cases, considerably larger competitors.

Whereas the first wave of SAP solution adaptation was still focused on the use of global best practices for internal optimization, the second wave of differentiation via IT-driven innovation and the rapid implementation of new market strategies is now in full flow. With the HANA application platform, SAP is addressing precisely this development.

The rapid analysis of huge data volumes using in-memory technology, accelerated innovation and adaptation based on simplified structures and surfaces, and hybrid scenarios based on the integration of on-premise and cloud solutions are the fundamental components of SAP's strategy.

Logically, this also gives rise to entirely new requirements for SAP's partner companies. itelligence is again playing a pioneering role in this area, having already established an "International Sales & Operations" organizational unit several years ago. In addition to the expansion of itelligence's international operations, this unit bundles the provision of solutions and expertise based on the new SAP technology and its transfer to the itelligence and NTT DATA solutions portfolio.

Numerous innovation and research projects for the adaptation of this new technology and the development of new IT-driven innovations on the basis of SAP are currently being implemented and developed by "International Sales & Operations" employees in close cooperation with NTT DATA.

Employees

itelligence had a total of 3,078 employees as at December 31, 2013 (previous year: 2,765). Of this figure, 1,121 were employed in Germany (December 31, 2012: 1,088) and 1,957 were employed outside Germany (December 31, 2012: 1,677). This means that the number of employees increased by +11.3% year-on-year and by +3.3% as against the same quarter of the previous year.

In 2013, proven recruitment measures such as participation in job fairs for career entrants and IT experts alike, the use of online, print and social media and a new version of the poster campaign in northern Germany were used to increase awareness of itelligence as an attractive employer. This helped itelligence to appoint 124 new employees in Germany alone in the year as a whole.

itelligence also expanded its cooperation with SAP AG in the area of recruitment measures. As part of the "Network Programs for SAP Partner Ecosystem", an image film was produced presenting the various career opportunities in the SAP environment at itelligence and eleven other companies from the SAP ecosystem. Additionally, throughout Germany the information event "University Infoday@SAP with Partners" was held in Walldorf, giving itelligence the opportunity to present itself to graduates as an attractive employer.

In the area of talent management, the third global employee survey repeated the success of the last survey in 2009, attracting a high participation rate of 62%. The results were published in the fourth quarter of 2013 and corresponding measures have been derived. itelligence is delighted with the consistently positive assessment delivered by its employees in all countries, who consider itelligence to be a company where cooperation is characterized by mutual trust, fairness and respect.

Following the successful implementation of a pilot project in the third quarter of 2013, itelligence's managers are now being given the opportunity to participate in a 360-degree feedback program. This method is used to assess their skills from various perspectives and derive individual recommendations for actions. At year-end, around 40 itelligence managers were taking part in the process, with debriefings having already been held with 15 managers.

The Human Resources department conducts various activities aimed at supporting international networks and the promotion of intercultural skills with a view to itelligence's continued global business development. The past year again saw numerous workshops for international junior managers and experts as part of the DELTa (Develop Expert and Leadership Talent) program, while an annual meeting at senior management level (CyNergy team) was also initiated with a focus on synergies in international business and internal networks. Meanwhile, integration and management workshops concentrating on the integration of new operations were held in locations including Turkey and Australia.

Economic Report

General economic situation in 2013

The global economic recovery saw extremely sluggish development in 2013, enjoying a more tangible stabilization only in the second half of the year. According to calculations by the International Monetary Fund (IMF), economic growth in the USA slowed to 1.9% after 2.8% in the previous year. Automatic government spending cuts and the political debate on the increase in the debt ceiling had only a short-term impact on the US economy, whereas the employment market recovered continuously and economic growth picked up again in the second half of the year. In the euro zone, the downturn in economic activity slowed significantly, stabilizing at -0.4%. All in all, the German economy emerged from the weakness of the winter half-year in good health and has returned to a clear growth path since the spring. For the first time, domestic demand more than offset the struggling export business. Weaker global economic growth of 3.0% in 2013 led to a substantial downturn in economic activity in Asia and the emerging economies. In China, growth slowed to 7.7%, while the Japanese economy grew by 1.7% on the back of an expansionary fiscal policy accompanied by the sharp depreciation of the yen.

Course of business and economic position

The following table presents the changes in revenues in the individual segments and revenue areas compared with the corresponding prior-year figures and the Group's earnings development:

itelligence at a glance MEUR	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2012	Oct. 1 – Dec. 31, 2013	Oct. 1 – Dec. 31, 2012
Total revenues	**457.1**	**407.1**	**135.3**	**114.6**
Revenue division				
Consulting	214.9	211.5	56.8	58.2
Licenses	56.9	38.3	28.2	14.8
Application Management	49.1	40.4	14.5	10.4
Outsourcing & Services	135.7	116.3	35.3	31.1
Other	0.5	0.6	0.5	0.1
Revenue segment				
DACH	192.9	185.0	58.0	51.4
Western Europe	104.7	86.7	29.9	24.5
Eastern Europe	48.1	32.0	18.2	12.6
USA	100.5	92.6	26.0	23.1
Asia	7.1	7.0	2.0	2.0
Other	3.8	3.8	1.2	1.0
EBIT	22.2	19.2	9.8	6.6
EBIT margin	4.9%	4.7%	7.2%	5.8%
EBITA	26.2	21.4	10.9	7.2
EBITA margin	5.7%	5.2%	8.1%	6.3%
EBITDA	38.0	31.4	14.0	10.0
EBITDA margin	8.3%	7.7%	10.3%	8.7%
IFRS net profit	16.2	13.7	8.6	7.1
IFRS earnings per share in EUR	0.48	0.44	0.27	0.24

Percentages are calculated on a KEUR basis.

Revenue development

itelligence continued to increase its market share in fiscal year 2013. Revenues rose by +12.3%, from MEUR 407.1 to MEUR 457.1 – the highest figure in the company's history. Average revenue growth (CAGR) for the past ten years amounts to 15.1%. The revenues generated in fiscal year 2013 fall within the forecast range of MEUR 450 – 470.

There was year-on-year revenue growth in all quarters of fiscal year 2013, with the growth rate reaching +18.1% in the fourth quarter. Organic growth amounted to +6.1%, while the acquisition of the Aster Group in the USA and the companies in the Czech Republic, Slovakia and Hungary contributed to inorganic growth of MEUR 25.4 (or +6.2%).

itelligence reports its revenues by region and division.

42.2% of revenues were attributable to the DACH (Germany/Austria/Switzerland) segment (previous year: 45.4%), 22.9% to Western Europe (previous year: 21.3%), 10.5% to Eastern Europe (previous year: 7.9%), 22.0% to the USA (previous year: 22.8%), 1.6% to Asia (previous year: 1.7%) and 0.8% to the Other segment (previous year: 0.9%).

In terms of the individual segments, 47.0% of revenues were attributable to Consulting (previous year: 52.0%), 12.5% to Licenses (previous year: 9.4%), 10.7% to Application Management (previous year: 9.9%), 12.7% to Outsourcing (previous year: 13.7%), 16.9% to Maintenance (previous year: 14.8%) and 0.1% to the Other segment (previous year: 0.2%).

Revenue development in the segments

The DACH (Germany/Austria/Switzerland) segment generates the highest revenues in the itelligence Group by some distance. At MEUR 192.9, revenues in the DACH region increased by +4.3% as against the previous year (after adjustment for currency translation effects: +4.6%). An analysis of the revenue segments shows that only Consulting revenues were down on the previous year, declining by MEUR -4.7 to MEUR 91.6. This development was more than offset by the other revenue segments. Licenses revenues enjoyed the strongest growth, increasing by +37.8% year-on-year to MEUR 26.6 thanks in particular to an extremely successful fourth quarter. Outsourcing revenues in the region saw slightly positive development, increasing by MEUR +0.6 (+1.9%) year-on-year to MEUR 32.2, although this was below expectations. Application Management revenues rose by +25.9% or MEUR 1.5 to MEUR 7.3, while Maintenance revenues increased by +10.0% (after adjustment for currency translation effects: +10.7%), from MEUR 32.0 to MEUR 35.2.

Revenues in Western Europe increased by +20.9% (after adjustment for currency translation effects: +24.0%) to MEUR 104.7 on the back of positive business performance in the Denmark/Norway region and the United Kingdom. Revenues in Denmark/Norway rose by MEUR +6.3 to MEUR 39.9, while revenues in the United Kingdom improved by MEUR +7.7 to MEUR 39.9. This development was also due to the fact that Blueprint, which was merged into itelligence Business Solutions (UK) Ltd. in fiscal year 2013, was recognized for a full twelve-month period for the first time.

Consulting revenues in Western Europe enjoyed significantly positive development in the period under review, increasing by +10.9% (after adjustment for currency translation effects: +13.7%) or MEUR +6.2 to MEUR 63.0. This development was achieved across all companies, with the Nordic, Benelux and UK regions making a particularly strong contribution. Licenses revenues amounted to MEUR 13.2, up MEUR +5.0 (or +61.0%) on the prior-year figure. Outsourcing revenues also increased by +32.0%, from MEUR 2.5 to MEUR 3.3. The positive development of Licenses business meant that Maintenance revenues improved by MEUR +4.8 year-on-year to MEUR 18.6. The upturn in Application Management revenues from MEUR 5.4 to MEUR 6.6 is attributable to the United Kingdom as well as the Nordic region. The Eastern Europe segment recorded the highest revenue growth in the past fiscal year. Revenues increased by MEUR +16.1 or +50.3% year-on-year to MEUR 48.1. After adjustment for currency translation effects, revenue growth in the segment amounted to +56.7%. This development was due to three factors. Firstly, the Turkish companies acquired in the previous year recorded revenue growth of MEUR +11.1 year-on-year as a result of their positive business performance and the fact that they were consolidated for the full twelve-month period for the first time. Secondly, the company in Poland generated revenue growth of MEUR +3.2 or +27.2%. Thirdly, the acquisitions made in 2013 had a positive impact on revenues of MEUR +1.4 in Hungary, MEUR +0.6 in Slovakia and MEUR +1.9 in the Czech Republic.

Consulting revenues in the Eastern Europe segment increased by MEUR +7.1 or +56.3% year-on-year to MEUR 19.7 (after adjustment for currency translation effects: +61.5%). Application Management enjoyed particularly encouraging performance, with revenues increasing by MEUR +4.0 (+133.3%) year-on-year to MEUR 7.0, corresponding to growth of +141.4% after adjustment for currency translation effects. Outsourcing revenues increased by MEUR +1.7 year-on-year to MEUR 11.9 on the back of the positive development in Poland and Russia. Licenses also saw revenue growth of MEUR +1.4 to MEUR 4.5 in fiscal year 2013, while Maintenance revenues increased by MEUR +2.1 (+72.4%) to MEUR 5.0.

The USA segment developed positively compared with the previous year. Revenues increased by +8.5% (after adjustment for currency translation effects: +12.0%), from MEUR 92.6 to MEUR 100.5. This was primarily due to the orders on hand and customer relationships acquired in connection with the business operations of Software AG in the areas of SAP consulting, licensing and maintenance in the USA and Canada. Growth was driven in particular by Maintenance revenues, which rose by +68.6% year-on-year to MEUR 17.2. Outsourcing revenues fell by MEUR -1.1 to MEUR 7.9 (after adjustment for currency translation effects: -12.2%) due to a shortfall in new customer business. Licenses revenues increased by MEUR +4.0 year-on-year to MEUR 11.0, while Consulting revenues declined by MEUR -3.7 (after adjustment for currency translation effects: -5.9%) to MEUR 36.6; this was due to a lack of projects and the resulting lower level of utilization.

Revenues in the Asia segment were largely unchanged year-on-year at MEUR 7.1. Consulting revenues in China fell by MEUR -1.8 to MEUR 1.9. Licenses revenues increased by MEUR +1.1, from MEUR 0.3 to MEUR 1.4, while Outsourcing revenues amounted to MEUR 3.1, up +14.8% on the previous year.

The Other segment contains the revenues of ITC GmbH and Recruit GmbH. At MEUR 3.8, the revenues generated by these two companies were unchanged as against the previous year.

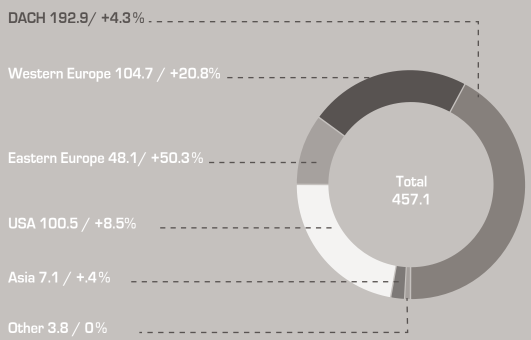
Revenue development by division

Once again, itelligence recorded growth in all of its revenue divisions. Consulting revenues increased by +1.6% year-on-year to MEUR 214.9. Both daily rates and consultant utilization declined slightly compared with the previous year.

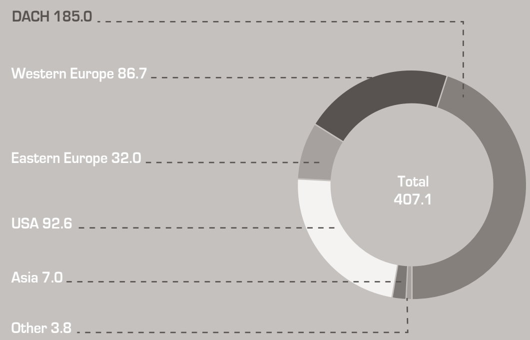
Licenses revenues rose by +48.6% to MEUR 56.9, while Outsourcing revenues increased by +4.3% to MEUR 58.4. Application Management revenues improved by +21.5%, from MEUR 40.4 to MEUR 49.1. Maintenance revenues rose by MEUR +17.0, from MEUR 60.3 to MEUR 77.3.

Strong business performance, particularly towards the end of the fourth quarter, meant that orders on hand increased again in fiscal year 2013, rising +22.7% from MEUR 286.6 in the previous year to MEUR 351.6. Long-term business accounted for 77.6% of orders on hand after 74.6% in the previous year. The book-to-bill ratio for 2013 was almost unchanged year-on-year at 1.14 (previous year: 1.13).

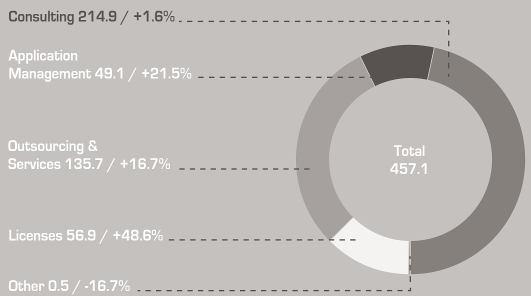
Revenue development by segment 2013 in MEUR



2012



Revenue development by division 2013 in MEUR



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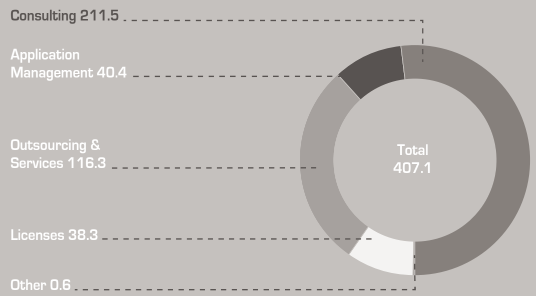
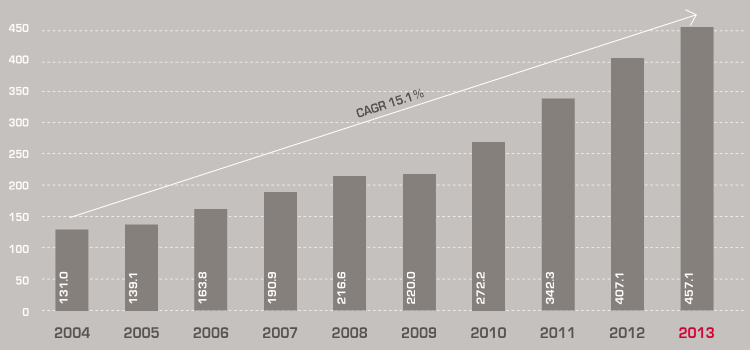
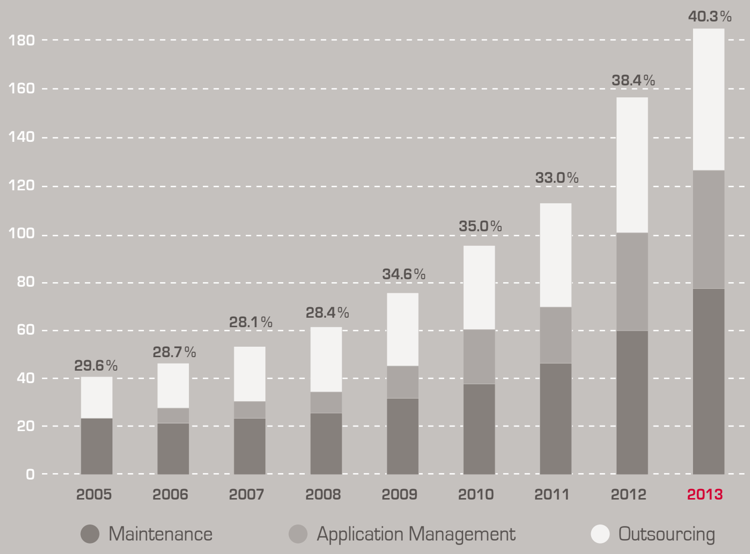


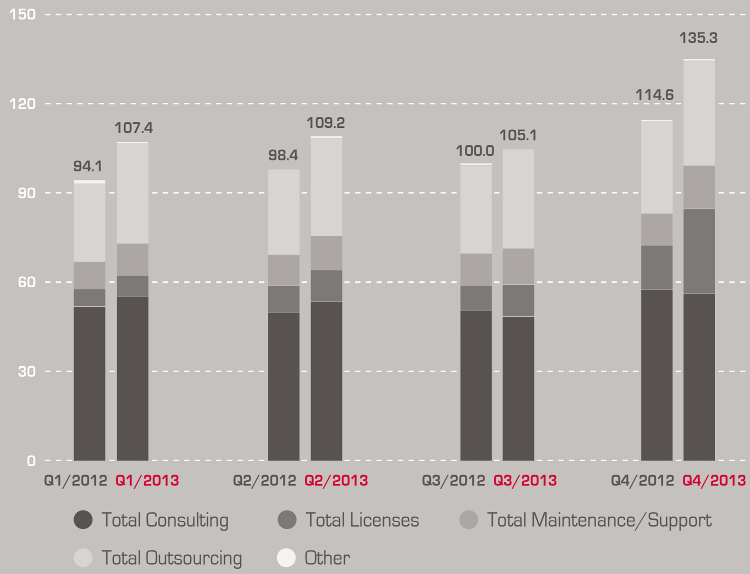
Revenue development 2004 – 2013 in MEUR



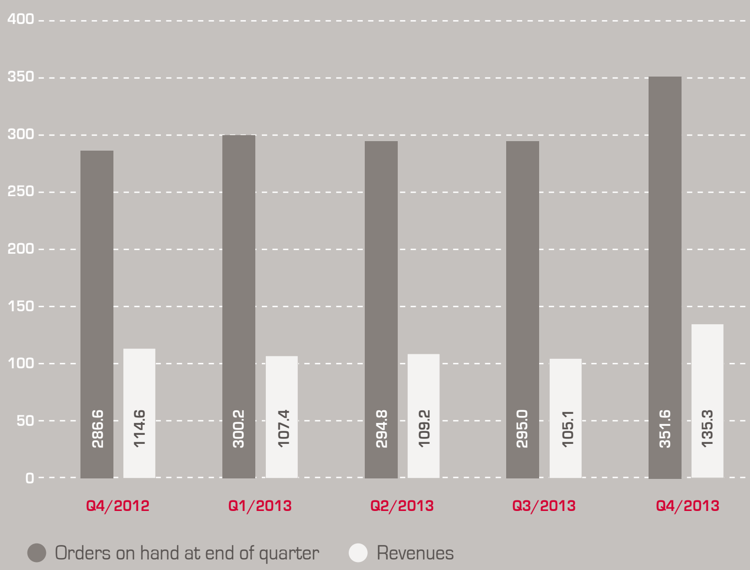
Share of total revenues attributable to recurring business in MEUR



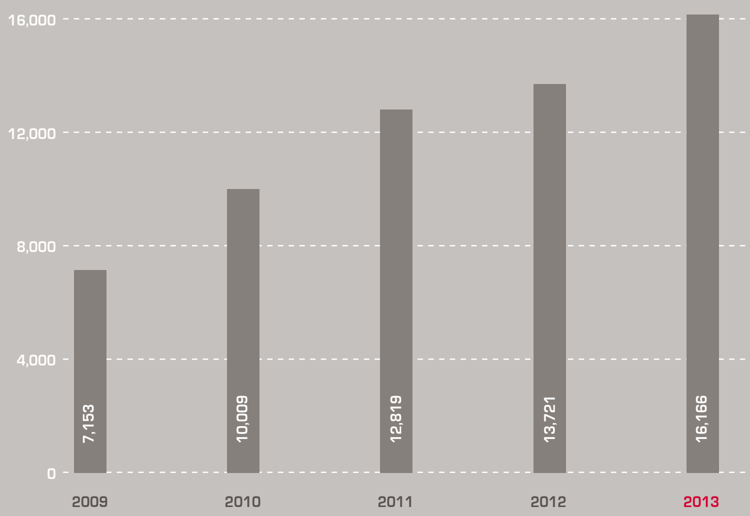
Revenues by quarter in MEUR



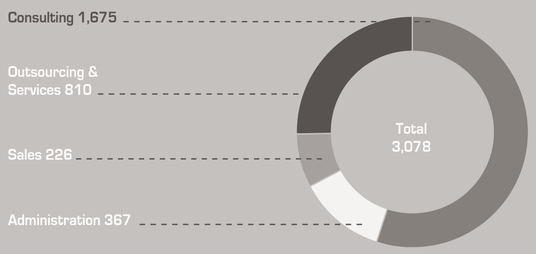
Orders on hand and revenues per quarter in MEUR



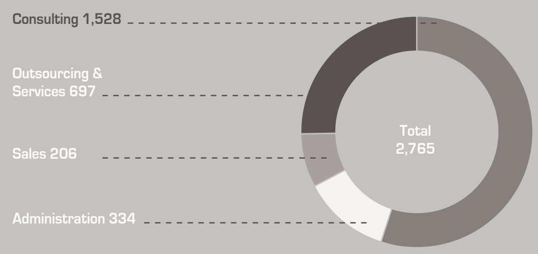
Consolidated net profit after taxes 2009 – 2013 in KEUR



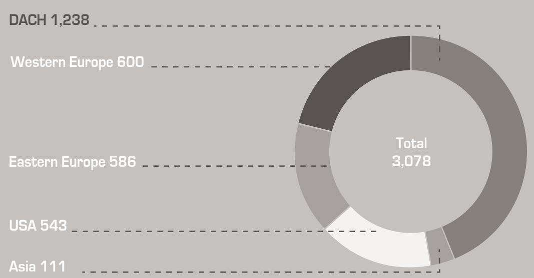
Employees by function as of December 31, 2013



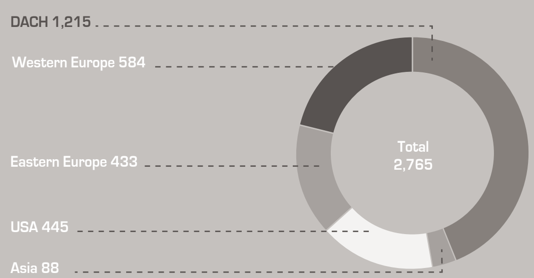
as of December 31, 2012



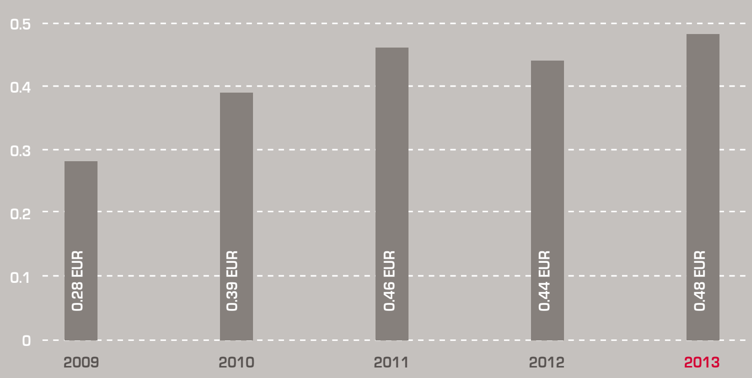
Employees by segment as of December 31, 2013



as of December 31, 2012



Earnings per share 2009 – 2013 in EUR



Net assets, financial position and results of operations

Results of operations

In fiscal year 2013, earnings before interest and taxes (EBIT) amounted to MEUR 22.2, up MEUR +3.0 on the prior-year figure of MEUR 19.2. This was achieved despite the acquisition costs of MEUR 0.9 in connection with the companies in the USA/Canada and Eastern Europe. The EBIT margin improved by 0.2 percentage points, from 4.7% to 4.9%. The operating EBITA margin (earnings before interest, taxes and amortization) amounted to 5.7%. The difference of 0.8 percentage points compared with the EBIT margin is due to the scheduled amortization of intangible assets in the amount of MEUR 2.4. Capitalized customer relationships and orders on hand are amortized over periods that reflect the respective contractual terms.

At MEUR 6.8, the highest absolute earnings contribution was generated by the Germany/Austria/Switzerland segment (previous year: MEUR 7.0). This segment accounted for acquisition costs of MEUR 0.4. The earnings contribution was also impacted by the weaker utilization of in-house consultants and lower Outsourcing revenues.

The Western Europe segment increased its earnings contribution by MEUR +1.5 to MEUR 5.9 (previous year: MEUR +4.4). Extremely strong business performance in the Denmark/Norway sub-region and continued positive development in the United Kingdom more than offset the slight downturn in earnings in France/Canada and Benelux.

The Eastern Europe segment generated an earnings contribution of MEUR 4.4, up MEUR +2.5 on the previous year. Turkey and Poland in particular improved their earnings strength once again. The earnings contribution was reinforced by acquisitions in Hungary, Slovakia and the Czech Republic. Only Ukraine failed to repeat its prior-year earnings performance.

Profitability in the USA segment was lower than in the previous year: at MEUR 3.8, the EBIT contribution declined by MEUR -1.3 (-25.6%). This effect was due to a lack of consulting projects and the resulting lower level of consultant utilization. Earnings were impacted by a further MEUR -1.6 due to the scheduled amortization of the intangible assets recognized in connection with the acquisition of orders on hand and customer relationships from Software AG.

The earnings contribution from the Asia segment increased by MEUR +0.3 year-on-year to MEUR 0.2. As forecast, the national subsidiary in Malaysia enjoyed positive development, reporting an unchanged earnings contribution of MEUR 0.2. Business in Shanghai and China also developed well. Consulting earnings were boosted by the positive impetus from Licenses business in particular, allowing the companies to improve their earnings contribution by MEUR +0.3 and break even.

The EBIT contribution in the Other segment remained unchanged as against the previous year. Recruit broke even, while ITC generated an earnings contribution of MEUR 0.3 (previous year: MEUR 0.3).

Development of the EBIT margin

EBIT margin 2012	4.7%
Third-party service provider costs	+1.9%
Staff costs	+1.0%
Cost of materials	-3.6%
IT/communication costs	+0.2%
Other income/expenses	+0.7%
EBIT margin 2013	**4.9%**

The various cost types had the following cumulative impact on EBIT profitability:

The ratio of staff costs to total revenues declined by -1.0% year-on-year to 52.1%, as revenues increased to a greater extent than staff costs. The utilization ratio of third-party service providers fell by -1.9% to 8.2%.

The product cost ratio increased by +3.6% to 19.8% due to the higher license volume.

In the past fiscal year, the ratio of rental costs to total revenues declined slightly by -0.1 percentage points to 2.4%.

The balance of other operating expenses and income fell to 0.7%, thereby contributing to the improved EBIT margin.

The lower than expected level of consultant utilization in Germany and the USA in particular meant that itelligence failed to achieve its target of increasing the EBIT margin to over 6.0%.

All in all, the gross margin declined by -0.4 percentage points year-on-year, from 25.0% to 24.6%; this was attributable in particular to the lower earnings contributions from Consulting business. Despite the further expansion of sales activities, the ratio of selling and marketing expenses to revenues fell by -0.3 percentage points to 10.7% in fiscal year 2013. At 8.5%, administrative expenses were down -0.4 percentage points on the prior-year figure of 8.9%.

Financial results

Net financial results amounted to MEUR 1.4 (previous year: MEUR 0.1). This figure includes finance income from short-term investments in the amount of MEUR 0.2 (previous year: MEUR 0.3) and finance costs of MEUR 2.9 (previous year: MEUR 2.1). Net finance costs also include income from the remeasurement of derivatives and the exercise of options in the amount of MEUR 4.2 (previous year: MEUR 2.3). This results in EBT of MEUR 23.6 (previous year: MEUR 19.3).

Tax expense

Tax expense in fiscal year 2013 amounted to MEUR 7.4 (previous year: MEUR 5.6). At 31.5%, the consolidated tax rate was higher than in the previous year (29.0%). This development was primarily attributable to backpayments of taxes for prior periods. Further information on income taxes can be found in note (9) of the notes to the consolidated financial statements.

Consolidated net profit and earnings per share

Consolidated net profit for the fiscal year under review amounted to MEUR 16.2, up MEUR +2.5 or +17.8% on the prior-year figure of MEUR 13.7.

The return on consolidated net profit improved from 3.4% in the previous year to 3.5% in the year under review.

Earnings per share increased by +9.1% year-on-year, from EUR 0.44 to EUR 0.48; both figures were calculated on the basis of 30,014,838 shares.

Net assets

The itelligence Group's total assets grew by MEUR 26.4 or 8.6% to MEUR 333.2 as of December 31, 2013 (previous year: MEUR 306.8). This was primarily due to the increase in assets resulting from the companies acquired and the completion of data centers in Germany and abroad.

Assets	Dec. 31, 2013	Dec. 31, 2012	Change
	MEUR	MEUR	MEUR
Intangible assets	91.5	80.7	10.8
Property, plant and equipment	59.4	61.1	-1.7
Non-current receivables and other assets	6.4	6.5	-0.1
Non-current assets	**157.3**	**148.3**	**9.0**
Current receivables and other assets	136.6	115.0	21.6
Cash and cash equivalents	39.3	43.5	-4.2
Current assets	**175.9**	**158.5**	**17.4**
Total assets	**333.2**	**306.8**	**26.4**

Equity and Liabilities	Dec. 31, 2013	Dec. 31, 2012	Change
	MEUR	MEUR	MEUR
Equity (incl. non-controlling interests)	**121.8**	**112.0**	**9.8**
Financial liabilities	47.4	64.5	-17.1
Provisions for pensions and other provisions	1.5	0.6	0.9
Other non-current liabilities	13.5	14.1	-0.6
Non-current liabilities	**62.4**	**79.2**	**-16.8**
Trade payables	38.9	29.6	9.3
Financial liabilities	16.2	13.6	2.6
Other current liabilities and provisions	93.9	72.4	21.5
Current liabilities	**149.0**	**115.6**	**33.4**
Total Equity and Liabilities	**333.2**	**306.8**	**26.4**

Non-current assets increased by MEUR 9.0 in fiscal year 2013, from MEUR 148.3 to MEUR 157.3. Non-current assets accounted for 47.2% of total assets at the reporting date (previous year: 48.3%). The main items under non-current assets are goodwill in the amount of MEUR 80.7 (previous year: MEUR 76.4) and property, plant and equipment in the amount of MEUR 59.4 (previous year: MEUR 61.1). The MEUR 4.3 increase in goodwill was primarily due to the acquisition of the US technology consultancy, the Aster Group, while orders on hand and customer relationships were acquired in connection with the business operations of Software AG in the areas of SAP consulting, licensing and maintenance in Canada and the USA (MEUR 5.8) and reported in intangible assets.

Current assets amounted to MEUR 175.9 at the end of the year under review (previous year: MEUR 158.5), thereby accounting for 52.8% of total assets (previous year: 51.7%). Trade receivables saw the strongest growth; this item increased by +19.5% year-on-year, from MEUR 100.3 to MEUR 119.9, as a result of the high Licenses revenues in the fourth quarter of 2013 and the acquisitions conducted. The average days sales outstanding increased to 86 days at the reporting date (previous year: 82 days), whereas cash and cash equivalents declined by -9.8% to MEUR 39.2 (previous year: MEUR 43.5).

On the liability side of the consolidated statement of financial position, equity increased by MEUR 9.8 to MEUR 121.8 largely as a result of the consolidated net profit for the year. The equity ratio rose from 36.5% in the previous year to 36.6% in the year under review.

Non-current liabilities accounted for 18.7% of the Group's total equity and liabilities at December 31, 2013, down on the prior-year figure of 25.8%. Within non-current liabilities, financial liabilities declined from MEUR 64.5 in the previous year to MEUR 47.4 as a result of contractually agreed repayments as well as the exercise and remeasurement of put options. Non-current financial liabilities primarily relate to the financing of the data centers in Germany and abroad as well as the Group's acquisitions.

itelligence recorded an increase in current liabilities of MEUR 33.4 to MEUR 149.0. The ratio of current liabilities to total equity and liabilities rose by 7.0 percentage points year-on-year to 44.7%. This was primarily due to the increase in trade payables on the back of the substantial Licenses revenues in the fourth quarter, as well as the higher level of other non-financial liabilities at year-end. The latter development was mainly attributable to the increase in liabilities for bonuses and salaries (MEUR 3.7), advance payments received (MEUR 2.4) and higher VAT liabilities (MEUR 2.4).

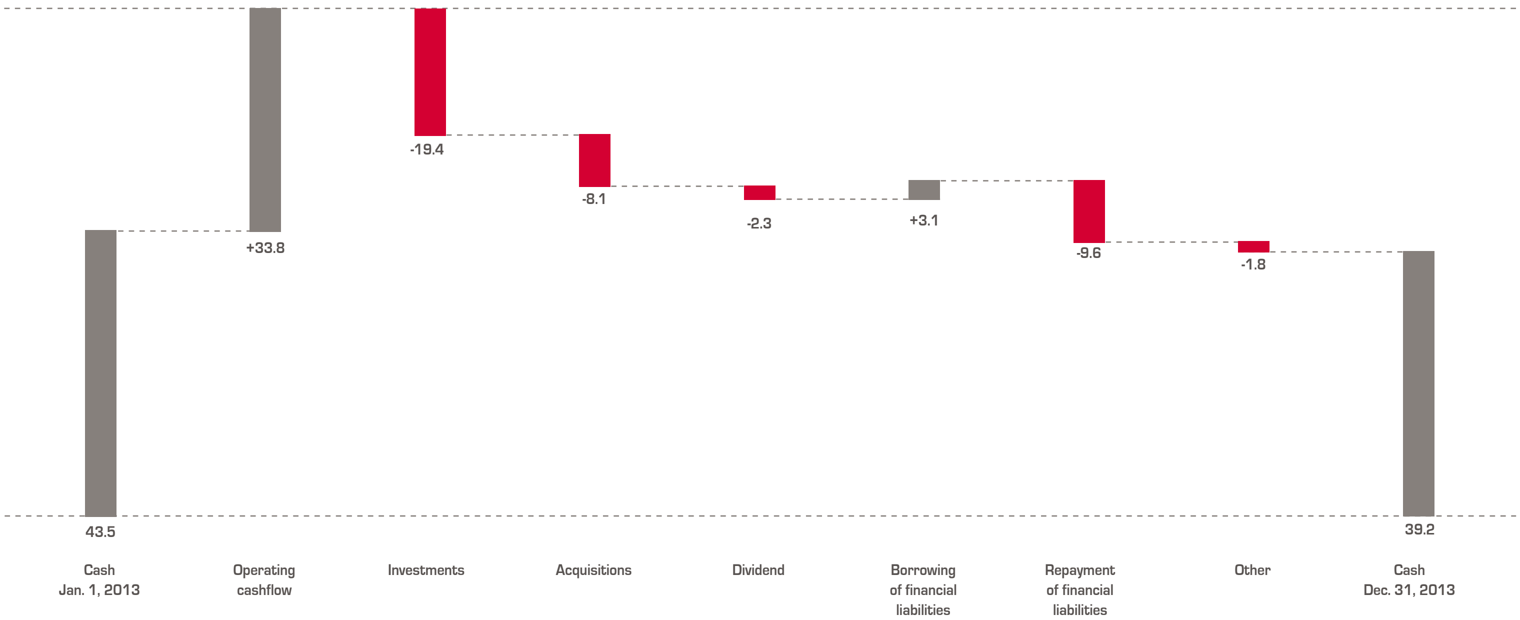
Financial position

Cashflow MEUR	Dec. 31, 2013	Dec. 31, 2012	Change
EBITDA	38.0	31.4	6.6
Cashflows from operating activities	33.8	14.1	19.7
Cashflows from investing activities	-25.0	-38.8	13.8
Cashflows from financing activities	-11.4	29.5	-40.9
Change in liquidity	-4.3	5.0	-9.3

In the past fiscal year, net cash from operating activities rose by MEUR 19.7 to MEUR 33.8. This was due to the increase in EBITDA from MEUR 31.4 in the previous year to MEUR 38.0 in the year under review, as well as the reduction in working capital, which was largely attributable to the lower level of liabilities and provisions at year-end.

Net cash used in investing activities amounted to MEUR 25.0 after MEUR 38.8 in the previous year. This was due in particular to payments for the acquisition of the new companies (less cash and cash equivalents acquired) in the amount of MEUR 5.6 (previous year: MEUR 9.9). Investments in intangible assets and property, plant and

Development of Group liquidity



equipment (less investment subsidies and grants) amounted to MEUR 19.5 in the year under review (previous year: MEUR 29.2). Investments in intangible assets primarily related to the orders on hand and customer relationships acquired in connection with the business operations of Software AG in the areas of SAP consulting, licensing and maintenance in the USA and Canada. As in the previous reporting periods, investments in property, plant and equipment primarily related to the expansion of data center capacities in Germany and abroad.

In terms of geographical segments, the USA accounted for investments of MEUR 7.1 (previous year: MEUR 15.1), DACH for MEUR 7.5 (previous year: MEUR 10.6) and Eastern Europe for MEUR 3.5 (previous year: MEUR 2.4).

Net cash used in financing activities totaled MEUR 11.4 (previous year: net cash from financing activities of MEUR 29.5). The prior-year figure included the cash inflow of MEUR 36.7 from the capital increase (after deduction of capital procurement costs). The group entered into financial liabilities of MEUR 2.6 in fiscal year 2013. This was offset by repayments in the amount of MEUR 9.6, MEUR 5.6 of which related to the Group parent. Non-current financial liabilities were primarily entered into in connection with investments in the data centers. The interest rates range from 2.08% to 4.90%. Due to the fixed interest agreements for the existing financing, a change in interest rates would not have a significant impact on the itelligence Group's financial position. For future growth finance, a change in interest rates would affect the Group's financial position and net interest income.

Details on the nature, maturity and interest rate structure of the liabilities can be found in note (23) "Financial liabilities" in the notes to the consolidated financial statements.

Dividend payments of MEUR 2.3 (previous year: MEUR 4.7) led to a further reduction in cash and cash equivalents.

Cash and cash equivalents declined by MEUR 4.3 to MEUR 39.2 as of the reporting date (previous year: MEUR 43.5). Of this figure, MEUR 7.3 was held in the euro zone and was not subject to exchange rate fluctuations. Cash and cash equivalents held outside the euro zone in the amount of MEUR 31.9 were invested and reported in the country-specific currencies. Translation was performed at the year-end closing rates. The consolidated financial statements will continue to be subject to currency translation effects in future. The Group's liquidity reserves were invested solely in short-term investments, meaning that fluctuations in the market interest rates for such investments on the money and capital markets can have an impact on itelligence's net interest income. In order to increase financial flexibility, additional credit facilities of MEUR 5.0 were agreed in Germany. In the year under review, these were utilized solely for drawing against guarantees in the amount of MEUR 0.3. In addition to credit facilities in Germany, subsidiaries also applied for credit facilities abroad. These credit facilities with a total volume of MEUR 15.2 were agreed in the respective local currencies and were partially guaranteed by itelligence AG. At the reporting date, these credit facilities were utilized by subsidiaries in the amount of MEUR 1.9.

Cash and cash equivalents of MEUR 39.2, credit facilities of MEUR 20.2 and the partnership with NTT serve to guarantee the Group's financial flexibility and its ability to meet its payment obligations.

Financial and non-financial performance indicators

Financial performance indicators

One of the key financial performance indicators at itelligence AG is EBIT (IFRS) and profit from ordinary activities (HGB). EBIT is defined as operating earnings before interest and taxes. Profit from ordinary activities is defined as the profit generated before extraordinary items and taxes. The performance indicators are presented to and discussed with the Management Board on a monthly basis as part of internal reporting, thereby allowing controlling measures to be initiated in a timely manner.

itelligence AG's financial indicators also encompass a wide range of operational key figures that are used to measure strategic objectives in terms of growth and efficiency improvements. In addition to total revenues, this includes utilization levels, the development of daily rates and project budget compliance in the Consulting business and revenue growth and the number of new customers in the Licenses and Maintenance business. Sales activities in all divisions are monitored and managed centrally through the regular monitoring of the sales pipeline and the development of orders on hand. Additional financial indicators such as DSO (days sales outstanding) and operating cashflow are also tracked for the purposes of debtor management.

Non-financial performance indicators

Employees
itelligence AG's business success and leadership claim as a strategic SAP full-service provider is primarily based on highly qualified and motivated employees who identify with the company. Accordingly, the company offers its employees a wide range of development opportunities. For example, individual career plans are drawn up at annual appraisal meetings and systematically pursued. With the "DELTa" (Develop Expert and Leadership Talent) high potential program, the company has implemented an initiative for manager development and hence established the basis for recruiting new members of management from its own ranks. Selected employees are supported and challenged in international teams for a one-year period.

The Group-wide employee survey is the central instrument for measuring the progress made by the company in implementing its strategy and the development of management behavior. The survey was conducted for the third time in 2013.

The itelligence Group has a mature corporate identity that constitutes the foundation for its success on the basis of shared core values and a uniform value system.

Customers and quality
Customer satisfaction is of central importance to the itelligence Group's business success. It forms the basis for satisfactory partnership and long-term cooperation.

The success of extensive, complex projects depends to a large extent on high-quality implementation in line with the agreed budget conditions and deadlines. To prevent deviations from plan that could have a negative impact on its earnings situation, itelligence has established detailed, binding requirements for the tender process as well as for project and quality management.

itelligence received a number of SAP awards in 2013, including for high-quality SAP projects.

Research and development
As itelligence does not perform any research and development in the narrower sense, it depends in particular on innovations in the area of industry solutions for the more efficient implementation of SAP as a factor in maintaining and expanding its international competitiveness.

Value added statement

The value added statement illustrates the origin and application of the economic performance of the itelligence companies in the year under review and the previous year.

In the statement of origin, value added is calculated as the difference between business performance and the related expenses incurred in advance, such as the cost of materials, depreciation and amortization, and other expenses.

In fiscal year 2013, business performance increased by +12.3% to MEUR 457.1. This development comprised organic growth of +6.1% and inorganic growth of +6.2%. The latter resulted from the acquisition of the Aster Group in the USA and the companies in the Czech Republic, Hungary and Slovakia, as well as the acquisition of orders on hand and customer relationships from Software AG in the USA and Canada. Elsys (Turkey) and Blueprint (UK), which were acquired in the previous year, were consolidated for the full twelve-month period for the first time.

Product-related expenses, which contain advance expenses for software licenses and maintenance, increased by MEUR +24.6 or 37.4% year-on-year to MEUR 90.3. This absolute increase is attributable in particular to the higher maintenance volume and the corresponding costs payable to SAP AG, as well as the higher license volume. Third-party service provider costs amounted to MEUR 37.6, down MEUR -3.7 on the previous year.

itelligence AG saw a slight decrease in its value added in the past fiscal year. Value added currently corresponds to 56.9% of business performance (previous year: 57.5%).

The statement of allocation shows the share of value added attributable to the individual stakeholder groups, e.g. employees, shareholders, lenders, the government and minority interests. This serves to illustrate itelligence AG's output in terms of the economy as a whole.

At 89.9% (previous year: 90.9%), the largest share of value added was attributable to the itelligence Group's employees. The government accounted for 2.8% of value added in the form of taxes and levies (previous year: 2.4%). With no dividend being paid to the parent company NTT DATA for fiscal year 2013, 5.5% of value added remained within the Group (previous year: 4.5%).

Value Added Statement

KEUR

Origin

	2013		2012		Change	
Revenues	457,084	99.1%	407,109	99.5%	49,975	12.3%
Other income	3,995	0.9%	2,025	0.5%	1,970	97.3%
Business performance	**461,079**	**100.0%**	**409,134**	**100.0%**	**51,945**	**12.7%**
Product-related expenses	90,259	19.6%	65,676	16.1%	24,583	37.4%
Third-party service providers	37,599	8.2%	41,311	10.1%	-3,712	-9.0%
Rental expenses	10,998	2.4%	10,054	2.5%	944	9.4%
Depreciation/amortization	15,804	3.4%	12,170	3.0%	3,634	29.9%
Other expenses	44,276	9.6%	44,839	11.0%	-563	-1.3%
Value added	**262,143**	**56.9%**	**235,084**	**57.5%**	**27,059**	**11.5%**

Application

	2013		2012		Change	
Employees	235,676	89.9%	213,638	90.9%	22,038	10.3%
Shareholders	0	0.0%	1,801	0.8%	-1,801	-100.0%
Company (retained profits)	14,375	5.5%	10,530	4.5%	3,845	36.5%
Lenders	2,871	1.1%	2,130	0.9%	741	34.8%
Government	7,430	2.8%	5,595	2.4%	1,835	32.8%
Minority interests	1,791	0.7%	1,390	0.6%	401	28.8%
Value added	**262,143**	**100.0%**	**235,084**	**100.0%**	**27,059**	**11.5%**

Remuneration Report

The remuneration report sets out the principles of the remuneration systems for the Management Board and the Supervisory Board and describes the amount and structure of the remuneration paid. The remuneration of the members of the executive bodies is disclosed as total remuneration broken down into fixed remuneration, performance-related components and components with a long-term incentive effect.

Remuneration of the Management Board

The following table provides a breakdown of the remuneration of the Management Board for fiscal year 2013:

Herbert Vogel (CEO)	2013	2012
	KEUR	KEUR
Non-performance-related (fixed) remuneration	500	400
Performance-related (variable) current remuneration (current year)	159	280
Performance-related (variable) non-current remuneration (current year)	207	0
Fair value of share-based remuneration on the grant date	0	38
Payment difference for (variable) current remuneration (previous year)	0	2
Total remuneration for the year	**866**	720

Norbert Rotter (CFO)	2013	2012
	KEUR	KEUR
Non-performance-related (fixed) remuneration	250	200
Performance-related (variable) current remuneration (current year)	95	187
Performance-related (variable) non-current remuneration (current year)	90	0
Fair value of share-based remuneration on the grant date	0	38
Payment difference for (variable) current remuneration (previous year)	0	1
Total remuneration for the year	**435**	426

The total remuneration paid to the members of the Management Board for fiscal year 2013 was KEUR 1,301 (previous year: KEUR 1,146).

The remuneration of itelligence AG's Management Board consists of non-performance-related (fixed) and performance-related (variable) components. Fixed remuneration and expenses for retirement and ancillary benefits all constitute non-performance-related components. The performance-related elements are geared towards the company's short-term and long term success. The Supervisory Board is responsible for determining the structure of the remuneration systems and the remuneration paid to the individual members of the Management Board. These matters are prepared by the Staff Committee.

The remuneration components are broken down as follows:

- Non-performance-related fixed remuneration is paid in equal installments in the form of a monthly salary. Ancillary benefits primarily relate to contributions to accident and liability insurance and the provision of a company car reflecting the position of the respective member.

- Variable remuneration consists of a short-term incentive based on the attainment of the Group's annual earnings target (consolidated EBIT), the Group's (consolidated) revenue target and personal performance. It is paid within five working days of the adoption of the annual financial statements by the Annual General Meeting.

The members of the Management Board also receive a bonus with long-term incentive effect based on a comparison of two average value added contributions (consolidated *EBIT*) each calculated over a four-year period. This is also paid within five days of the adoption of the annual financial statements by the Annual General Meeting for the fourth fiscal year of the respective performance period. As the basic activities triggering the entitlement to the remuneration were performed in fiscal year 2013, this is disclosed in the remuneration report for 2013. Any payment difference compared with the amount actually granted is included in the total remuneration for the fiscal year in which the legally binding commitment was made.

- The members of the Management Board are entitled to a life-long old-age pension from their 65th birthday irrespective of how old they were when they joined the Company. The monthly pension amounts to KEUR 10 for the CEO and KEUR 4.5 for the CFO. The pension commitment also includes a widow's pension amounting to 65% of the pension of the respective member of the Management Board and an orphan's pension. If a member of the Management Board leaves the company before his 65th birthday while serving as a member of the Management Board, the pension commitment will remain in place but will be reduced proportionately.

- From January 1, 2013, the members of the Management Board receive an invalidity pension corresponding to 75% of the respective pension.

In the previous years, part of the variable remuneration was paid as a long-term remuneration component based on the three-year performance of the average unweighted Xetra closing price of itelligence's shares. Share-based remuneration was replaced by the long-term incentive program described above.

The regular virtual issue of itelligence shares was performed after the end of itelligence's Annual General Meeting on the basis of the unweighted Xetra closing prices on all trading days in the previous fiscal year. After the end of the third subsequent Annual General Meeting, the average of the unweighted Xetra closing prices on all trading days of the respective previous fiscal year was calculated. If this comparison of the average price at the issue date and the average price after the end of this three-year period showed an increase in the company's share price, the respective Management Board member was paid an amount equivalent to the increase in the value of the virtual shares acquired. Variable long-term remuneration was only payable after the end of the third Annual General Meeting. Share-based remuneration is included in total remuneration at the fair value at the grant date. The performance of the virtual stock options and the amounts paid are shown separately within the remuneration report. Management Board members not in office for the entire three-year period receive this performance related remuneration on a pro rata basis at the end of the three-year period.

In fiscal year 2013, the seventh tranche of the share-based remuneration with long-term incentive effect, which has a term from January 1, 2010 to December 31, 2012, was paid out to the members of the Management Board.

A total of KEUR 142.8 was paid out to the CEO and KEUR 107.1 to the CFO. The average Xetra closing price of itelligence's shares for the period from January to December 2012 was EUR 7.658. The tranche was measured at the average Xetra closing price for 2009, which was EUR 4.088. This increase in value was multiplied by the number of virtual shares acquired. The resulting expense was recognized during the term of the tranche from 2010 to 2012.

The following table shows the virtual stock options granted:

	Virtual shares CEO	Virtual shares CFO	Fair value of a stock option on the grant date EUR	Proportionate fair value Dec. 31, 2013 CEO EUR	Proportionate fair value Dec. 31, 2013 CFO EUR	Expenses for stock options 2013 EUR
Tranche 8	40,000	40,000	1.614	218,320	218,320	154,400
Tranche 9	40,000	40,000	0.94	114,400	114,400	120,480

No loans or similar benefits were granted to members of the Management Board in fiscal years 2013 or 2012. The members of the Management Board did not receive any remuneration from services rendered for Group companies.

There were no commitments for severance payments in the case of the regular termination or non-renewal of employment contracts or a change of shareholder or for transitional benefits. In the event of the early termination of a Management Board contract not resulting from justified extraordinary termination by the Company, the members of the Management Board shall be paid the remuneration for the remainder of their contract. There is no contractually agreed settlement cap. A post-contract prohibition on competition and post contract customer protection has been agreed with the members of the Management Board for a period of 24 months after the end of the contract. The Company undertakes to pay compensation of 50% of the final fixed remuneration of the respective members of the Management Board for the duration of the post contract prohibition on competition. The Company has the right to waive the prohibition on competition.

The Company has pension obligations to the members of the Management Board in the amount of KEUR 2,017, for which total expenses of KEUR 100 were incurred in 2013.

The financing status developed as follows:

Herbert Vogel	2013 KEUR	2012 KEUR
Defined benefit obligation	1,815	1,032
Cash surrender value of the employer's pension liability insurance policy	-930	-843
Financing status	**885**	**189**

Norbert Rotter	2013 KEUR	2012 KEUR
Defined benefit obligation	202	125
Cash surrender value of the employer's pension liability insurance policy	-113	-82
Financing status	**89**	**43**

The Company has pension obligations to former members of executive bodies in the amount of KEUR 902, for which expenses of KEUR 18 were incurred in 2013.

The financing status developed as follows:

	2013 TEUR	2012 TEUR
Defined benefit obligation	902	713
Cash surrender value of the employer's pension liability insurance policy	-514	-481
Financing status	**388**	**232**

Remuneration of the Supervisory Board

The following table provides a breakdown of the remuneration of the Supervisory Board for fiscal year 2013 and the previous year:

	Fixed remuneration component	Committee remuneration	Attendance fees	2013 Total remuneration
	KEUR	KEUR	KEUR	KEUR
Friedrich Fleischmann (Chairman)	75.0	37.5	14.0	**126.5**
Dr. Stephan Kremeyer (Deputy Chairman)	37.5	9.5	11.0	**58.0**
Heiner Schumacher	25.0	27.5	14.0	**66.5**
Carsten Esser *	15.1	3.1	6.0	**24.2**
Dr. Britta Lenzmann *	9.9	4.9	2.0	**16.8**
Kazuhiro Nishihata	25.0	0.0	7.0	**32.0**
Akiyoshi Nishijima	25.0	0.0	7.0	**32.0**
	212.5	**82.5**	**61.0**	**356.0**

	Fixed remuneration component	Committee remuneration	Attendance fees	Variable remuneration component Earnings per share 2012	Fair value of share-based remuneration on the grant date	2012 Total remuneration
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Dr. Lutz Mellinger * (Chairman)	27.9	23.2	7.0	8.2	2.1	**68.4**
Dr. Stephan Kremeyer (Deputy Chairman)	22.5	5.0	6.0	6.6	1.1	**41.2**
Friedrich Fleischmann *	9.3	17.0	7.0	2.7	0.7	**36.7**
Dr. Britta Lenzmann	15.0	12.5	7.0	4.4	0.7	**39.6**
Kazuhiro Nishihata *	9.3	0.0	5.0	2.7	0.7	**17.7**
Akiyoshi Nishijima *	9.3	0.0	4.0	2.7	0.7	**16.7**
	93.3	**57.7**	**36.0**	**27.3**	**6.0**	**220.3**

* Remuneration calculated on a pro-rata basis as Supervisory Board members were not in office for the entire fiscal year.

The remuneration of itelligence AG's Supervisory Board is regulated by Article 16 of the Articles of Association. A resolution by the Annual General Meeting on December 12, 2013 introduced new provisions for the remuneration of the activities of the members of the Supervisory Board with retrospective effect from fiscal year 2013. In accordance with these provisions, Supervisory Board members receive fixed remuneration as well as the reimbursement of their expenses.

(1) Each member of the Supervisory Board receives fixed annual remuneration of KEUR 25. The Chairman receives three times this amount, while the Deputy Chairman receives one and a half times this amount. In addition, each member of the Supervisory Board receives an attendance fee of KEUR 1 per day for each meeting of the Supervisory Board or of a Supervisory Board committee attended.

(2) Members of Supervisory Board committees receive additional fixed remuneration of KEUR 5 for each membership of a committee. The chairman of a committee receives three times this amount, while the deputy chairman of a committee receives one and a half times this amount.

(3) Remuneration is payable on a quarterly basis after the end of the respective quarter. Supervisory Board members not in office for the entire quarter are remunerated on a pro-rata basis.

In the previous years, members of the Supervisory Board received performance-related remuneration geared towards the company's long-term success. This was calculated as follows. After the conclusion of the Annual General Meeting, a situation was simulated in which the company invested a notional amount of KEUR 5 for each Supervisory Board member in shares of the company based on the average of the unweighted Xetra closing rates on all trading days in the previous fiscal year. The notional investment amount for the Chairman of the Supervisory Board was KEUR 15, while the notional investment amount for the Deputy Chairman was KEUR 7.5. After the end of the third subsequent Annual General Meeting, the average of the unweighted Xetra closing prices on all trading days of the respective previous fiscal year was calculated. If this comparison of the average price in accordance with sentence 2 and the average price in accordance with sentence 4 showed an increase in the company's share price, the respective Supervisory Board member was paid an amount equivalent to the increase in the value of the virtual shares acquired in accordance with sentence 2. This performance-related remuneration was payable on the first working day after the third Annual General Meeting in accordance with sentence 4. Share-based remuneration is included in total remuneration at the fair value at the grant date. The performance of the virtual stock options and the amounts paid are shown separately within the remuneration report. Supervisory Board members not in office for the entire three-year period receive this performance related remuneration on a pro rata basis at the end of the three-year period.

In fiscal year 2013, the seventh tranche of the share-based remuneration with long-term incentive effect, which has a term from January 1, 2009 to December 31, 2012, was paid out to the members of the Supervisory Board in the amount of:

KEUR 11.4 to the former Chairman Lutz Mellinger
KEUR 6.5 to the Deputy Chairman
KEUR 4.4 to each member

The average Xetra closing price of itelligence's shares for the period from January to December 2012 was EUR 7.658. The tranche was measured at the average Xetra closing price for 2009, which was EUR 4.088. This increase in value was multiplied by the number of virtual shares acquired. The resulting expense was recognized during the term of the tranche from 2010 to 2012.

The following table shows the virtual stock options granted:

	Virtual shares Chairman	Virtual shares Deputy Chairman	Virtual shares Members	Virtual shares Total	Fair value of a stock option on the grant date EUR
Tranche 8	2,677	1,338	3,569	7,584	1.614
Tranche 9	2,248	1,124	2,996	6,368	0.94

	Proportionate fair value Dec. 31, 2013 Chairman EUR	Proportionate fair value Dec. 31, 2013 Deputy Chairman EUR	Proportionate fair value Dec. 31, 2013 Members EUR	Proportionate fair value Dec. 31, 2013 Total EUR	Expenses for stock options 2013 EUR
Tranche 8	9,739	7,304	19,480	36,523	9,767
Tranche 9	3,214	3,214	8,571	14,999	6,377

itelligence also reimburses the members of the Supervisory Board for any value added tax on their remuneration to the extent that this is invoiced or disclosed in a credit note by the respective Supervisory Board member. No advances on future remuneration or loans were granted to the members of the Supervisory Board. Furthermore, itelligence did not enter into any contingent liabilities for the benefit of the members of the Supervisory Board.

Report on Post-Balance Sheet Date Events

With effect from January 1, 2014, itelligence acquired the Scandinavian company 4C Management Consulting (4CMC), thereby expanding its expertise in the area of business intelligence and strategic consulting for ERP projects.

With this transaction, the itelligence Group has strengthened its range of strategic consulting services for companies in Denmark and the rest of Scandinavia. The acquisition will allow customers to integrate their strategic performance management and their ERP solution to an even better extent than previously. It represents the continuation of itelligence's dynamic investment strategy. Business intelligence and enterprise performance management are key elements of itelligence's future service range and global offering.

There were no other significant events after the end of the fiscal year.

Dependent Company Report

Since December 13, 2007, itelligence AG has had a majority shareholder – NTT DATA EUROPE GmbH & Co. KG, Düsseldorf, which is a wholly-owned subsidiary of NTT DATA Corporation, Japan. NTT DATA EUROPE GmbH & Co. KG has held all of the shares in itelligence AG since the squeeze-out came into effect on June 17, 2013. As there is no control agreement in place with NTT DATA EUROPE GmbH & Co. KG, the Management Board of itelligence AG is required to prepare a dependent company report in accordance with section 312 AktG.

In accordance with section 312 (2) AktG, the Management Board hereby declares that, in the case of the transactions and measures contained in the dependent company report that were conducted on the basis of the circumstances known to the Management Board at the time the transactions were executed or measures were implemented or omitted, itelligence AG received appropriate consideration for each transaction and has not been disadvantaged by the implementation or omission of any measures.

Opportunities and Risks

The pillars of the internal control system (ICS) at itelligence AG include Group-wide risk management in addition to corporate controlling, financial reporting and internal audit.

In fiscal year 2013, itelligence AG again faced the challenge of developing the individual segments of the ICS to reflect the current statutory and business requirements.

Among other things, this included simplifying and harmonizing the internal audit and reporting system within the Group and the NTT DATA Group and improving the compliance and risk management systems in line with operational practice.

Another key task was connecting the individual segments of the ICS. Bringing together the shared usage and evaluation of experiences and results from different sources sets high expectations of the management and the employees tasked with achieving this. One example is the cooperation between the Internal IT, Information Security and Data Protection departments and Risk Management, the results of which are included in the annual risk inventory and the audit plans for the coming year that are developed by the management and Internal Audit.

Opportunity management

Working in close cooperation with its customers, business partners and shareholders and on the basis of its own analyses, itelligence AG leverages the available opportunities for the further development of its products and services, improvements to the exchange of information with its communication partners and possibilities for economic, technological and organizational expansion.

This is concentrated on the Company's successful business model as a full-service provider and the targeted expansion of its core business. The management sees itelligence's long-term, sustainable business success as being dependent on its ability to make permanent improvements along the entire value chain on the basis of its existing strengths and expertise. At the same time, itelligence sees opportunities in developing new markets and leveraging the resulting growth potential. In addition, IT trends such as in-memory computing, cloud computing and mobility will initiate a generation change over the coming years that will offer sustainable growth opportunities.

Opportunities of future business development

Due to its focus as a full-service IT provider for SAP, a large number of economic growth opportunities are available to itelligence AG. These result not only from the innovation of SAP products (e.g. big data solutions, social media analytics, cloud and mobility services), but also from the international cooperation with SAP. itelligence's global partnerships allow it to provide intensive support to small and medium-sized enterprises and, in particular, upper midmarket companies with a strong international focus in Germany and abroad.

The parent company NTT DATA Corporation supports itelligence AG's dynamic growth. In addition to providing support for NTT DATA customers in Europe, activities focus in particular on the realization of joint projects and the development of markets such as Asia. itelligence uses the capital resources provided by the partnership with NTT DATA to strengthen its position through targeted acquisitions.

Risk Management

In accordance with Article 91 (2) AktG, the Management Board of itelligence AG, as part of its overall responsibility for the Group, has established a risk management system to identify and assess risks at an early stage. This risk management system is implemented on a Group-wide basis as an integral component of the business and decision-making processes and contains a number of control mechanisms aimed at ensuring a permanent and systematic approach based on a defined risk strategy. This system incorporates various measures that are rooted in the internal control system. From the integrated planning process, which is supplemented by the quarterly revision of data, and the monitoring and controlling of business processes through to ensuring the preparation of the consolidated financial statements in accordance with the relevant standards, all business activities are analyzed and assessed and risk treatment measures are initiated. The defined standards are set out and published in Group-wide guidelines such as Compliance Management, the Accounting and Account Assignment Manual, the Approval Guideline and the Risk Management Guideline. The implementation of the Japanese statutory provisions based on the US Sarbanes-Oxley Act is continuously examined and improved by itelligence's Internal Audit in cooperation with NTT DATA, with a particular focus on the areas of financial reporting, information security and corporate organization. Compliance with the Risk Management Guideline is also monitored in order to guarantee the security and efficiency of the risk management processes. To ensure transparency and for the purposes of risk reporting, the Internal Audit function is integrated into the existing Corporate Controlling organization. The direct reporting line to the Chief Financial Officer ensures the quick and efficient flow of information.

This process is supplemented by monthly management meetings at which the operating divisions report on business developments, opportunities and risks in their areas of responsibility. The latest information is compiled in the form of quarterly rolling planning and serves as a basis for management decisions. These measures are accompanied by half-yearly business reviews in the regions and international management meetings.

The close cooperation between the Management Board and the Supervisory Board and the committees, which meet on a regular basis, also forms part of this integrated opportunity and risk management system.

NTT DATA Corporation also intends to establish a uniform global audit and reporting system for all Group companies with the aim of bundling and analyzing the information required for efficient opportunity and risk management as quickly as possible and making the findings available to all Group members in good time.

Risks of future business development

Business environment risks

SAP partnership
As itelligence offers comprehensive IT services for the traditional and upper midmarket SAP environment, it is dependent to a large extent on the continued market success of SAP's products and their future competitiveness and ongoing development. This dependence could have an impact on itelligence's net assets, financial position and results of operations. As well as providing support, the SAP partner model, which takes different forms in itelligence's various segments, embodies an economic risk for itelligence AG. The economic risk for itelligence will be reduced if customers continue to be provided with the most high-performance products available.

Human resources risks and opportunities
As an IT service provider, highly qualified employees and managers are the key factor in itelligence AG's success. The primary risks in this respect are a lack of qualifications, obsolete expertise and insufficient motivation to implement customer-oriented solutions on schedule and in the required quality.

In addition to an innovative working environment, human resources activities therefore focus on professional training and the international management development program.

In fiscal year 2013, the management of itelligence AG conducted two internal surveys on the company and its business and human resources development. Both surveys were aimed at identifying the strengths, weaknesses and areas for improvement in the company's executive and senior management and deriving corrective and remediation measures. The systematic realization of these measures and the continuous monitoring of their effectiveness represent an opportunity to further the positive development of the company and its human resources management over the coming fiscal years.

Despite these measures, the possibility that qualified employees will leave the Company or that an insufficient number of new employees will be appointed cannot be ruled out.

Industry risks
Industry risks result from the competitive IT market and the rapid pace of technical progress. These risks affect itelligence's net assets and results of operations. The Company focuses on the following risk areas:

a) Customer-oriented market risks
This includes economic cycles, changes in customer behavior, company concentration, customer insolvency risk and similar risks.

b) Supplier-oriented market risks
This includes supplier services as well as service quality and similar factors.

These risks are permanently monitored by way of special sales controlling. Despite intensive customer and supplier care, however, it cannot be fully ensured that all developments will be identified at an early stage or that measures will be initiated in a timely manner.

Performance risks

Project risk
As a matter of principle, the risk of project escalation and resulting adverse effects on itelligence's net assets and results of operations cannot be completely ruled out. Project risk can be reduced by using qualified employees, an efficient project organization including meetings of the steering committee, and incorporating customers into project work. Project success is ensured through the permanent transparency of the project status and project monitoring by the project manager. Factors ranging from defined information channels and coordination structures through to escalation provisions are agreed as binding with the customer. These agreements allow all parties to identify risks at an early stage and initiate the relevant countermeasures.

Risks in the Outsourcing & Services division
The availability and reliability of the products and services provided are key factors for the Outsourcing & Services division. Contractual and statutory provisions form the basis for resource and process planning, while clearly defined responsibilities, interfaces and workflows serve to ensure compliance. The forecast opportunities and risks must be weighed up before any new or altered technology or process is applied. The requirements in terms of technology and processes must be unequivocally defined and measurable at all times, all steps in the implementation process including the related test procedures and alternative plans must be carefully documented, and the results achieved must be evaluated impartially. This approach meant that itelligence's data center operations again fulfilled the strict industry-specific requirements of the pharmaceutical industry (GAMP) in 2013.

In 2013, the service management system of itelligence Outsourcing & Services GmbH (it.SMS) was certified in accordance with ISO/IEC 20000-1:2011. This revised standard combines IT service management, quality management and information security more clearly than before, and is therefore also geared towards the practice of IT service providers such as itelligence Outsourcing & Services GmbH. Comprehensive security measures – from building access restrictions through to the internal authorization concept for the responsible employees – and regular security audits with subsequent ISO/IEC 27001:2005 certification are important for risk minimization, particularly with regard to data center operations. itelligence Outsourcing & Services GmbH's internal control system is tested and audited in accordance with ISAE3402. For the first time, the audit report for 2013 contains separate information on operational data protection measures and confirms the company's compliance with the German Federal Data Protection Act.

Report on Expected Developments

Economic forecasts for 2014

The IMF is forecasting an upturn in the global economy with growth rates of 3.7% in 2014 and 3.9% in 2015. Growth is expected to accelerate in the established industrialized nations of the USA, Germany and the United Kingdom in particular. According to forecasts, the euro zone will emerge from recession and record moderate overall growth of 1.0% (Germany: 1.6%). Growth in Japan will remain at the same level as in 2013 (+1.7%) in the wake of fiscal policy incentives ("Abenomics") and despite a highly expansive monetary policy. The IMF expects the emerging markets to record growth of 5.1% in 2014 and 5.4% in 2015; however, this depends to a large extent on stable economic performance in China (+7.5%) and the positive development in the USA and Europe. The stability of global economic development will be affected in no small measure by the ongoing political situation in countries such as Ukraine, Turkey and the nations of the Middle East. Escalation could have a negative impact on the global economy.

Outlook for the software and IT services market

The weak winter half-year in 2012/2013 led to a pronounced correction in terms of IT investments. The IT market as a whole failed to convince, recording growth of just 0.4%. The stable and, in many countries, improved economic outlook for the next two years is now leading to increased confidence among companies and is likely to have a positive impact on IT investments. Despite this, Gartner is forecasting a growth rate of 3.1% for 2014, which would be lower than the expected growth in the global economy (3.7%). The growth rates for software (+6.8%) and IT services (+4.5%) will remain significantly higher than the level of expenditure on hardware, devices and telecommunication equipment.

The digitization of the economy is continuing apace. In addition to cloud computing, mobility, big data and social media, topics such as the "Internet of Things" are becoming increasingly important. The challenge for itelligence is to manage the digital revolution. Old system landscapes need to be rationalized and new ones developed. The exponential growth in data must be analyzed systematically. IT security is also increasingly in demand again, not least following the revelations concerning the NSA's global data collection activities.

SAP is addressing the implications of these developments with its product range. The analysis of large volumes of information will play a particularly important role. The technical development of HANA and the recently presented SAP Business Suite powered by SAP HANA represent steps towards real-time enterprise management. SAP Business Suite will serve as the platform for linking all other business applications.

Expected business development at itelligence AG

In fiscal year 2013, itelligence AG recorded growth of 12.3% in spite of the weaker overall market environment. Organic growth declined to 6.1% (previous year: 16.5%) following a period of double-digit growth lasting a number of years. This was due to the significant downturn in Consulting business in the USA and Germany. However, all of the other divisions – especially recurring business (SAP maintenance, hosting and AMS) – enjoyed substantial growth. The share of recurring business reached the strategic mark of 40% of total revenues for the first time. The global expansion of AMS business is highly encouraging and demonstrates the benefits of itelligence's membership of the global NTT DATA network. Licenses also accounted for 12.5% of total revenues (previous year: 9.4%) on the back of a strong fourth quarter.

EBIT reached a new high of MEUR 22.2 in fiscal year 2013. The EBIT margin improved slightly to 4.9% after 4.7% in the previous year, meaning that the company failed to meet its target of an EBIT margin in excess of 6%. This was primarily due to the lower utilization of consulting capacities in the USA and Germany, and the resulting lower

Financial risks

Liquidity risk

itelligence has a central financial management system with responsibility for global liquidity management. Cash and cash equivalents are monitored at a Group level with the aid of a weekly liquidity status report including a cash forecast, and measures are initiated at short notice as necessary. itelligence increases its own security and independence by maintaining a constant level of cash and cash equivalents and credit facilities in Germany and abroad.

Defined liquidity reserves are invested conservatively and solely in the short term, meaning that interest rate fluctuations on the money and capital markets can only impact itelligence AG's net interest income to a limited extent.

Price risk

itelligence permanently monitors exchange rate risks on the basis of items in the statement of financial position. As the value added process is performed in the same currency as the corresponding revenues are generated, exchange rate risk is limited. Exchange rate fluctuations affecting intragroup receivables and liabilities and the resulting risk are monitored on a continuous basis.

Annual goodwill impairment testing is performed using the DCF method, under which cashflows are discounted using the current average cost of capital. Capital costs may change due to current developments in interest rate levels. Significant changes arising from goodwill impairment testing would have a substantial impact on earnings.

Default risk

Although itelligence has established a system enabling the early recognition of customer insolvency risk at all of its national subsidiaries, this risk cannot be ruled out altogether. All receivables within the Group are examined on a monthly basis and bad debt allowances are recognized depending on the age structure. This measure is supplemented by permanent credit checks, which also include risk provisions in the form of specific valuation allowances.

Other risks

Political risk

As an international service provider, itelligence is also exposed to political influences and their consequences. Global political events in individual countries can impact the economy, and hence itelligence's business prospects. Accordingly, political risk is taken into account in all investment decisions.

General management risk

itelligence is also exposed to general management risk. The Company continuously improves its management, controlling and steering systems with a view to preventing mistakes.

Overall risk situation

The Management Board does not consider there to be any individual risks that could endanger the continued existence of the itelligence Group at the date of preparation of this annual report and in the foreseeable future. Similarly, the Management Board does not consider the aggregate risk at the date of preparation of this annual report as endangering the continued existence of the itelligence Group.

Risk Reporting in Connection with the Use of Financial Instruments

The risks relating to financial instruments are discussed in detail in the “Financial instruments” section of the notes to the consolidated financial statements and in the additional disclosures on financial instruments.

Accounting-related Internal Control and Risk Management System

The internal control system is a key factor in limiting and preventing risks, particularly accounting-related risks. At itelligence, this system comprises principles, procedures and measures aimed at ensuring the effectiveness, economic efficiency and correctness of accounting. The internal guidelines relating to accounting and reporting in accordance with IFRS prescribe the uniform accounting policies to be applied at the domestic and foreign companies included in the consolidated financial statements. They also contain provisions on the schedule for the preparation of the consolidated financial statements and formalized requirements to be observed by the companies included in consolidation.

New provisions and accounting changes are analyzed in a timely manner in terms of their impact and are included and implemented in the guidelines for itelligence’s accounting processes where relevant.

itelligence has an extensive, uniform SAP platform and a uniform Group chart of accounts, as well as standardized, automated accounting processes. This standardization serves to ensure the uniform, correct and timely recognition of material transactions. Binding provisions are in place for the additional manual recognition of transactions. The accounting treatment of matters such as goodwill impairment testing is the responsibility of internal experts. In individual cases, such as the measurement of pension obligations, measurement is performed by external experts.

To prepare the consolidated financial statements of itelligence AG, the single-entity financial statements of the subsidiaries are transferred to an SAP-based IT consolidation system. The financial data transferred is examined on the basis of automated controls. The single-entity financial statements submitted by the companies included in consolidation are also reviewed centrally taking into account the reports by the auditors. The automated derivation and formalized inquiry of information that is relevant for consolidation purposes serves to ensure that intragroup transactions are eliminated properly and in full. All of the consolidation processes for the preparation of the consolidated financial statements are conducted and documented in the SAP-based IT consolidation system. The components of the consolidated financial statements, including material information for the notes and the management report, are developed on this basis.

All of the IT systems used are protected against unauthorized access to the greatest possible extent through corresponding authorization concepts and access restrictions.

Internal Audit regularly examines the correctness of the internal control systems and business processes of the subsidiaries. More specifically, it examines compliance with the relevant guidelines, organizational security measures and the key figures in the income statement and the statement of financial position. It reports directly to the Management Board and the Audit Committee of the Supervisory Board as an independent body.

level of Consulting revenues. The scheduled amortization of intangible assets also served to reduce the EBIT margin. The operating margin adjusted for the amortization of intangible assets (EBITA) amounted to 5.7% (previous year: 5.2%).

itelligence recorded strong incoming orders as of the end of 2013, achieving a new record of MEUR 351.6 (previous year: MEUR 286.6). Licenses revenues in particular rose sharply to MEUR 28.2 in the fourth quarter. With this peak in the volume of SAP licenses sold, itelligence established itself as SAP's strongest global partner in the General Business segment. The planned revenue share attributable to Licenses business has now returned to more than 10% of total revenues. The high level of incoming orders, particularly in Germany, also led to an improvement in consultant utilization at the start of fiscal year 2014. The Management Board is anticipating stable daily rates in the Consulting segment in the next fiscal year.

itelligence acquired the Aster Group, Concord, USA, with effect from November 1, 2013, and the 4C Group, Copenhagen, Denmark, with effect from January 1, 2014. Both companies specialize in consulting for SAP business intelligence (BI) and business planning and consolidation (BPC) applications, a high-growth area for itelligence AG. The companies acquired are being integrated into the respective national organizations in the USA and Denmark.

In light of the economic upturn in the USA and Europe, the Management Board of itelligence AG is forecasting a return to double-digit organic growth, with revenues expected to break through the MEUR 500 barrier after amounting to MEUR 457.1 in the year under review. The Management Board also expects to see revenue growth in fiscal year 2015 assuming the targets for the current fiscal year are met.

The management is focused on achieving a sustainable increase in profitability. The aim for fiscal year 2014 is an EBIT margin of around 5.5% on the back of double-digit revenue growth, while the medium-term objective is to raise the EBIT margin to 7%. In addition, continued investment in the Licenses, Consulting and Outsourcing & Services divisions accompanied by substantial growth across all divisions requires systematic project and cost management in order to ensure increased profitability. Measures in the area of project management in particular, such as strengthening the role of project managers, professional training and improved project controlling, have been initiated in the past fiscal year.

As well as the aforementioned estimates with regard to the overall development of the enterprise software and IT services market, these forecasts assume a largely stable macroeconomic and global political environment. Actual results may deviate substantially from the expectations of future development.

Bielefeld, March 20, 2014

itelligence AG

The Management Board

Consolidated Income Statement (IFRS)

KEUR		Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2012
Revenues	(1)	457,084	407,108
Cost of sales	(2)	-344,471	-305,350
Gross profit		**112,613**	**101,758**
Marketing and distribution expenses	(3)	-48,886	-44,705
Administration expenses	(4)	-38,656	-36,338
Other operating income	(5)	2,882	2,025
Other operating expenses	(6)	-3,292	-2,874
Amortization of orders on hand	(11)	-2,459	-619
Total operating expenses		-90,411	-82,511
Operating earnings		**22,202**	**19,247**
Investment income		-5	-186
Measurement of derivatives and exercise of options	(7)	4,188	2,283
Exchange rate differences from financing activities		-73	-165
Finance income	(8)	155	267
Finance expenses	(8)	-2,871	-2,130
Net finance costs		1,394	69
Earnings before tax		**23,596**	**19,316**
Tax expenses	(9)	-7,430	-5,595
Consolidated net profit		**16,166**	**13,721**
of which attributable to the shareholders of itelligence AG		14,375	12,331
of which attributable to non-controlling interests		1,791	1,390
Earnings per share (EUR) (basic)	(10)	EUR 0.48	EUR 0.44
Earnings per share (EUR) (diluted)		EUR 0.48	EUR 0.44
Number of shares on the basis of which earnings per share were calculated:			
– basic		30,014,838	27,740,987
– diluted		30,014,838	27,740,987

Consolidated Statement of Comprehensive Income (IFRS)

KEUR	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2012
Consolidated net profit	16,166	13,721
Actuarial losses IAS 19*	-840	0
Foreign exchange differences	-3,262	355
Total comprehensive income	**12,064**	**14,076**
of which attributable to the shareholders of itelligence AG	10,662	12,716
of which attributable to non-controlling interests	1,402	1,360

*Item not to be reclassified to profit or loss

Consolidated Balance Sheet (IFRS)

Assets KEUR		Dec. 31, 2013	Dec. 31, 2012
Non-current assets			
Intangible assets	(11)	91,489	80,670
Property, plant and equipment	(12)	59,377	61,095
Other financial assets	(13)	1,573	1,966
Trade receivables	(14)	1,751	1,501
Other non-financial assets	(15)	0	125
Income tax receivables		178	241
Deferred tax assets	(16)	2,952	2,697
		157,320	**148,295**
Current assets			
Inventories		407	210
Trade receivables	(14)	119,871	100,342
Income tax receivables		1,831	2,624
Other financial assets	(13)	3,795	881
Other non-financial assets	(15)	1,113	1,802
Cash and cash equivalents	(17)	39,246	43,516
Prepaid expenses	(18)	9,603	9,109
		175,866	**158,484**
		333,186	**306,779**

Equity and liabilities KEUR		Dec. 31, 2013	Dec. 31, 2012
Equity			
Issued capital	(19)	30,015	30,015
Capital reserves	(20)	52,768	52,768
Net accumulated profit	(21)	50,890	38,315
Other comprehensive income	(22)	-28,232	-27,309
		105,441	93,789
Non-controlling interests		16,356	18,196
		121,797	**111,985**
Non-current liabilities			
Financial liabilities	(23)	47,433	64,524
Deferred tax liabilities	(16)	7,926	8,203
Other non-current provisions	(24)	85	177
Pension provisions	(25)	1,362	465
Government grants	(26)	3,935	4,812
Other non-financial liabilities	(27)	1,606	1,021
		62,347	**79,202**
Current liabilities			
Trade payables	(28)	38,886	29,648
Financial liabilities	(23)	16,222	13,631
Tax provisions		3,067	2,058
Other current provisions	(24)	6,670	2,445
Income tax liabilities		1,488	1,339
Other non-financial liabilities	(27)	70,517	56,297
Deferred income		12,192	10,174
		149,042	**115,592**
		333,186	**306,779**

Consolidated Cashflow Statement (IFRS)

KEUR	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2012
Consolidated net profit	**16,166**	**13,721**
Amortization of intangible assets and depreciation of property, plant and equipment	15,803	12,169
Elimination of gains/losses on asset disposals	2	8
Other non-cash expenses and income	-2,680	-1,232
Net finance costs	-1,394	-69
Tax expenses	7,430	5,595
	35,327	**30,192**
Change in inventories	-197	553
Change in trade receivables	-14,523	-10,848
Change in other non-current assets	-164	1,200
Change in other current assets	-2,194	-2,324
Change in prepaid expenses	1,373	1,009
Change in trade payables	7,260	-2,806
Change in provisions for pensions	897	464
Change in other liabilities and provisions	15,033	791
Change in deferred taxes	-532	2,489
	42,280	**20,720**
Interest received	155	191
Interest paid	-2,953	-1,825
Taxes paid	-5,650	-4,943
Cashflows from operating activities	**33,832**	**14,143**
Capital expenditure for intangible assets and property, plant and equipment	-20,180	-31,309
Investment grants and subsidies received	693	2,086
Cash received from the disposal of property, plant and equipment and intangible assets	53	353
Payments for acquisitions (less cash and cash equivalents acquired)	-5,551	-9,947
Cashflows from investing activities	**-24,985**	**-38,817**
Cash received from capital increase	0	36,734
Dividends paid to non-controlling interests	-452	-315
Increase in long-term deposits	494	92
Dividend payments	-1,800	-4,420
Payment for put/call options	-2,552	-4,234
Borrowing of financial liabilities	2,576	11,625
Repayment of financial liabilities	-9,619	-10,032
Cashflows from financing activities	**-11,353**	**29,450**
Decrease (previous year: increase) in cash and cash equivalents	**-2,506**	**4,776**
Effects from exchange rate differences	-1,764	227
Cash and cash equivalents as of January 1	43,516	38,513
Cash and cash equivalents as of December 31	**39,246**	**43,516**

Cash and cash equivalents are discussed in note (17).

Consolidated Statement of Changes in Equity (IFRS)

					Cumulative other equity					
	Number of shares	Share capital	Capital reserves	Net accumulated profit	Foreign exchange differences	Other equity	Cumulative other equity	Equity attributable to the shareholders of the parent company	Non-controlling interests	Consolidated equity
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Dec. 31, 2011	24,557,595	**24,558**	**21,491**	**30,404**	-1,296	-22,431	**-23,727**	**52,726**	**15,251**	**67,977**
Consolidated net profit 2011				**12,331**				**12,331**	**1,390**	**13,721**
Foreign exchange differences					385		385	385	-30	355
Total comprehensive income				**12,331**	385		**385**	**12,716**	**1,360**	**14,076**
Capital increase	5,457,243	5,457	31,379					36,836		36,836
Transaction costs reduced by tax benefit			-102					-102		-102
Dividend payments				-4,420				-4,420	-315	-4,735
Acquisition of a subsidiary with non-controlling interests									5,744	5,744
Adjustment for first-time consolidation									-1,046	-1,046
Exercise of options						2,798	2,798	2,798	-2,798	0
Fair value for call and put options						-6,765	-6,765	-6,765		-6,765
December 31, 2012	30,014,838	**30,015**	**52,768**	**38,315**	-911	-26,398	-27,309	**93,789**	**18,196**	**111,985**
Consolidated net profit 2013				**14,375**				**14,375**	**1,791**	**16,166**
Foreign exchange differences					-2,873		-2,873	-2,873	-389	-3,262
Actuarial losses IAS 19					-840		-840	-840	0	-840
Total comprehensive income				**14,375**	-3,713	0	**-3,713**	**10,662**	**1,402**	**12,064**
Dividend payments				-1,800				-1,800	-452	-2,252
Exercise of options						2,790	2,790	2,790	-2,790	0
December 31, 2013	**30,014,838**	**30,015**	**52,768**	**50,890**	**-4,624**	**-23,608**	**-28,232**	**105,441**	**16,356**	**121,797**

Notes to the Consolidated Financial Statements for Fiscal Year 2013

A. General information

The itelligence Group is one of the world's leading SAP full-service providers. Its range comprises SAP consulting, SAP licensing, application management services and outsourcing and services through to proprietary SAP industry solutions.

The Group is represented around the world. It has international subsidiaries in the United States, Switzerland, Austria, Spain, the United Kingdom, the Czech Republic, Slovakia, the Netherlands, Belgium, Poland, Hungary, Russia, Ukraine, Canada, France, Denmark, Norway, Malaysia, Turkey, India, Sweden and China.

The parent company of the Group is itelligence AG, based at Königsbreede 1, 33605 Bielefeld, Germany. The company is entered in the commercial register of the Bielefeld Local Court.

Since December 13, 2007, the itelligence Group has had a majority shareholder: NTT DATA EUROPE GmbH & Co. KG, Düsseldorf, which is a wholly owned subsidiary of NTT DATA CORPORATION, Japan. Following the implementation of a public purchase offer in fiscal 2012, NTT DATA EUROPE GmbH & Co. KG directly held more than 95% of the share capital of itelligence AG. Its holding in the company was increased to 100% in fiscal 2013. NTT DATA EUROPE GmbH & Co. KG is the main shareholder within the meaning of section 327a (1) sentence 1 AktG.

itelligence AG's consolidated financial statements as of December 31, 2013 are prepared and published in euro (EUR) for the fiscal year from January 1 to December 31, 2013. Within the financial statements, all figures have been rounded to thousands of euro (KEUR) in line with business practice. The consolidated financial statements have been prepared on the basis of historical cost, with the exception of certain financial instruments recognized at market value.

The Management Board of itelligence AG authorized the consolidated financial statements to be submitted to the Supervisory Board on March 7, 2014. The Supervisory Board is responsible for examining the consolidated financial statements and declaring whether it approves them. The consolidated financial statements cannot be changed thereafter. The consolidated financial statements were approved by the Supervisory Board on March 20, 2014.

B. Accounting

The consolidated financial statements of itelligence AG – hereinafter referred to as "itelligence," "the company," or "the Group" – for the year ended December 31, 2013 were prepared in accordance with the International Financial Reporting Standards (IFRSs) formulated by the International Accounting Standards Board (IASB) as adopted by the EU.

All of the International Accounting Standards (IASs), IFRSs and interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) that were required to be applied in the European Union for fiscal 2013 were taken into account. The following new standards to be applied in fiscal 2013 had no significant effect on the presentation in the consolidated financial statements of itelligence AG:

Amendments to IFRS 1	Government Loans
Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 12	Recovery of Underlying Assets
IAS 19 (rev. 2011)	Employee Benefits
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Improvements to IFRS 2009 – 2011	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34

The "New accounting standards" section contains information on the accounting provisions published by the IASB but not yet required to be applied in fiscal 2013.

To improve the clarity of presentation, various items of the statement of financial position and the income statement have been combined. These items are disclosed and explained separately in the notes to the consolidated financial statements.

C. New Accounting Standards

• ***EU endorsement already in place***

The following standards and interpretations published and adopted by the European Union prior to December 31, 2013 but not yet required to be applied have not been taken into consideration in the preparation of the financial statements:

Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 28	Investments in Associates and Joint Ventures
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition Guidance
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities

Amendments to IAS 27 – Separate Financial Statements

As part of the adoption of IFRS 10 Consolidated Financial Statements, the regulations on the principle of control and the requirements to prepare consolidated financial statements will be removed from IAS 27 and then covered in IFRS 10 (see comments on IFRS 10). As a result, IAS 27 will only contain the regulations for accounting for subsidiaries, joint ventures and associated companies in IFRS separate financial statements in the future.

The amendment is effective for the first time for fiscal years beginning on or after January 1, 2014. The revised version of IAS 27 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

Amendments were also made to IAS 28 as a result of the adoption of IFRS 11 Joint Arrangements. As in the past, IAS 28 regulates the application of the equity method. However, its range of application has been significantly expanded by IFRS 11 as investments in not just associates but also joint ventures (see IFRS 11) have to be measured at equity in the future. Proportionate consolidation will also no longer apply to joint ventures.

Another amendment relates to accounting under IFRS 5 when only part of an investment in an associate or a joint venture is held for sale. IFRS 5 is to be applied to the portion being sold; the remainder (retained portion) continues to be measured at equity until the disposal of the first portion.

The amendment is effective for the first time for fiscal years beginning on or after January 1, 2014. The revised version of IAS 28 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

This addition to IAS 32 clarifies the requirements for offsetting financial instruments. The addition explains the significance of the current legal right to offsetting and clarifies which methods can be considered gross or net settlement within the meaning of the standard.

The amendment to IAS 32 is effective for the first time for fiscal years beginning on or after January 1, 2014. The revised version of IAS 32 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

As part of a consequential amendment from IFRS 13 Fair Value Measurement, a new disclosure requirement for goodwill impairment testing in line with IAS 36 was introduced: The recoverable amount of cash-generating units must be disclosed, regardless of whether impairment is actually recognized. As this disclosure was introduced unintentionally, it will be deleted with this amendment from May 2013.

On the other hand, this amendment gives rise to additional disclosures when impairment actually has been recognized and the recoverable amount was calculated on the basis of fair value.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2014. The revised version of IAS 36 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

As a result of this amendment, despite the novation of hedging instruments to a central counterparty on account of statutory requirements, under certain circumstances they are still designated as hedging instruments in continuing hedges.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2014. The revised version of IAS 39 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

IFRS 10 – Consolidated Financial Statements

This standard provides a new and comprehensive definition of control. If an entity controls another entity, the parent company must include the subsidiary in consolidation. Under the new concept, control exists when the potential parent company has power over the potential subsidiary on the basis of voting or other rights, it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The new standard is effective for the first time for fiscal years beginning on or after January 1, 2014. With certain exceptions, IFRS 10 is to be applied retrospectively. The revised version of IFRS 10 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

IFRS 11 – Joint Arrangements

IFRS 11 provides new regulations for accounting for joint arrangements. Under the new concept, it must be decided whether the arrangement is a joint operation or a joint venture. In a joint operation the parties with joint control have rights to the assets and obligations for the liabilities. The individual rights and obligations are accounted for proportionately in the consolidated financial statements. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. This right is accounted for using the equity method in the consolidated financial statements; the option of proportionate inclusion in the consolidated financial statements therefore no longer applies.

The new standard is effective for the first time for fiscal years beginning on or after January 1, 2014. There are specific transitional regulations for transition from proportionate consolidation to the equity method, for example. The revised version of IFRS 11 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

IFRS 12 – Disclosure of Interests in Other Entities

This standard regulates the disclosure requirements for interests in other entities. The necessary information is significantly more extensive as compared to the disclosures previously required under IAS 27, IAS 28 and IAS 31.

The new standard is effective for the first time for fiscal years beginning on or after January 1, 2014. The revised version of IFRS 12 is not expected to have any effect on presentation in the future consolidated financial statements of itelligence AG.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance

The amendments provide clarification and additional options for transitioning to IFRS 10, IFRS 11 and IFRS 12. Restated comparative information is only required for the preceding period, while the disclosures on unconsolidated structured entities in the notes are no longer required to include comparative information for periods prior to the first-time adoption of IFRS 12.

The amendments to IFRS 10, IFRS 11 and IFRS 12 are effective for the first time for fiscal years beginning on or after January 1, 2014. The amendments to IFRS 10, IFRS 11 and IFRS 12 are not expected to have any effect on presentation in future consolidated financial statements of itelligence AG.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments contain a definition of the term "investment companies" and remove such companies from the scope of IFRS 10 Consolidated Financial Statements.

Accordingly, investment companies do not include the companies they control in their IFRS consolidated financial statements; this exception from the general provisions should not be interpreted as an option. Instead of full consolidation, equity interests held for investment purposes are measured at fair value and changes in their value during the reporting period are reported in profit or loss. The amendments do not affect consolidated financial statements including investment companies unless the Group parent is itself an investment company.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2014. The amendments to IFRS 10, IFRS 12 and IAS 27 are not expected to have any effect on presentation in future consolidated financial statements of itelligence AG.

- ***EU endorsement outstanding***

The following standards and interpretations have been published by the IASB but not yet adopted by the European Union:

IFRS 9 (2009/2010)	Financial Instruments
IFRS 9 (2013)	Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date and Transition Disclosures
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
IFRIC 21	Levies
Improvements to IFRS 2010 – 2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38
Improvements to IFRS 2011 – 2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40

IFRS 9 – Financial Instruments

Accounting for and measurement of financial instruments under IFRS 9 will replace IAS 39.

In the future, financial assets will only be classified into and measured as two groups: those measured at amortized cost and those measured at fair value. The group of financial assets at amortized cost will consist of such financial assets that only provide for payments of principal and interest on the principal outstanding at set dates and that are also held as part of a business model that intends to hold assets. All other financial assets form the group at fair value. Under certain conditions, financial assets in the first category can be designated to the at fair value category (fair value option), as was previously the case.

Changes in the value of financial assets at fair value must be recognized in profit or loss. However, the option to recognize changes in value in other comprehensive income can be exercised for certain equity instruments; however, dividend claims from these assets must be recognized in profit or loss.

The regulations for financial liabilities will be taken over from IAS 39. The most significant difference concerns the recognition of changes in value of financial liabilities measured at fair value. These must be broken down in the future into the liability's credit risk, which is recognized in other comprehensive income, and the remainder, which is recognized in profit or loss.

The date of first-time adoption of IFRS 9 is not yet known, but is not expected to be before January 1, 2017. If it is endorsed by the EU in its present form, IFRS 9 is expected to affect the future consolidated financial statements of itelligence AG.

IFRS 9 – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39

The aim of the new hedge accounting model under IFRS 9 is to achieve a closer link between the risk management system and the presentation in accounting. The types of hedging still permitted are "cashflow hedge accounting", "fair value hedge accounting" and "hedge of a net investment in a foreign operation".

The group of qualifying hedged items and hedging instruments was widened. In addition to net positions and net zero positions, groups of hedged items can now also be designated, if the individual hedged items in that group also qualify. Any financial instrument recognized at fair value is suitable as a hedging instrument. Exceptions to this are fair value option liabilities and equity instruments at fair value through other comprehensive income in accordance with the regulations of phase I.

IFRS 9 removes the ranges for effectiveness testing demanded under IAS 39 of 80% to 125%, hence retrospective effectiveness testing is no longer required. However, the prospective effectiveness test is still a requirement, as is the recognition of any ineffectiveness.

A hedge can only be ended when the requirements defined for this are met; this means that hedges must be continued if risk management objectives are unchanged.

Extended disclosures on risk management strategy, the effects of risk management on future cashflows and the effects of hedge accounting on financial statements are required.

In addition, an entity's credit risk for FVO financial liabilities can now be recognized in other comprehensive income in isolation, i.e. without applying the other requirements of IFRS 9.

The first-time adoption of the new hedge accounting regulations follows the regulations on the first-time adoption of IFRS 9. Hedges should not be ended on account of the transition from IAS 39 to IFRS 9 if they still meet the requirements and quality criteria. The existing regulations under IAS 39 can still also be applied under IFRS 9. If the hedge accounting amendments are endorsed by the EU in their present form, IFRS 9 is not expected to affect the future consolidated financial statements of itelligence AG.

Amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures

The amendments mean that it is no longer necessary for a reporting entity to report restated prior-year figures when adopting IFRS 9 for the first time. This option was previously possible only in the case of the early adoption of IFRS 9 prior to January 1, 2012.

The option introduces additional disclosures in the notes in accordance with IFRS 7 as of the transition date.

As with the regulations of IFRS 9, the date of the first-time adoption of these amendments is not yet known, but is not expected to be before January 1, 2017. If the amendments to IFRS 9 and IFRS 7 are endorsed by the EU in their present form, they are not expected to affect the future consolidated financial statements of itelligence AG.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments clarify the provisions concerning the allocation of employee contributions and third-party contributions to service periods when contributions are linked to service. Furthermore, convenience options were created for if contributions are dependent on the number of years of service.

The amendments are effective for the first time for fiscal years beginning on or after July 1, 2014, subject to their outstanding endorsement in EU law. If the amendments to IAS 19 are endorsed by the EU in their present form, they are not expected to affect the future consolidated financial statements of itelligence AG.

IFRIC 21 – Levies

IFRIC 21 Levies is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In particular, it clarifies the issue of when a present obligation arises due to government levies and when a provision or liability must be recognized. In particular, the scope of the interpretation does not include fines or levies resulting from public sector agreements or covered by another IFRS, for example IAS 12 Income Taxes. In accordance with IFRIC 21, a liability item must be recognized for levies when the event triggering the duty to pay the levy occurs. In turn, this trigger event that gives rise to the obligation is specified by the wording of the underlying standard. Its formulation is therefore crucial to accounting.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2014, subject to their outstanding endorsement in EU law. If it is endorsed by the EU in its present form, IFRIC 21 is not expected to affect the future consolidated financial statements of itelligence AG.

Improvements to IFRS 2010 – 2012

Amendments were made to seven standards as part of the annual improvement project. Amending the formulation of individual IFRSs is intended to clarify the existing provisions. In addition, there are amendments affecting disclosures in the notes. This concerns the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Subject to their outstanding endorsement in EU law, the amendments are effective for the first time for fiscal years beginning on or after July 1, 2014. The amendment to IFRS 2 Share-based Payment is effective for the first time for fiscal years beginning on or after July 1, 2014. These amendments are not expected to have any effect on the future consolidated financial statements of itelligence AG.

Improvements to IFRS 2011 – 2013

Amendments were made to four standards as part of the annual improvement project. Amending the formulation of individual IFRSs is intended to clarify the existing provisions. This concerns the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The amendments are effective for the first time for fiscal years beginning on or after July 01, 2014, subject to their outstanding endorsement in EU law. They are not expected to have any effect on the future consolidated financial statements of itelligence AG.

D. Consolidated Group and Changes to the Group Structure

In addition to itelligence AG, all companies within and outside Germany in which itelligence AG held the majority of voting rights either directly or indirectly as of December 31, 2013, or which it controls on the basis of other rights as defined by IAS 27, have been included in the consolidated financial statements.

The following companies were included in the consolidated financial statements as follows as of December 31, 2013:

Consolidated companies	Equity interest	Equity KEUR	Profit/loss for the year KEUR
itelligence Services GmbH, Bielefeld/Germany	100	305	10,946[1]
itelligence International Business Service Holding GmbH, Bielefeld/Germany	100	841	-225[1]
itelligence Outsourcing & Services GmbH, Bautzen/Germany	100	1,226	10,237[1,2]
itelligence AG, Regensdorf/Switzerland	100	2,840	1,274
itelligence Business Solutions GmbH, Vienna/Austria	100	-2,222	446
itelligence Business Solutions (UK) Ltd., London/UK	100	11,570	1,706
Recruit Company GmbH, Munich/Germany (previously 1. Beteiligungs GmbH)	74.9	250	4
itelligence Hungary Kft., Budapest/Hungary	100	1,751	176
IDS Scheer Informatikai, Budapest/Hungary	100	1,407	261
itelligence Inc., Cincinnati/USA	100	19,151	2,345
itelligence International, Kiew/Ukraine	100	-518	-119
itelligence Ltd., Moscow/Russia	100	-958	-466
itelligence Ltda.S.A., Sao Paolo/Brazil	100	-924	64
itelligence s.r.o, Bratislava/Slovakia	100	124	-8
itelligence a.s., Brno/Czech Republic	86	2,342	466
Software AG s.r.o, Prague/Czech Republic*	86	-664	181
itelligence Slovakia s.r.o., Bratislava/Slovakia*	86	-28	42
itelligence SP.Z.o.o., Warsaw/Poland	100	5,936	730
itelligence VC-Holding GmbH, Frankfurt am Main/Germany	100	-142	-8
Servicios informaticos itelligence S.A., Barcelona/Spain	100	3,846	134
ITC Information Technology Consulting Gesellschaft für Netzwerkmanagement und Systemintegration mbH, Detmold/Germany	56	756	365
itelligence Outsourcing MSC Sdn. Bhd., Cyberjaya/Malaysia	100	478	124
itelligence Asia Holding Ltd., Hong Kong	100	422	-18
itelligence Consulting Shanghai Ltd., Shanghai/China	100	-59	23
itelligence BeNeLux Holding B.V., Eindhoven/Netherlands	90	333	-342
itelligence Business Solutions s.p.r.l., Brussels/Belgium*	90	-1,260	-691
itelligence B.V., Eindhoven/Netherlands*	90	2,885	843
2B BBIT Deutschland GmbH, Cologne/Germany*	90	-111	-41
itelligence France SAS, Paris/France	66	934	354
itelligence Canada Ltd., Montreal/Canada*	66	436	241
itelligence a/s Denmark, Horsens/Denmark	68	4,075	843
itelligence a/s Norway, Oslo/Norway*	58.75	1,489	1,156

[1] Profit/loss for the year before profit transfer/loss absorption.
[2] The company is exempt from the audit of annual financial statements and the management report in accordance with section 264(3) HGB.
* The amount of the equity interest is reported at the successive proportionate shareholding.

itelligence Sdn. Bhd. Malaysia, Bangsar/Malaysia*	68	64	-32
itelligence AB, Stockholm/Sweden*	68	228	202
Elsys Bilgi Sistemleri Group Turkey, Istanbul/Turkey	60	3,719	1,279
itelligence Analytic System a.s., Istanbul/Turkey (formerly: Intelart Bilgi Sistemleri Ltd.Sti. Turkey)	60	285	250
itelligence Business Solutions Kanada Inc., Toronto/Canada	100	755	-652
itelligence India Software Solutions Privat Ltd., Hyderabad/India	100	163	41
Aster Group Inc., Concord/USA	100	976	23

Investments	Equity interest	Equity KEUR	Profit/loss for the year KEUR
BfL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn/Germany	less than 1	15,704	4,858
TBV ProVital Lemgo GmbH & Co. KG, Lemgo/Germany	10.1	-946	-150

To the extent that there are no legal restrictions on the recognition of reserves, the profits of companies in which itelligence directly or indirectly holds the majority of voting rights can be distributed. Capital transactions, including in particular profit transfers from China, are only possible after prior approval by the State Administration of Foreign Exchange (SAFE) and proof of proper tax payment. Furthermore, the Chinese currency renminbi yuan (RMB) is not fully convertible and export is prohibited.

Additions to the consolidated group in the current year

Acquisition of 100% interest in Aster Group Inc., Concord/USA
By way of purchase agreement dated October 31, 2013, the itelligence Group acquired all shares in the Aster Group, one of the most successful consulting companies in the field of business technology. The purchase price paid to date was USD 6.0 million (MEUR 4.4). Contingent consideration of USD 3.0 million (MEUR 2.2) was also agreed. This is tied to previous shareholders remaining in the company and is payable after one or two years respectively. In certain cases payments will be made if the former shareholders are no longer employed in the company at this time. itelligence is assuming that the contingent consideration will be paid in full.

The Aster Group, based in Concord, North Carolina, is a leading provider of SAP Business Planning and Consolidation (BPC) applications in North America and is one of the most experienced solution providers focusing on EPM in the SAP field. The acquisition of the Aster Group has enabled itelligence to further expand its market position in SAP EPM.

As not all of the information required for measurement was available as of the end of the reporting period, detailed purchase price allocation will take place in fiscal 2014. The goodwill capitalized as a result of the acquisition is assigned to the USA segment and corresponds to the non-separable customer relationships and staff. Acquisition-related costs in the amount of KEUR 347 were recognized in other operating expenses. First-time consolidation took place on November 1, 2013, with the result the company contributed pro rata temporis profits of KEUR 23 and revenues of KEUR 1,634 for two months. If the annual financial statements of the Astor Group Contemporary had been included in consolidation on January 1, 2013, the profit for the period would have amounted to KEUR 136 with revenues of KEUR 9,805.

The following table shows the estimated fair values of the acquired assets, liabilities and contingent liabilities as of the acquisition date:

	Carrying amounts before acquisition EUR	Fair value adjustments EUR	Carrying amounts at the acquisition date EUR
Non-current assets			
Intangible assets	0	155,328	155,328
Property, plant and equipment	15,636		15,636
Deferred tax assets	0		0
	15,636	**155,328**	**170,964**
Current assets			
Trade receivables	1,610,325		1,610,325
Other current assets	0		0
Cash and cash equivalents	355,237		355,237
Prepaid expenses	116,674		116,674
	2,082,236		**2,082,236**
Non-current liabilities			
Non-current provisions	0		0
	0		**0**
Current liabilities			
Trade payables	145,136		145,136
Other current non-financial liabilities	1,057,502		1,057,502
Deferred income	96,387		96,387
	1,299,025		**1,299,025**
Net assets	**798,847**	**155,328**	**954,174**
of which non-controlling interests			0
Net assets acquired			**954,174**
Goodwill from the acquisition of the Group (non-tax-deductible)			5,571,821
The fair value adjustment relates to the separation of the brand name as a separate intangible asset.			
Purchase price			6,525,995
of which cash to date			4,398,505
Cash and cash equivalents acquired			355,237
Actual cash outflow for the acquisition			**4,043,268**

Acquisition of interests in IDS Scheer/Software AG in Hungary, Czech Republic and Slovakia

By way of purchase agreement dated August 30, 2013, the itelligence Group acquired all shares in IDS Scheer in Hungary and Slovakia and in Software AG in the Czech Republic. The companies are responsible for the business areas of SAP consulting, licensing and maintenance. The original purchase price totaled MEUR 1.4. The purchase price was reimbursed pro rata in the amount of MEUR 0.2 on account of the non-fulfillment of certain conditions.

A contingent liability was assumed in the context of the merger that represents a present obligation from past events. This concerns the possible repayment of EU subsidies in the amount of MEUR 2.9. The seller committed compensation payments in the same amount to itelligence.

The goodwill capitalized as a result of the acquisition is assigned to the Eastern Europe segment and relates to the non-separable customer relationships and staff.

The acquisition of the interests has allowed the significant expansion of market share in the Czech Republic in particular.

Acquisition-related costs in the amount of KEUR 70 were recognized in other operating expenses. First-time consolidation took place on September 1, 2013, with the result the company contributed pro rata temporis profits of KEUR 484 and revenues of KEUR 3,820 for four months. If the annual financial statements of IDS Scheer Hungary, Software AG Czech Republic and IDS Scheer Slovakia had been included in consolidation on January 1, 2013, the profit for the period would have amounted to KEUR 1,451 with revenues of KEUR 11,461.

The three companies have been presented together as they are individually immaterial. The following table shows the estimated fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date:

	Carrying amounts before acquisition EUR	Fair value adjustments EUR	Carrying amounts at the acquisition date EUR
Non-current assets			
Intangible assets	202,730		202,730
Property, plant and equipment	199,602		199,602
Deferred tax assets	0		0
	402,332		**402,332**
Current assets			
Trade receivables	3,378,080		3,378,080
Other current assets	307,367	2,950,000	3,257,367
Cash and cash equivalents	876,943		876,943
Prepaid expenses	106,299		106,299
	4,668,689	**2,950,000**	**7,618,689**
Non-current liabilities			
Non-current provisions	120,838		120,838
	120,838		**120,838**
Current liabilities			
Trade payables	1,830,639		1,830,639
Other current non-financial liabilities	2,615,607	0	2,615,607
Other current provisions	0	2,950,000	2,950,000
Deferred income	278,000		278,000
	4,724,246	**2,950,000**	**7,674,246**
Net assets	**225,937**	**0**	**225,937**
Goodwill from the acquisition of the Group (non-tax-deductible)			967,266
Purchase price			1,350,000
less reimbursements			-156,797
Purchase price			1,193,203
of which cash			1,193,203
Cash and cash equivalents acquired			876,943
Actual cash outflow for the acquisition			**316,260**

Acquisition of other shares
The equity interest in itelligence Benelux Holding BV was increased by 15%. itelligence's interest in the company therefore increased from 75% as of December 31, 2012 to 90% as of October 1, 2013.

itelligence AG also acquired a further 10% of shares in itelligence a.s., Brno. itelligence's interest in the company therefore increased from 76% as of December 31, 2012 to 86% as of June 30, 2013.

On April 19, 2013, itelligence AG acquired 8% in itelligence a/s Denmark, Horsens/Denmark, thereby increasing the percentage of its interest to 68%.

The investment in itelligence France SAS, Paris/France, was increased by 15% to 66% in June 2013.

itelligence a/s Denmark, Horsens, acquired further shares in itelligence a/s Norway, Oslo, bringing the Group's equity interest from 47.8% as of December 31, 2012 to 58.75% as of November 30, 2013.

All acquisitions were performed by exercising the agreed put and call options.

Companies formed
itelligence India Software Solutions Private Limited, Hyderabad/India, was formed on January 24, 2013.

Other changes in the consolidated group
Effective January 1, 2013. itelligence 1500 a/s Denmark, Horsens/Denmark, was merged with itelligence a/s Denmark, Horsens/Denmark.

All of the mergers were performed at carrying amounts and are the result of step consolidation by the Group.

E. Principles of Consolidation

itelligence AG and all the subsidiaries under the company's legal and factual control are included in the company's consolidated financial statements.

The financial statements of the subsidiaries were all prepared in accordance with IFRS as of the end of the Group's reporting period.

The effects of intragroup transactions were eliminated. Receivables and liabilities between the consolidated companies were offset against each other, intercompany profits and losses in non-current assets and inventories were eliminated and intragroup income was netted against the corresponding expenses. In accordance with IAS 12, deferred taxes were recognized on the temporary differences from consolidation as required.

Where subsidiaries were consolidated for the first time, the costs of acquisition were offset against the Group's share of the remeasured equity of the respective company. Any remaining excess of cost over the net assets acquired, provided that this cannot be assigned to any separable assets, liabilities or contingent liabilities, is recognized as goodwill and tested for impairment in accordance with IAS 36 at least once a year, or more frequently if there are indications of impairment. Exercising the accounting option under IFRS 3 (2008), non-controlling interests in business combinations are measured at fair value from January 1, 2010 (full goodwill method). The fair value of non-controlling interests is derived on the basis of the purchase price for the shares already acquired.

Investments in companies in which the company holds shares of between 20% and 50% are consolidated using the equity method if the company exerts significant influence. The acquisition costs of investments are increased or reduced annually by the changes in equity of the associate attributable to the Group. No investments were consolidated using the equity method as of the end of the reporting period.

Investments in companies in which the company holds less than 20% of the shares for which there are no quoted prices on active markets and whose fair value cannot be reliably estimated are accounted for using the cost method, providing that the company does not exert any significant influence.

F. Currency translation

The annual financial statements of the Group companies outside the euro zone were translated into euro on the basis of the functional currency concept set out in IAS 21. As the subsidiaries perform transactions independently from a financial, economic and organizational perspective, the functional currency is generally identical to the respective national currency.

Assets and liabilities are recognized at the closing rate at the end of the reporting period, while income statement items are carried at the average rates for the year. In accordance with IAS 21.40, simplified translation of income statement items at the average rate for the year is permitted if there are no significant fluctuations in exchange rates. Equity was translated at historical rates.

The difference arising from the translation of the income statement at average rates and the statements of financial position at closing rates is reported directly in other comprehensive income. The currency difference arising from the translation of equity at historical rates is also netted against other comprehensive income.

Monetary items denominated in foreign currencies are translated at the closing rate. Translation differences are recognized in profit or loss in the period in which they arise.

The key currencies used in the consolidated financial statements developed as follows in relation to the euro:

	Currency	Average rate		Exchange rate at the end of the reporting period	
	1 EUR =	2013	2012	Dec. 31, 2013	Dec. 31, 2012
USA	USD	1.3277	1.2849	1.3791	1.3194
Switzerland	CHF	1.2309	1.2053	1.2276	1.2072
UK	GBP	0.8491	0.8108	0.8337	0.8161
Poland	PLN	4.1966	4.1826	4.1543	4.0740
Turkey	TRY	2.5217	2.3136	2.9605	2.3551
Czech Republic	100 CZK	25.9747	25.1419	27.4270	25.1510
Denmark	100 DKK	7.4579	7.4438	7.4593	7.4610
Hungary	1.000 HUF	296.906	289.137	297.040	292.300

G. Accounting Policies

The financial statements of itelligence AG and its subsidiaries within and outside Germany were prepared using uniform accounting policies in accordance with IAS 27 and consistent with the previous year.

Use of judgment and main sources of estimation uncertainties

The preparation of the consolidated financial statements requires estimates and assumptions by the Management Board that affect the reported amounts of assets, liabilities, income and expenses in the consolidated financial statements and the reporting of other financial obligations and contingent liabilities. Any uncertainty is adequately taken into account in the calculation of values. However, actual results can differ from these estimates. All estimates and assumptions are made to the best of knowledge and belief to present a true and fair view of the net assets, financial position and results of operations of the Group.

The main forward-looking assumptions and other key sources of uncertainty in estimates as of the end of the reporting period on account of which there is a significant risk that a material adjustment in the carrying amounts of assets and liabilities will be required within the next fiscal year are presented below.

Determining the value in use in the impairment test for goodwill (note 11), other intangible assets (note 11) and property, plant and equipment (note 12) requires estimates of the future cashflows of the asset or cash-generating unit and the choice of an appropriate discounting rate to calculate the present value of these cashflows. Long-term earnings forecasts based on general economic conditions and industry developments must be made to estimate future cashflows.

Key judgments are required to measure the deferred tax assets and liabilities of the Group (note 16). In particular, deferred tax assets on tax loss carryforwards require estimates of the amount and timing of future taxable income and future tax planning strategies. If there are any doubts that it will not be possible to utilize loss carryforwards, they are not recognized or written down.

Write-downs are recognized for doubtful trade receivables (note 14) to take into account expected losses arising from the possible insolvency of customers. The appropriateness of write-downs on dubious receivables is assessed on the basis of the maturity structure of net receivables, past experience of the derecognition of receivables, the assessment of the customer's credit standing and changes in payment conduct.

Furthermore, trade receivables include work on projects not yet invoiced recognized using the percentage of completion method. The percentage of completion of these projects is calculated as the number of hours worked to date compared with the estimated total hours (input-based calculation).

As part of the acquisition, the remaining shares (non-controlling interests) can be acquired over the coming years by way of put and call options (note 23). The resulting financial liabilities are measured on the basis of the respective EBIT projections. The underlying projections contain forecasts that may deviate from future events. Any deviations will result in corresponding adjustments to the financial liabilities and will be recognized in earnings (note 7).

Pension obligations (note 25) are measured based on assumptions of the future development of certain factors. These factors include actuarial assumptions such as the discounting rate, forecast increases in the value of plan assets, forecast salary and pension increases, mortality rates and the earliest possible retirement age. In line with the long-term nature of such plans, these estimates are subject to significant uncertainty.

Income and expense recognition

Revenues and other operating income are recognized when the services are rendered or the risks are transferred to the customer.

Revenues from service and support contracts and outsourcing contracts are distributed evenly over the period that performance is rendered.

Revenues from the sale of licenses are considered to be realized after delivery of the software and once the software has been installed at the customer or the customer has been provided with the installation code and receipt of payment is likely.

Consulting revenues are directly related to services from implementation and installation, which are performed on the basis of separate service contracts. Consulting and training revenues are recognized when the corresponding service is rendered.

In accordance with IAS 18 in conjunction with IAS 11, income from the performance of customer-specific construction contracts production and services is recognized in accordance with the percentage of completion method. The percentage of completion is determined on the basis of the billable hours worked in relation to the estimated total number of hours for the respective contract. The application of this percentage ratio to the total contract revenue results in the income to be recognized as of the end of the reporting period. Onerous losses from these construction contracts are recognized in full under profit or loss and reported under other provisions.

Operating expenses are recognized when the service is used or the costs are incurred. Interest income and expenses are recognized in the periods to which they are attributable. Dividends are recognized when a legal claim arises. Dividends paid are deducted directly from the unappropriated surplus.

Earnings per share

Earnings per share are calculated in accordance with IAS 33 by dividing the earnings attributable to the holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period.

Intangible assets

Acquired and internally generated intangible assets are recognized in accordance with IAS 38 if it is likely that the use of the asset will give rise to a future economic benefit and the cost of the asset can be reliably determined.

Acquired intangible assets essentially comprise concessions, licenses and standard software and are carried at cost. They are amortized on a straight-line basis over their expected useful lives, generally three to five years. As the cost of sales method is used, they are reported under cost of sales, marketing and selling expenses and administrative costs.

Internally generated intangible assets are recognized in accordance with IAS 38 when the criteria are met. Development costs in connection with the resulting industry solutions of itelligence AG do not satisfy the main criterion of control over the intangible asset. itelligence's industry solutions are not products but default parameters in the SAP system offering additional functions for specific industries. SAP software forms the basis of the solution, which would be unusable if the SAP software did not exist.

Borrowing costs are capitalized in line with IAS 23.

The excess of costs incurred in a company acquisition over the interest acquired in the fair values of the identifiable assets and liabilities at the purchase date is referred to as goodwill and is carried as an intangible asset. Exercising the accounting option under IFRS 3 (2008), non-controlling interests in business combinations are measured at fair value from January 1, 2010 (full goodwill method). This is calculated on the basis of a linear extrapolation of the purchase price for the shares acquired. Incidental costs of acquisition are expensed as incurred.

In accordance with IAS 36, goodwill is tested for impairment once a year or more frequently if there are indications of impairment. For measurement purposes, goodwill is allocated to internal cash-generating units (CGUs). A CGU is defined as the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of those arising from other assets or other groups of assets. The company tests goodwill at the level of the regions/segments: USA, Germany/Austria/Switzerland (DACH), Western Europe, Eastern Europe, Asia and Other.

Impairment losses are recognized when the carrying amount of a CGU exceeds the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The value in use is the present value of the estimated future cashflows that are expected from continuing use and disposal at the end of the useful life. The company determines the value in use of CGUs using a discounted cashflow (DCF) procedure as defined by IAS 36.

Property, plant and equipment

In accordance with IAS 16, property, plant and equipment used in operations for longer than one year is carried at cost less straight-line depreciation. Borrowing costs are carried in line with IAS 23. The useful lives applied correspond to the expected economic useful lives within the Group. The following table shows the useful lives applied:

Buildings	15 – 40 years
IT hardware and customer systems	
Workstations, PCs, etc.	3 years
Mainframe computers and routers	5 years
Data processing systems	5 years
Network technology	10 years
Leasehold improvements	8 – 15 years
Operating and office equipment	8 – 10 years
Technical equipment and machinery	7 – 10 years

In the event that the carrying amount exceeds the expected recoverable amount, this amount is written down in accordance with IAS 36 and recognized in profit or loss.

When property, plant and equipment is sold or derecognized, the related acquisition costs and associated accumulated depreciation are removed from the respective accounts. Gains or losses from the disposal of non-current assets are reported in other operating income or other operating expenses. Servicing or maintenance expenses are recognized in the income statement.

Leases

In the case of leases, the Group is considered to be the beneficial owner of the leased assets in accordance with IAS 17 if it bears substantially all the risks and rewards of ownership (finance lease). At the inception of the lease, the company recognizes such leases as assets and liabilities in its statement of financial position at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The depreciation methods and useful lives of the recognized assets are the same as those for similar purchased assets. The corresponding lease obligations are reported in financial liabilities. The interest element of the lease payments is recognized in profit or loss over the term of the lease period.

In leases in which the beneficial owner is the lessor (operating leases) the leased assets are accounted for by the lessor. The lease expenses incurred are expensed in full. The total lease payments during the non-cancelable basic term are reported under other financial obligations.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized at trade date amounts.

In accordance with IAS 39, financial instruments are classified as follows:

- held-to-maturity investments
- financial assets or financial liabilities held for trading
- loans and receivables originated by the company
- available-for-sale financial assets
- financial liabilities measured at amortized cost

Financial assets

- *held-to-maturity investments:* Financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity – other than loans and receivables originated by the company – are classified as held-to-maturity investments and measured at amortized cost.

- *Held-for-trading financial assets:* Financial assets that were primarily acquired with the intention of achieving a profit from short-term price fluctuations and asset derivatives not used as hedges are classified as financial assets held for trading and measured at fair value through profit or loss. Changes in fair value are reported in profit or loss under net finance costs.

- *loans and receivables originated by the company:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded on an active market and that are not intended for short-term sale. This category includes cash and cash equivalents, trade receivables and loans and receivables included in other financial assets. The company recognizes loans and receivables at amortized cost less write-downs. Write-downs on items assigned to this category are recognized in operating earnings, interest on the basis of the effective interest method in net finance costs.

- *Available-for-sale financial assets:* This category includes all financial instruments that cannot be assigned to different categories. Such financial assets are measured at fair value outside profit or loss.

Financial liabilities

- *Financial liabilities measured at amortized cost:* This group of financial liabilities includes trade payables and financial liabilities. The company recognizes these financial liabilities when there is a contractual obligation to transfer cash or other financial assets to another enterprise. Financial liabilities are measured at fair value on first-time recognition including the transaction costs directly attributed to financial liabilities not measured at fair value through profit or loss. All non-derivative financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest income relating to these items is recognized in net finance costs.

- *Held-for-trading financial liabilities:* Financial liabilities that were primarily entered into with the intention of achieving a profit from short-term price fluctuations and liability derivatives not used as hedges are classified as financial liabilities held for trading and measured at fair value through profit or loss. This category essentially includes the market values of put/call options entered into in acquisitions. In accordance with IAS 32.23, these put/call options are "synthetic forwards" in the context of a business combination that, after exercising an accounting option, are measured as a non-current liability at the present value of the estimated purchase price payments. The fair value of the synthetic forwards is calculated on the basis of internal planning for the EBIT of the respective company. The offsetting entry on first-time recognition of the options is in other comprehensive income. Changes in fair value are reported in profit or loss under net finance costs.

Fair value measurement hierarchy

Financial and non-financial assets and liabilities at fair value are measured in accordance with IFRS 13.

Where possible, the Group uses data observable on the market to determine the fair value of assets and liabilities. Based on the input factors used in the measurement methods, the fair values are assigned to different levels in the fair value hierarchy:

- Level I: quoted prices on active markets for identical assets and liabilities.
- Level II: measurement parameters that are not the quoted prices of level I, but that can be either directly or indirectly observed for the asset and liability.
- Level III: measurement parameters for assets and liabilities not based on observable market data.

If the input factors used to determine the fair value of an asset or liability can be assigned to different levels of the fair value hierarchy, the measurement at fair value as a whole is assigned to the level of the fair value hierarchy of the lowest input factor relevant overall to measurement.

The Group recognizes reclassifications between different levels of the fair value hierarchy as of the end of the reporting period in which the change occurred.

Further information on the assumptions in determining fair value can be found in the following note: Note 30 – Financial instruments

Inventories

Inventories primarily consist of merchandise (software licenses held for sale) and are measured individually at cost in accordance with IAS 2.

If the cost of inventories exceeds the amount of the realizable selling prices less the costs incurred until their sale, the lower net realizable value is recognized.

Trade receivables

Trade receivables are reported at amortized cost net of write-downs. Write-downs are recognized in a separate account if there are objective indications of possible impairment. Allowances based on portfolios are also recognized for certain classes of receivable based on past experience and taking into account the age of the receivables. These receivables are only derecognized in the event of permanent default on payment, e.g. insolvency.

Customer receivables from service contracts for consulting projects not yet concluded as of the end of the reporting period are measured using the percentage of completion method and reported as receivables from unbilled services under trade receivables. These receivables from unbilled services are estimated when determining project progress. The main factor is the percentage of completion, which is calculated as the number of hours worked to date compared with the estimated total hours (input-oriented calculation). The quotient of these two factors gives the share of project income to be recognized at the end of the reporting period. The estimate of the total number of hours to be worked is based on the company's past experience and the many years of experience of the employees concerned, as well as a specific assessment of the respective project. If the cumulative services exceed the advance payments made, the difference is recognized as an asset; if the opposite is true, the difference is recognized as a liability. Provisions are recognized for expected losses from orders.

Other non-financial assets

Other non-financial assets are carried at their nominal amount or at cost. Non-interest-bearing or low-interest-bearing receivables due in more than one year are discounted.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances with a term of less than three months. Foreign-currency items are measured at the closing rate at the end of the reporting period. Changes in fair value are recognized in net finance costs.

Non-controlling interests

Non-controlling interests include their share of the fair values of identifiable assets and liabilities on acquisition of respective subsidiary. The value of these interests is updated annually on the basis of the allocable earnings components. The share of losses attributable to non-controlling interests in a consolidated company may exceed the share of equity attributable to the non-controlling interests of the company.

In line with the accounting option provided under IFRS 3 (2008), the goodwill attributable to non-controlling interests is capitalized on first-time consolidation and reported under non-controlling interests. When measured, it is assumed that the purchase price paid for the majority interests is equal to the pro rata fair value. The fair value of non-controlling interests is extrapolated on this basis.

Non-controlling interests are reported as a component of equity in the consolidated statement of financial position separately from the equity of the parent company.

Provisions for pensions and other employee benefits

Pension provisions are measured using the projected unit credit method prescribed by IAS 19 for defined benefit plans. Pension obligations relate to defined benefit commitments to Management Board members. These include retirement, invalidity and surviving dependents' pensions. The Heubeck 2005 G mortality tables are used to measure pension obligations.

Actuarial gains and losses are recognized in other comprehensive income.

Actuarial opinions were obtained for pension obligations.

The provision for partial retirement contained in other provisions is measured in accordance with IAS 19. Under the German Partial Retirement Act, there is the option to agree partial retirement arrangements with employees over the age of 55 with financial subsidization by the Federal Ministry for Labor and Social Affairs for a maximum of five years. The block model and the part-time model were agreed in individual agreements with itelligence AG employees. Under the block model, the employee continues to work as usual in the first phase of the partial retirement period (employment or working phase) and is fully exempt from work requirements in the second phase (exemption phase). The part-time model (also known as the continuous model) can be freely designed and allows, for example, working half-days or only certain days of the week or even alternating weeks over the full partial retirement period. No potential cases were recognized.

Provisions for partial retirement obligations are only recognized for the block model. Provisions for top-up amounts are recognized for this pro rata from the conclusion of the individual agreements until the end of the active phase. The outstanding settlement amount is added in installments over the period of the working phase.

Government grants

Government grants relate to grants for assets in accordance with section 2 of the Investitionszulagengesetz (InvZulG – German Investment Subsidy Act) and taxable subsidies under the "Improving the regional economic structure" communal project. In accordance with IAS 20, such grants are only recognized if there are reasonable assurances that the related conditions will be fulfilled and the grants will be received. They are recognized as income in the period in which the expenses that are partially offset by the grants are incurred. Subsidies are recognized separately on the equity and liabilities side of the statement of financial position under non-current liabilities and taken to profit or loss on a straight-line basis over the useful life of the assets subsidized. Subsidies not yet received are carried on the assets side of the statement of financial position under other current assets until the cash inflow occurs.

Other provisions

Other provisions are recognized in accordance with IAS 37 if the company has a present legal or constructive obligation to a third party as a result of a past event which is likely to lead to an outflow of assets in the future and this asset burden can be reliably estimated.

Non-current provisions with a residual term of more than one year are carried at the discounted settlement amount at the end of the reporting period.

Other non-financial liabilities

Other non-financial liabilities with fixed or determinable payments that are not quoted in an active market are mainly due to obligations to employees and tax authorities and are recognized at nominal or repayment amount.

Prepaid expenses and deferred income

Prepaid expenses comprise expenses recognized prior to the end of the reporting period that constitute expenses for a specific period after this date.

Deferred income comprises income recognized prior to the end of the reporting period that constitutes income for a specific period after this date.

Deferred taxes

Total income tax expense is based on income for the year and includes deferred taxes. Tax provisions include future tax payments for past taxation periods. Tax receivables and liabilities refer to current deferred taxes. In accordance with IAS 12, deferred taxes are calculated using the liability method. Deferred taxes reflect the net tax effect of temporary differences between the carrying amount of an asset or a liability in the consolidated accounts and the tax base. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply for the periods in which an asset is recovered or a liability is settled. Deferred tax assets and liabilities are recognized irrespective of the date on which the temporary accounting differences are likely to reverse. Deferred tax assets and liabilities are not discounted and are reported in the statement of financial position as non-current assets and liabilities.

Deferred tax assets are recognized for all deductible temporary differences and losses carried forward to the extent that it is likely that taxable income will be available against which the temporary difference or losses carried forward can be utilized. At the end of each reporting period, the company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. Previously unrecognized deferred tax assets are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Conversely, the carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized, either in part or in full.

Segments

For the purposes of segment reporting, itelligence's activities are broken down by geographic region and by division in accordance with the provisions of IFRS 8.

The risks and rewards of itelligence are primarily determined by its activities in the different countries and geographical regions. Rates of return are also significantly influenced by the situation in the respective country. Management in the Group companies is structured on a regional basis. The foreign subsidiaries are run by the local general managers and the markets are developed by the respective local employees. The locations of the Group's customers correspond to those of the resources. Accordingly, internal financial reporting to the management and supervisory bodies is performed on a regional basis.

The geographical regions are the USA, Germany/Austria/Switzerland (DACH), Western Europe, Eastern Europe, Asia and Other.

The divisions are:

- Consulting (SAP consulting in connection with implementation and training as well as technical consulting)
- Licenses (SAP licensing)
- Application Management
- Outsourcing & Services (hosting and servicing for SAP software)

Statement of cashflows

The statement of cashflows shows how itelligence's cash position has changed during the year under review as a result of cash inflows and outflows. The effects of acquisitions/divestments and other changes in the consolidated group are eliminated. Where subsidiaries have been consolidated for the first time, only the actual cashflows are shown in the statement of cashflows. The cash inflow/outflow from the purchase or sale of companies, i.e. the purchase price less/plus the funds acquired/disposed of by the company, is recognized as net cash used in/from investing activities. The payments for investments in subsidized assets are shown without netting against the amounts received from investment subsidies and grants provided. In accordance with IAS 7, a distinction is made between cashflows from operating activities, investing activities and financing activities.

The cash and cash equivalents disclosed consist of cash in hand, checks, bank balances and current financial instruments.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is extremely remote.

Contingent assets are not recognized in the financial statements. However, they are disclosed in the notes if an inflow of economic benefits is probable.

Events after the end of the reporting period

Events after the end of the reporting period which provide new information and affect the financial position of the Group at the end of the reporting period are taken into account in the consolidated financial statements. Events after the end of the reporting period that are not required to be included in the consolidated financial statements at the end of the reporting period are presented in the notes and in the management report if they are significant.

H. Income Statement Disclosures

1 / Revenues

Revenues can be broken down by region and business area as follows:

	2013 KEUR	2012 KEUR
DACH	192,900	185,084
USA	100,518	92,726
Western Europe	104,671	86,590
Eastern Europe	48,127	31,864
Asia	7,109	7,036
Other	3,759	3,808
	457,084	**407,108**

	2013 KEUR	2012 KEUR
Consulting	214,900	211,394
Licenses	56,844	38,414
Application Management	49,225	40,208
Outsourcing & Services	135,650	116,469
Other	465	623
	457,084	**407,108**

Consulting revenues are composed of consulting and training revenues. Consulting revenues primarily include implementation support relating to the installation and configuration of SAP software products. Training revenues include training workshops for customers on how to use SAP software products and related topics. Licenses revenues result from license fees generated from the sale of SAP software products to customers. In the area of application management, the itelligence Group provides application-based services to support IT organizations. Revenues in Outsourcing & Services include revenues from customer support and from IT hosting for SAP server system environments.

Revenues in the amount of KEUR 8,354 were recognized in accordance with the percentage of completion method. Costs of KEUR 6,296 were incurred for these unbilled services. In total, a margin of KEUR 2,058 was generated.

No revenues of more than 10% were generated with any single customer in the fiscal years 2013 and 2012.

2 / Cost of sales

The cost of sales consists of the direct costs and overheads directly allocable to orders.

The cost of sales comprises the following expenses:

	2013 KEUR	2012 KEUR
Purchased merchandise and services	128,582	108,537
Staff costs	171,351	155,468
Depreciation, amortization and write-downs	11,272	9,440
Other expenses	33,266	31,905
	344,471	**305,350**

3 / Marketing and distribution expenses

Marketing and distribution expenses contain the staff and non-staff operating expenses, depreciation and amortization expense and advertising costs attributable to marketing and distribution.

Marketing and distribution expenses can be broken down as follows:

	2013	2012
	KEUR	KEUR
Staff costs	37,884	33,008
Depreciation, amortization and write-downs	174	154
Other expenses	10,828	11,543
	48,886	**44,705**

4 / Administrative expenses

Administrative expenses contain the staff and non-staff operating costs and depreciation and amortization expense attributable to administrative activities.

Administrative expenses can be broken down as follows:

	2013	2012
	KEUR	KEUR
Personnel expenses	27,544	24,892
Depreciation, amortization and write-downs	1,898	1,953
Other expenses	9,214	9,493
	38,656	**36,338**

5 / Other operating income

	2013	2012
	KEUR	KEUR
Income from investment grants and subsidies	1,334	1,388
Government grants for partial retirement	320	63
Income from the sale of non-current assets	7	0
Income from exchange differences	1.221	574
	2,882	**2,025**

6 / Other operating expenses

	2013	2012
	KEUR	KEUR
Bad debt allowances on receivables	1,258	1,015
Acquisition costs in accordance with IFRS 3 (rev. 2008)	861	966
Cost of asset disposals	8	8
Expenses from exchange rate differences and consolidation	1,165	885
	3,292	**2,874**

7 / Measurement of derivatives and exercise of options

	2013	2012
	KEUR	KEUR
Income from the measurement of options	4,833	3,203
Income from the exercise of options	0	327
Expenses from the measurement of options	-227	-1,288
Expenses from the exercise of options	-457	-61
Income from derivatives	116	296
Expenses from derivatives	-77	-194
	4,188	**2,283**

The put and call options agreed in the context of acquisitions can be exercised at fair value on the basis of future EBIT developments. Plan shortfalls on agreed EBIT targets resulted in income from the remeasurement of options of KEUR 4,.833 (previous year: KEUR 3,203). Expenses from plan excess of KEUR 227 (previous year: KEUR 1,288) were incurred in this context.

Income of KEUR 0 (previous year: KEUR 327) and expenses of KEUR 457 (previous year: KEUR 61) were generated from exercising put and call options.

Currency forwards were concluded to hedge exchange rate fluctuations for items of the statement of financial position in fiscal 2013, resulting in income of KEUR 29 (previous year: KEUR 178) and expenses of KEUR 77 (previous year: KEUR 194). Furthermore, income of KEUR 87 was generated in connection with the measurement of an embedded derivative as of the end of the year (previous year: income of KEUR 118).

8 / Finance income/expenses

	2013 KEUR	2012 KEUR
Interest income	155	267
Interest expenses	-2,871	-2,130
	-2,716	**-1,863**

Interest income contains interest received from bank balances and short-term fixed deposits (category: loans and receivables). Interest expenses essentially result from loans to the Group parent company (category: liabilities measured at amortized cost).

9 / Income taxes

Tax expenses are composed as follows:

	2013 KEUR	2012 KEUR
Current tax expense		
Current year	-6,681	-2,958
Adjustments for previous years	-1,281	29
	-7,962	**-2,929**
Deferred taxes:		
Formation and reversal of temporary differences	467	-3,186
Recognition of tax losses not previously recognized	515	804
Loss carryforwards not utilized and written down	-450	-284
	532	**-2,666**
Tax expense	**-7,430**	**-5,595**

Current taxes are calculated on the basis of current tax rates. A combined tax rate of 31.33% (previous year: 31.07%) was applied in Germany, taking into account a corporate income tax rate of 15% plus a solidarity surcharge of 5.50% and trade tax of 15.50%. The slight change in the combined tax rate is due to the increase in the average corporate income tax rate.

Deferred taxes are calculated on the basis of the tax rates that apply or are expected to apply at the time of recognition in accordance with current legislation in the individual countries. A tax rate of 31.33% (previous year: 31.07%) was assumed for Germany and a rate of between 16.5% and 38.2% (previous year: between 16.5% and 38.2%) was assumed for other countries.

The Group assumes that the tax provisions, taking into account a number of factors including the interpretations of tax law and past experience, are adequate for all outstanding tax years.

The following table contains a reconciliation of expected and reported tax expense and the reconciliation to the effective tax rate.

	2013	2012
	KEUR	KEUR
Earnings before income taxes	**23,596**	**19,316**
Taxes on the basis of the domestic tax rate of the company	-7,392	-6,001
Tax loss carryforwards not utilized and written down	-450	-284
Utilization of unrecognized loss carryforwards	515	804
Difference to foreign tax rates and change in tax rates	795	256
Differences due to non-tax-deductible expenses and tax-free income	691	-93
Backpayment and reimbursement of taxes for previous years	-1,281	29
Other differences	-308	-306
Reported income tax expense	**-7,430**	**-5,595**

10 / Earnings per share

Basic earnings

		2013	2012
Net profit after non-controlling interests	KEUR	14,375	**12,331**
Weighted average number of ordinary shares	No.	30,014,838	**27,740,987**
Earnings per share (basic)	EUR	**0.48**	0.44

I. Statement of Financial Position Disclosures

11 / Intangible assets

Development of intangible assets as of December 31, 2013:

	IT software	Orders on hand and customer relationships	Goodwill	Intangible assets
Cost	KEUR	KEUR	KEUR	KEUR
January 1, 2013	**9,627**	**3,456**	**84,262**	**97,345**
Exchange differences	-202	-57	-1,006	-1,265
Additions	2,515	6,037	424	8,976
Additions due to business combinations	110	248	6,539	6,897
Reclassifications	-3	1,689	-1,689	-3
Disposals	-80	0	0	-80
December 31, 2013	**11,967**	**11,373**	**88,530**	**111,870**

	IT software	Orders on hand and customer relationships	Goodwill	Intangible assets
Cumulative depreciation/amortization	KEUR	KEUR	KEUR	KEUR
January 1, 2013	**-6,507**	**-2,291**	**-7,877**	**-16,675**
Exchange differences	106	48	82	236
Additions (scheduled amortization)	-1,563	-2,459	0	-4,022
Reclassifications	0	0	0	0
Disposals	80	0	0	80
December 31, 2013	**-7,884**	**-4,702**	**-7,795**	**-20,381**

Carrying amounts at December 31, 2013	**4,083**	**6,671**	**80,735**	**91,489**

Development of intangible assets as of December 31, 2012:

Cost	IT software KEUR	Orders on hand and customer relationships KEUR	Goodwill KEUR	Intangible assets KEUR
January 1, 2012	**8,855**	**3,370**	**70,787**	**83,012**
Exchange differences	80	32	257	369
Additions	1,379	48	0	1,427
Additions due to business combinations	3	0	13,218	13,221
Reclassifications	79	0	0	79
Disposals	-769	6	0	-763
December 31, 2012	**9,627**	**3,456**	**84,262**	**97,345**

Cumulative depreciation/amortization	IT software KEUR	Orders on hand and customer relationships KEUR	Goodwill KEUR	Intangible assets KEUR
January 1, 2012	**-5,684**	**-1,647**	**-7,914**	**-15,245**
Exchange differences	-63	-25	37	-51
Additions (scheduled amortization)	-1,495	-619	0	-2,114
Reclassifications	-7	0	0	-7
Disposals	742	0	0	742
December 31, 2012	**-6,507**	**-2,291**	**-7,877**	**-16,675**
Carrying amounts at December 31, 2012	**3,120**	**1,165**	**76,385**	**80,670**

Cost for IT software includes internally generated intangible assets in connection with internal SAP system changeovers in the amount of KEUR 558, the cumulative amortization for which amounts to KEUR 383 (carrying amount as of December 31, 2013: KEUR 175). The average amortization period for IT software is three to five years. Amortization on intangible assets is included in cost of sales, marketing and distribution expenses and administrative costs.

The itelligence Group recognizes and measures the orders on hand and customer relationships of its acquired subsidiaries in first-time consolidation. Orders on hand are measured in the amount of forecast discounted earnings on the basis of full costs. Orders on hand are amortized according to the contract terms. Customer relationships are also measured in terms of income using the multi-period excess earnings method. The fair value is determined by calculating the income from business relationships in place as of the measurement date based on a multi-period business plan. The loss of customers is taken into account when calculated income in the form of a natural churn rate derived from past data material. Customer relationships are written down over the planning period. The utilization of orders on hand and customer relationships is shown separately in the income statements as amortization.

In fiscal 2013, orders on hand and customer relationships increased by KEUR 248 (previous year: KEUR 0) as a result of company acquisitions. Furthermore, orders on hand and customer relationships of KEUR 6,037 (previous year: KEUR 0) in the SAP consulting, licensing and maintenance business areas were acquired from Software AG in Canada and the United States.

In addition, purchase price allocation was carried out in the fiscal year for companies acquired in the previous year, which led to separable orders on hand and customer relationships of KEUR 1,689 (previous year: KEUR 0) and reduced goodwill accordingly. KEUR 2,459 (previous year: KEUR 619) of orders on hand and customer relationships were worked off or written down in the fiscal year.

Goodwill reflects the positive differences between the cost of subsidiaries and their assets and liabilities measured at fair value. Shares in goodwill not relating to non-controlling interests were also capitalized in accordance with the new regulations of IFRS 3 (2008). As a result of its acquisitions, the Group added goodwill of KEUR 6,539 (previous year: KEUR 15,832) in fiscal 2013. Furthermore, goodwill was increased by KEUR 424 as a result of a subsequent purchase price adjustment. A subsequent purchase price adjustment performed in the previous resulted in a reduction of KEUR 2,614. The separation of orders on hand and customer relationships for companies acquired in the previous year reduced goodwill by KEUR 1.689 (previous year: KEUR 0).

itelligence constantly tests goodwill for impairment using the DCF method (fair value in use). The cashflows used in DCF measurement are based on the current business plans adopted and internal planning, assuming a planning horizon of five years. Assumptions are made about future changes in revenues and costs (rising revenues coupled with rising margins). Future investments in the company's operating activities are assumed on the basis of past experience and past income patterns are projected into the future. The main assumptions used in estimating recoverable amount are shown below. The values assigned for the main assumptions are the Management Board's assessment of future developments in the relevant industry and are based on past values from external and internal sources. If the actual figures differ from the significant assumptions made, this could lead to the recognition of impairment losses in the future.

	Average cost of capital		Long-term growth rate		Planned EBIT growth rate (average for next five years)	
	2013	2012	2013	2012	2013	2012
USA	9.34%	9.86%	1%	1%	23%	12%
DACH	8.93%	9.62%	1%	1%	16%	18%
Western Europe	10.28%	10.32%	1%	1%	22%	20%
Eastern Europe	13.78%	13.93%	1%	1%	21%	29%

The terminal growth rate does not exceed the long-term growth rates of the industry in which the cash-generating units operate.

As in previous years, impairment testing for 2013 was performed as of June 30. Also as in the previous year, no impairment was identified for the goodwill recognized by itelligence. Furthermore, additional sensitivity analyses performed as of the end of the reporting period, in which individual parameters were changed within a realistic range, did not result in any indications of impairment of goodwill.

	USA KEUR	DACH KEUR	Western Europe KEUR	Eastern Europe KEUR	Asia KEUR	Total KEUR
As of December 31, 2011	**13,646**	**2,539**	**43,041**	**3,647**	**0**	**62,873**
Additions	0	0	1,054	12,164	0	13,218
Exchange rate differences	-254	0	542	6	0	294
As of December 31, 2012	**13,392**	**2,539**	**44,637**	**15,817**	**0**	**76,385**
Additions	5,572	0	0	1,391	0	6,963
Reclassifications	0	0	-569	-1,120	0	-1,689
Exchange rate differences	-557	0	-346	-21	0	-924
As of December 31, 2013	**18,407**	**2,539**	**43,722**	**16,067**	**0**	**80,735**
Value in use	**56,040**	**140,124**	**86,717**	**25,873**	**0**	**308,754**

12 / Property, plant and equipment

Development of property, plant and equipment as of December 31, 2013:

Cost	Land, buildings and leasehold improvements KEUR	Assets under development KEUR	IT hardware KEUR	Operating and office equipment KEUR	Property, plant and equipment KEUR
January 1, 2013	**36,554**	**82**	**59,065**	**13,279**	**108,980**
Exchange differences	-591	0	-908	-304	-1,803
Additions	530	107	7,269	3,222	11,128
Additions due to business combinations	0	0	178	37	215
Reclassifications	16	-82	95	-26	3
Disposals	0	0	-1,164	-469	-1,633
December 31, 2013	**36,509**	**107**	**64,535**	**15,739**	**116,890**

Cumulative depreciation/amortization	Land, buildings and leasehold improvements KEUR	Assets under development KEUR	IT hardware KEUR	Operating and office equipment KEUR	Property, plant and equipment KEUR
January 1, 2013	**-5,857**	**0**	**-34,448**	**-7,580**	**-47,885**
Exchange differences	40	0	386	148	574
Additions	-1,570	0	-7,690	-2,522	-11,782
Reclassifications	0	0	-20	20	0
Disposals	0	0	1,164	416	1,580
December 31, 2013	**-7,387**	**0**	**-40,608**	**-9,518**	**-57,513**
Carrying amounts at December 31, 2013	**29,122**	**107**	**23,927**	**6,221**	**59,377**

Development of property, plant and equipment as of December 31, 2012:

Cost	Land, buildings and leasehold improvements KEUR	Assets under development KEUR	IT hardware KEUR	Operating and office equipment KEUR	Property, plant and equipment KEUR
January 1, 2012	**20,060**	**10,377**	**43,088**	**9,504**	**83,029**
Exchange differences	232	-70	60	409	631
Additions	2,217	11,541	10,648	3,746	28,152
Additions due to business combinations	122	0	53	214	389
Reclassifications	14,221	-21,707	7,399	8	-79
Disposals	-298	-59	-2,183	-602	-3,142
December 31, 2012	**36,554**	**82**	**59,065**	**13,279**	**108,980**

Cumulative depreciation/amortization	Land, buildings and leasehold improvements KEUR	Assets under development KEUR	IT hardware KEUR	Operating and office equipment KEUR	Property, plant and equipment KEUR
January 1, 2012	**-4,653**	**0**	**-29,632**	**-5,986**	**-40,271**
Exchange differences	-94	0	-36	-240	-370
Additions	-1,329	0	-6,910	-1,816	-10,055
Reclassifications	0	0	9	-2	7
Disposals	219	0	2,121	464	2,804
December 31, 2012	**-5,857**	**0**	**-34,448**	**-7,580**	**-47,885**
Carrying amounts at December 31, 2012	**30,697**	**82**	**24,617**	**5,699**	**61,095**

The additions to cost for assets under development include capitalized interest of KEUR 0 (previous year: KEUR 315) in the current fiscal year based on interest rates of between 2.4% and 5.0%.

Property, plant and equipment (IT hardware and operating and office equipment) include carrying amounts of KEUR 4,694 (previous year:

KEUR 5,631) relating to finance leases. The terms of these leases are generally three to five years. Some agreements include prolongation and purchase options.

A statement of changes in non-current assets is contained in an annex to these notes.

13 / Other financial assets

	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR
Term deposits	1,184	1,678
Recovery receivables from third parties	2,950	0
Security deposits	502	407
Loans to employees	344	520
Partial retirement receivables	320	182
Other investments	13	15
Other financial receivables	55	45
	5,368	**2,847**

Other financial liabilities are reported under the following statement of financial position items:

	Dec. 31, 2012 KEUR	Dec. 31, 2012 KEUR
Other non-current financial assets	1,573	1,966
Other current financial assets	3,795	**881**
Other financial assets	**5,368**	**2,847**

Long-term deposits are subject to restrictions and are linked to the term of the underlying transaction and the term of non-current loans. These loans have a remaining term of three to five years, which is longer than the useful lives of the assets to be financed. Term deposits bear interest at rates of between 0.05% and 0.3% (previous year: between 0.25% and 0.9%) and serve as security for guarantees in the amount of KEUR 45 (previous year: KEUR 45).

The recovery claims from third parties consist of compensation committed to itelligence in the context of a business combination. See also the comments in section D.

Other investments include the shares in (<1%) and the shares acquired in TBV ProVital Lemgo (5.12%). These are financial investments in unlisted equity instruments that are measured at cost less valuation allowances.

Other financial receivables primarily relate to negative balances on supplier accounts.

14 / Trade receivables

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Trade receivables	114,682	97,397
Trade receivables from shareholders	1,876	1,475
Receivables from unbilled services (POC)	8,354	6,013
	124,912	104,885
Bad debt allowances	-3,290	-3,042
	121,622	**101,843**

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Non-current trade receivables	1,751	1,501
Current trade receivables	119,871	100,342
Trade receivables	**121,622**	**101,843**

Specific valuation allowances developed as follows:

	KEUR
January 1, 2012	**3,371**
Exchange differences	52
Reversal	-765
Utilization	-1,541
Addition	1,925
December 31, 2012	**3,042**
Exchange differences	-76
Reversal	-1,141
Utilization	-662
Addition	2,127
December 31, 2013	**3,290**

The reported amount of receivables from unbilled services (POC) of KEUR 8,354 includes the total of the costs incurred and reported gains less any reported losses and partial bills. As of the end of the reporting period, advance payments of KEUR 607 were recognized for current projects. No amounts were retained by customers in connection with current projects as of the end of the reporting period.

15 / Other non-financial assets

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Investment grant for data center	348	1,032
Sales tax	387	37
Other non-financial receivables	378	858
	1,113	**1,927**

Other financial liabilities are reported under the following statement of financial position items:

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Other non-current non-financial assets	0	125
Other current non-financial assets	1,113	1,802
Other non-financial assets	**1,113**	**1,927**

16 / Deferred tax assets and deferred tax liabilities

Deferred taxes are composed as follows:

	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR
Deferred tax assets:		
Receivables	155	135
Loss carryforwards	1,241	2,046
Provisions and liabilities	1,902	994
Intangible assets and property, plant and equipment	985	966
Netted against deferred tax liabilities	-1,331	-1,444
	2,952	**2,697**
Deferred tax liabilities:		
Adjustment for percentage of completion method	1,929	2,583
Receivables	249	740
Provisions and liabilities	821	321
General warranty provision	205	191
Intangible assets and property, plant and equipment	6,053	5,812
Netted against deferred tax assets	-1,331	-1,444
	7,926	**8,203**

Deferred tax assets are netted against deferred tax liabilities if they relate to income taxes, are levied by the same tax authorities, are owed to the same tax obligor and the Group is entitled to offset current tax assets with current tax liabilities.

When reporting deferred tax assets and liabilities in the consolidated statement of financial position, they are classified as non-current assets and liabilities.

The recoverability of deferred tax assets is determined by management on the basis of an assessment of whether it is likely that a deferred tax asset can be realized in the future. This ultimately depends on whether sufficient taxable income will be generated in the periods in which the respective temporary differences reverse. Based on past levels of taxable income and future planning, the company's management expects the recognized deferred tax assets to be recoverable.

The deferred tax assets recognized in 2013 relate to loss carryforwards of KEUR 4,295 (previous year: KEUR 7,650) that were measured at the future tax rate. A tax rate of 31.33% (previous year: 31.07%) was assumed for Germany and a rate of between 25.0% and 30% (previous year: between 19.0% and 30%) was assumed for other countries. The tax loss carryforwards are expected to be utilized over a period of three years.

Irrespective of the probability of expected use, additional potential tax loss carryforwards are available for utilization in the amount of KEUR 2,348 (previous year: KEUR 2,653). As the trend towards profitable growth has not been fully upheld, these potential tax savings have not been capitalized. If profitable growth occurs in the coming years, the other non-recognized deferred tax assets will be recognized, which would result in additional tax income.

Recoverability is assessed on the basis of past levels of taxable income and future planning. The additional utilization potential (tax loss carryforwards measured at the relevant tax rate) primarily originates from the following countries:

	KEUR	Forfeitability
Germany	430	Non-forfeitable
Spain	530	After 15 years
Austria	492	Non-forfeitable
Netherlands	277	After 9 years
Belgium	343	Non-forfeitable
Other	276	
	2,348	

17 / Cash and cash equivalents

	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR
Current account balances and cash in hand	39.246	43.516
	39.246	**43.516**

Current account balances bear interest at rates of between 0.0% and 0.3%.

18 / Prepaid expenses

	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR
Advanced payments for servicing work	3,983	3,307
Insurance	3,153	2,910
Other	2,467	2,892
	9,603	**9,109**

Prepaid expenses for insurance essentially relate to payments to the voluntary and statutory pension fund for itelligence in Switzerland. Other prepaid expenses include costs of marketing and headhunting.

19 / Issued capital

Share capital
The corresponding amounts from the separate financial statements of itelligence AG are shown in the consolidated financial statements for share capital. The share capital amounts to EUR 30,014,838 and is divided into 30,014,838 no-par-value bearer shares, each with a notional interest in the share capital of EUR 1.00. Each share entitles the holder to one voting right and a right to dividends from resolved distributions. The capital was fully paid up.

Authorized capital
By way of resolution of the Annual General Meeting on May 27, 2010, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until April 30, 2015 by up to a total of EUR 12,278,797 by issuing new bearer shares against cash and non-cash contributions. The authorization of the Management Board to increase capital in this way was utilized in the amount of EUR 5,457,243 in fiscal 2012. Since this time, authorized capital has been unchanged at EUR 6,821,554.

Contingent capital
There was no contingent capital as of December 31, 2013.

The aim of the Group is to maintain a strong capital base in order to ensure the confidence of creditors and the markets, and to guarantee the sustainable development of the company. Capital describes the equity reported in the statement of financial position. Equity is controlled and monitored using the equity ratio. This ascertains whether equity satisfies its liability function and its function of financing non-current assets. The equity ratio at the end of fiscal 2013 was 36.56% (previous year: 36.50%).

20 / Capital reserves

The capital reserves contain the premiums from the shares issued less the external costs directly attributable to the equity transaction. There were capital reserves of KEUR 52,768 as of December 31, 2013.

21 / Net accumulated profit

	KEUR
Net accumulated profit at January 1, 2012	**30,404**
Dividend payments	-4,420
Consolidated net profit	12,331
Net accumulated profit at December 31, 2012	**38,315**
Dividend payments	-1,800
Consolidated net profit	14,375
Net accumulated profit at December 31, 2013	**50,890**

The Annual General Meeting on May 23, 2013 resolved the distribution of a dividend in the amount of EUR 0.06 per share entitled to dividends (EUR 1,800,890.28). The dividend was paid immediately after the end of the Annual General Meeting on May 24, 2013.

The Management Board and Supervisory Board will propose to the Annual General Meeting not to distribute a dividend from the unappropriated surplus of itelligence AG for fiscal 2013.

22 / Other comprehensive income

The differences arising from the currency translation of the financial statements of subsidiaries outside Germany taken directly to equity and the effects from the measurement of financial instruments after taxes taken directly to equity are reported in other comprehensive income.

	Exchange rate gains/losses
	KEUR
As of January 1, 2012	**-23,727**
Fair value for call and put options	-6,765
Exercise of options	2,798
Currency translation	385
As of December 31, 2012	**-27,309**
Exercise of options	2,790
Actuarial losses as per IAS 19	-840
Currency translation	-2,873
As of December 31, 2013	**-28,232**

23 / Financial liabilities

Financial liabilities consist of loans from banks, third parties and shareholders, liabilities from put options and liabilities from financial derivatives:

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Liabilities from put options	15,676	22,069
Liabilities from financial derivatives	336	713
Loans from shareholders	35,890	41,644
Amounts due to banks	8,401	10,050
Other loans	3,352	3,679
	63,655	**78,155**

Financial liabilities are reported under the following statement of financial position items:

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Non-current financial liabilities	47,433	64,524
Current financial liabilities	16,222	13,631
	63,655	**78,155**

Non-current financial liabilities are broken down as follows:

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Liabilities from put options	**11,199**	**19,277**
Liabilities from financial derivatives	266	607
Amounts due to shareholders	35,890	41,644
– of which current	-5,978	-6,086
	29,912	**35,558**
Amounts due to banks		
– to banks in Germany	2,447	3,379
– to banks outside Germany	5,954	6,671
– of which current	-3,808	-3,299
	4,593	**6,751**
From other loans		
– from other loans in Germany	381	650
– from other loans outside Germany	2,971	3,029
– of which current	-1,889	-1,348
	1,463	**2,331**
	47,433	**64,524**

The maturities of non-current financial liabilities are broken as follows:

	Total KEUR	Remaining term of between 1 and 5 years KEUR	Remaining term of more than 5 years KEUR
Liabilities from put options	11,199	11,199	0
(previous year)	(19,277)	(19,277)	(0)
Liabilities from financial derivatives	266	212	54
(previous year)	(607)	(395)	(212)
Amounts due to shareholders	29,912	19,294	10,618
(previous year)	(35,558)	(20,593)	(14,965)
Amounts due to banks	4,593	4,593	0
(previous year)	(6,751)	(6,751)	(0)
From other loans	1,463	1,463	0
(previous year)	(2,331)	(2,331)	(0)
Dec. 31, 2013	**47,433**	**36,761**	**10,672**
Dec. 31, 2012	**(64,524)**	**(49,347)**	**(15,177)**

As part of the acquisition of shares in itelligence BeNeLux B.V., SAPCON a.s., Adelante SAS, 2C change a/s and Elsys/Intelart Bilgi Sistemleri A. S., the remaining shares (non-controlling interests) can be acquired over the coming years by way of put and call options. The put and call options can be exercised on the basis of future EBIT developments at fair value. As itelligence AG cannot avoid the future outflow of cash from contractual agreements, a financial liability must be recognized in the amount of the expected outflow. The fair value of the put and call options is calculated on the basis of internal five-year planning for the respective company, discounted with a matched-maturity cost of capital rate of 2.32% or 2.91% (previous year: 3.08% or 2.75%).

A change in the forecast future EBIT development of +/-10% would result in the recognition in profit or loss of a change in reported liabilities of KEUR 1,764.

A change in the discount rate of +/-1% would result in the recognition in profit or loss of a change in reported liabilities of KEUR 99.

The discounted values for the put and call options in connection with the acquisitions performed are as follows as of December 31, 2013:

	Summe KEUR	of which current KEUR	of which non-current KEUR
Liabilities from put and call options for 2C change	8,642	2,471	6,171
(previous year)	(11,533)	(1,810)	(9,723)
Liabilities from put and call options for Benelux	151	151	0
(previous year)	(552)	(257)	(295)
Liabilities from put and call options for SAPCON	184	184	0
(previous year)	(410)	(154)	(256)
Liabilities from put and call options for Adelante	1,881	772	1,109
(previous year)	(2,909)	(571)	(2,338)
Liabilities from put and call options for Turkey	4,818	898	3,920
(previous year)	(6,665)	(0)	(6,665)
December 31, 2013	**15,676**	**4,476**	**11,200**
December 31, 2012	**(22,069)**	**(2,792)**	**(19,277)**

The non-current liabilities to shareholders relate to several EUR- and USD-denominated loans granted by NTT DATA Corporation, Japan. The loans were used to finance new buildings at the Bielefeld, Bautzen and Cincinnati locations and to acquire international consulting companies.

	Interest rate	Total	of which current	of which non-current
	%	KEUR	KEUR	KEUR
Loan from Oct. 1, 2009/10-year term	3.596	4,540	790	3,750
(previous year)		(5,298)	(798)	(4,500)
Loan from Jul. 15, 2010/10-year term	3,055	7,808	1,208	6,600
(previous year)		(8,923)	(1,223)	(7,700)
Loan from Jun. 13, 2011/10-year term	3.715	10,609	1,509	9,100
(previous year)		(11,935)	(1,535)	(10,400)
Loan from Jun. 30, 2011/5-year term	3.084	1,828	628	1,200
(previous year)		(2,437)	(637)	(1,800)
Loan from Dec. 15, 2011/5-year term	2.3597	1,802	602	1,200
(previous year)		(2,402)	(602)	(1,800)
Loan from Jul. 15, 2011/10-year term	3.514	4,278	594	3,684
(previous year)		(4,813)	(603)	(4,210)
Loan from Jan. 31, 2012/10-year term	2.2161	5,025	647	4,378
(previous year)		(5,836)	(688)	(5,148)
December 31, 2013		**35,890**	**5,978**	**29,912**
December 31, 2012		**(41,644)**	**(6,086)**	**(35,558)**

The non-current amounts due to banks abroad as of December 31, 2013 essentially relate to loans for the expansion of data center capacity and finance lease liabilities for improvements to the office building in the United States. The interest rates for the loans are between 2.08% and 5.65%. The loans are due in monthly installments until 2018. itelligence AG provided a guarantee to secure the loans and the credit facility. Inventories were also secured; the carrying amount at the end of the reporting period was KEUR 4,694 (previous year: KEUR 5,631).

The present values or the finance lease liabilities of KEUR 4,727 (previous year: KEUR 5,828) break down as follows:

	2013	2012
Breakdown of minimum lease payments (undiscounted)	KEUR	KEUR
Due within one year	1,549	1,606
Due between one and five years	3,537	4,801
Due after five years	0	0
	5,086	**6,407**

Breakdown of present values of minimum lease payments	2013 KEUR	2012 KEUR
Due within one year	1,499	1,548
Due between one and five years	3,228	4,280
Due after five years	0	0
	4,727	**5,828**

Within Germany, development loans for investments in the data center in Bautzen with a volume of KEUR 2,447 were utilized under the terms of a development program. The interest rates range from 4.28% to 4.79% for the debt portion and 6.55% to 9.25% for the subordinate portion. Specific inventories of itelligence OS have been assigned. The secured inventories had a carrying amount of KEUR 656 as of the end of the reporting period (previous year: KEUR 890). The long-term deposits in the amount of KEUR 556 (previous year: KEUR 1,547) are subject to restrictions on title and are linked to the term of the long-term loans.

The company had the following credit facilities at the end of the reporting period:

	2013 KEUR	2012 KEUR
Germany		
Credit facilities available as of December 31	5,000	5,000
Utilization through loans	0	0
Utilization through guarantees	-305	-430
Unutilized credit facilities	**4,695**	**4,570**
Abroad		
Credit facilities available as of December 31	15,222	8,923
Utilization through loans	-1,830	-1,036
Utilization through guarantees	-113	-115
Unutilized credit facilities	**13,279**	**7,772**

Average interest rate 1.50% – 6.00%; 2.07% – 6.25%

The credit facilities within Germany can be utilized in the form of loans or guarantees. Utilization of the credit facilities is not dependent on the company's adherence to additional or ancillary agreements in the form of financial ratios. A number of foreign subsidiaries have access to credit facilities that are guaranteed by itelligence AG, enabling them to raise loans at the current interest rate in local currency up to a specific amount at short notice.

Current financial liabilities are broken down as follows:

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Bank overdrafts outside Germany	1,830	1,036
Loans from shareholders	5,978	6,086
Liabilities from financial derivatives	70	106
Liabilities from put options	4,476	2,792
Current portion of non-current financial liabilities		
– to banks in Germany	1,147	931
– to banks outside Germany	831	1,332
– from other loans in Germany	258	241
– from other loans outside Germany	1,632	1,107
	16,222	**13,631**

The financial liabilities as of December 31, 2013 were borrowed by various companies in different countries within the itelligence Group. Their ratings and basic interest rates vary greatly. Furthermore, different agreements were made regarding collateral and pre-amortization, which also affect interest rates. The agreed interest rates did not change significantly in proportion to interest rates as of the end of the reporting period. In light of this, the amounts recognized for financial liabilities are essentially their market values.

24 / Other provisions

Other provisions developed as follows in fiscal 2013:

	Jan. 1, 2013	Currency	Utilization	Reversal	Addition	Dec. 31, 2013	of which noncurrent
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Provisions for potential losses	699	-10	-278	-147	602	866	
Credit notes to be issued	63		-43	-12	618	626	
Severance payments	21				3	24	
Warranties	797	-9	-221	-569	665	663	
Court costs	204	-6			166	364	
Partial retirement	300		-121			179	85
Miscellaneous other provisions	538	-20	-496		4,011	4,033	
	2,622	**-45**	**-1,159**	**-728**	**6,065**	**6,755**	**85**

Provisions for potential losses were recognized for probable losses arising from project implementation.

The provision for credit notes to be issued was recognized for probable credit notes to customers in connection with customer bonuses.

There are short-term severance provisions of KEUR 24 for the legal rights of employees in Austria to severance pay.

Provisions for warranties were recognized for the hours of work still to be performed under service contracts and for free additional work in projects.

Provisions for court costs relate to expected legal proceedings.

As of December 31, 2013, provisions of KEUR 179 were recognized on the basis of partial retirement commitments for ten employees. The discount rate was 1.48% (previous year: 1.43%).

Additions of MEUR 2.9 were made to miscellaneous other provisions for a possible repayment of EU development funds. See also the comments in section D.

25 / Pension provisions

The company has pension obligations to two active and four retired Management Board members with pension entitlements on retirement. All entitlements are vested. As the pension liability insurance policies concluded by the employer are pledged to the beneficiaries, they were included in the measurement of plan assets and netted against the obligations.

The pension expenses for the fiscal years are reported under administrative expenses in the income statement and are as follows:

	2013 KEUR	2012 KEUR
Service cost	105	59
Interest expense	91	76
Past service cost	0	492
Amortization of actuarial losses	0	16
Interest income from plan assets	-48	-58
Net pension expenses	**148**	**585**

Changes in plan assets	2013 KEUR	2012 KEUR
Projected value as of January 1	1,406	1,220
Contributions added	79	121
Interest income	48	58
Income from plan assets (not including interest income), recognized in other comprehensive income	24	7
Value of plan assets as of December 31	**1,557**	**1,406**
Current return on plan assets	72	65

Development of pension obligations (DBO):

	2013 KEUR	2012 KEUR
Dynamic pension obligations as of January 1	2,214	1,585
Loss on remeasurement	493	0
Acquired service benefits	105	59
Interest expense for claims already acquired	91	76
Past service cost	0	492
Actuarial gains (-)/losses (+)	16	2
Dynamic pension obligations as of December 31	**2,919**	**2,214**

Development of other comprehensive income (OCI):

	2013 KEUR
OCI as of January 1	0
Actuarial losses as of January 1	-343
Loss on remeasurement	-493
Income from plan assets (not including interest income)	24
Change in effect of the asset ceiling	-12
Actuarial gains (-)/losses (+)	-16
OCI as of December 31	**-840**

KEUR 46 (losses) of actuarial gains and losses relates to changes in financial assumptions and KEUR 30 (gains) to experience adjustments. The changes in pension provisions and the assumptions applied in determining pension provisions are shown in the following table:

	2013 KEUR	2012 KEUR
Dynamic pension obligations (DBO)	2,919	2,214
Actuarial losses not yet amortized	0	-343
Cash surrender value of the employer's pension liability insurance policy	-1,557	-1,406
Pension provisions	**1,362**	**465**
Assumptions		
Interest rate	3.27%	3.36%
Pension increases	2.0%	2.0%
Salary increases	0.0%	0.0%

The table below shows the historical changes over the past five years:

	2013 KEUR	2012 KEUR	2011 KEUR	2010 KEUR	2009 KEUR
Defined benefit obligation	2,919	1,871	1,221	1,081	983
Cash surrender value of the employer's pension liability insurance policy	-1,557	-1,406	-1,220	-1,069	-926
Financing status	**1,362**	**465**	**1**	**12**	**57**

Future wage and salary increases were not taken into account as they do not affect future pension payments. itelligence AG expects to transfer contributions of KEUR 79 to plan assets in 2014.

The maturity profile of forecast pension payments is as follows:

	KEUR
Due within one year	0
Due between one and five years	94
Due after five years	5,197
	5,291

The weighted average term of dynamic pension obligations is 18.5 years.

Staff costs for the fiscal year include expenses for defined contribution pension plans of KEUR 18,901 (previous year: KEUR 16,962). The expenses incurred at the German Group companies (employer contributions to statutory German pension insurance) amount to KEUR 5,477 (previous year: KEUR 5,129).

26 / Government grants

itelligence was awarded an investment grant from Sächsische Aufbaubank for itelligence OS's data center under the regional economic assistance program of the Free State of Saxony. itelligence OS was also granted an investment subsidy in accordance with section 2 of the German Investment Subsidy Act for operational investments. The authorities are entitled to review the use of the payments received. The subsidies are grants that are subject to the fulfillment of the main condition that the company acquires long-term assets and that these are held over a period of five years. Additional jobs must also be created.

In the fiscal year, EU subsidies of KEUR 356 (converted) were approved and paid to the Czech subsidiary itelligence a.s.. Brno. The subsidies are grants linked to the main condition that the company retains the new jobs created in fiscal 2013. The company is also required to carry out various training activities. The approval of further subsidies is dependent on the retention of the new jobs in subsequent fiscal years.

As of the end of the reporting period, the company reported non-current liabilities in connection with government grants in the amount of KEUR 3,935 (previous year: KEUR 4,812). Current assets in the amount of KEUR 348 (previous year: KEUR 907) and non-current assets of KEUR 0 (previous year: KEUR 125) were recognized for subsidies not yet received. In the year under review, other operating income was recognized in the amount of KEUR 1,334 (previous year: KEUR 1,388). Amounts are generally recognized in profit or loss over the useful life of the subsidized assets.

27 / Other non-financial liabilities

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Bonuses and salaries	24,156	20,488
Advance payments received	10,993	8,639
Sales tax	8,784	6,354
Wage and church taxes	3,129	2,291
Social security	4,349	2,619
Accrued vacation	6,460	6,088
Services yet to be rendered	6,107	5,242
Legal, consulting and audit costs	588	512
Purchase price obligations	3,699	1,863
Employer's liability insurance	350	325
Supervisory Board remuneration	52	213
Levy in lieu of employing the severely disabled	156	138
Restoration obligations	216	187
Other	3,084	2,360
Other non-financial liabilities	**72,123**	**57,319**

Other liabilities are reported under the following statement of financial position items:

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Other non-current non-financial liabilities	1,606	1,021
Other current non-financial liabilities	70,517	56,298
Other non-financial liabilities	**72,123**	**57,319**

The members of the Supervisory Board, the Management Board and the management team receive performance- related remuneration geared towards the company's long-term success. Until fiscal 2012, this consisted of cash remuneration based on the company's share price (virtual stock options). Given the delisting in fiscal 2013, share price-based remuneration was replaced by a long-term incentive based on EBIT development. After the conclusion of the Annual General Meeting, share-based remuneration simulated an investment by the company of a notional amount for each member in shares of the company based on the average of the unweighted Xetra closing rates on all trading days in the previous fiscal year. After the end of the third subsequent Annual General Meeting, the average of the unweighted Xetra closing prices on all trading days of the respective previous fiscal year is calculated. If the comparison of the average rate at the start and the average rate at the end shows an increase in the company's share price, the respective member was paid the amount arising from the increase in value of the virtually acquired shares. These performance-based remuneration components are granted to the Management Board members, Supervisory Board members and the management team in respect of the three-year share price performance and carried at pro rata fair value at the end of each reporting period. Changes in value are recognized in profit or loss. The present value of these options was calculated by the RENDITE & DERIVATE 7.0 program using the option pricing model for Asian options. In the fiscal years up to and including 2011, steady share price performance was assumed in measurement. Based on past experience, future volatility of 31% was assumed in the previous year. In fiscal 2012, the majority shareholder submitted a voluntary public purchase offer to the other shareholders of itelligence AG. The main shareholder held 98% of shares as of December 31, 2012 and 100% of shares from the middle of 2013. Owing to the change in the shareholder structure and the fact of the delisting, the share price was barely subject to fluctuations and was only used to determine the average share price until the Annual General Meeting on May 23, 2013. The average price for the period from January 2013 to May 23, 2013 was EUR 11.062.

The cash remuneration based on the company's share price granted to members of the Management Board, the Supervisory Board and the management team (virtual stock options) was recognized as a liability in the amount of KEUR 894 under "Bonuses and salaries" and "Supervisory Board remuneration". Two tranches were measured as of the end of the reporting period (8/2010, 9/2011).

In accordance with IFRS 2.33, the fair value was calculated on the basis of an option pricing model, with changes in fair value recognized in profit or loss.

	Issue price EUR	Fair value as of Dec. 31, 2013 EUR	Value increase EUR	Supervisory Board virtual shares	Management Board virtual shares	Management virtual shares	Virtual shares (total)	Fair value as of Dec. 31, 2013 EUR
Tranche 8	5.604	11.062	5.458	7,584	80,000	21,413	108,997	590,037
Tranche 9	6.674	10.964	4.290	6,368	80,000	20,977	107,345	303,793

The number of virtual shares developed as follows:

	Supervisory Board virtual shares	Management Board virtual shares	Management virtual shares	Virtual shares (total)
Number of shares as of December 31, 2010	29,835	210,000	105,302	345,137
Allocation of tranche 8	7,584	80,000	26,767	114,351
Payment	-9,203	-70,000	-32,483	-111,686
Number of shares as of December 31, 2011	28,216	220,000	99,586	347,802
Allocation of tranche 9	6,368	80,000	25,472	111,840
Payment	-10,236	-70,000	-36,127	-116,363
Number of shares as of December 31, 2012	24,348	230,000	88,931	343,279
Payment	-10,396	-70,000	-46,541	-126,937
Number of shares as of December 31, 2013	**13,952**	**160,000**	**42,390**	**216,342**

The total expenses recorded in the period under review amounted to KEUR 16 for the Supervisory Board, KEUR 275 for the Management Board and KEUR 19 for the management team.

28 / Trade payables

	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR
Trade payables to third parties	33,831	23,728
Trade payables to shareholders	454	434
Trade payables from outstanding invoices	4,601	5,486
	38,886	**29,648**

J. Other Disclosures

30 / Additional information on financial instruments

The fair values were calculated on the basis of the prevalent market conditions at the end of the reporting period and the measurement methods described below. They reflect the prices at which an independent third party would assume the rights or obligations from these financial instruments.

Cash and cash equivalents, trade receivables, trade payables and other financial assets are mainly of a short-term nature. It is therefore assumed that their fair values are approximately their carrying amounts.

Financial liabilities, except for derivative financial instruments, are measured at fair value on recognition and subsequently carried at amortized cost with the exception of derivative financial liabilities. The carrying amounts of floating-rate financial liabilities to banks are generally equal to their respective fair values. The fair value of fixed-rate loans is calculated by discounting cashflows with the market interest rates in effect at December 31. Interest rates of 2.2% to 3.3% were applied.

The following table shows the carrying amounts and fair values of all categories of financial assets and liabilities:

December 31, 2013	Note	Held-for-trading KEUR	Available for sale KEUR	Held to maturity KEUR	Loans and receivables KEUR	Financial liabilities KEUR	Carrying amounts KEUR	Fair value KEUR
Cash and cash equivalents	17	-	-	-	39,246	-	39,246	39,246
Trade receivables	14	-	-	-	121,622	-	121,622	121,622
Other financial assets	13	-	13	557	4,798	-	5,368	5,368
Financial assets		**-**	**13**	**557**	**165,666**	**-**	**166,236**	**166,236**
Trade payables	28	-	-	-	-	-38,886	-38,886	-38,886
Financial liabilities								
– Loans	23	-	-	-	-	-47,643	-47,643	-48,262
– Derivative financial instruments	23	-16,012	-	-	-	-	-16,012	-16,012
Financial liabilities		**-16,012**	**-**	**-**	**-**	**-86,529**	**-102,541**	**-103,160**

December 31, 2012	Note	Held-for-trading KEUR	Available for sale KEUR	Held to maturity KEUR	Loans and receivables KEUR	Financial liabilities KEUR	Carrying amounts KEUR	Fair value KEUR
Cash and cash equivalents	17	-	-	-	43,516	-	43,516	43,516
Trade receivables	14	-	-	-	101,843	-	101,843	101,843
Other financial assets	13	-	15	452	2,380	-	2,847	2,847
Financial assets		**-**	**15**	**452**	**147,739**	**-**	**148,206**	**148,206**
Trade payables	28	-	-	-	-	-29,648	-29,648	-29,648
Financial liabilities								
– Loans	23	-	-	-	-	-55,372	-55,372	-55,372
– Derivative financial instruments	23	-22,782	-	-	-	-	-22,782	-22,782
Financial liabilities		**-22,782**	**-**	**-**	**-**	**-85,020**	**-107,802**	**-107,802**

The following tables show the financial instruments reported in the statement of financial position broken down by category and basis of measurement. A distinction is made between those measured on the basis of quoted market prices (level I), observable market data (level II) or parameters not observed on the market (level III).

December 31, 2013	Held-for-trading derivative financial assets KEUR	Held-for-trading financial liabilities KEUR	Total as of Dec. 31, 2013 KEUR
Total	0	-16,012	-16,012
of which level I	0	0	0
of which level II	0	-336	-336
of which level III	0	-15,676	-15,676

December 31, 2012	Held-for-trading derivative financial assets KEUR	Held-for-trading financial liabilities KEUR	Total as of Dec. 31, 2013 KEUR
Total	0	-22,782	-22,782
of which level I	0	0	0
of which level II	0	-713	-713
of which level III	0	-22,069	-22,069

The impact on earnings is shown in note (7).

The level III financial instruments are the put and call options in connection with the acquisitions performed.

The table below shows the reconciliation between the opening and closing balances for level III financial instrument liabilities:

Liabilities from put and call options	KEUR
As of January 1, 2013	-22,069
Income from the exercise of options	0
Income from the measurement of options	4,833
Expenses from the exercise of options	-457
Expenses from the measurement of options	-227
Interest expenses	-624
Exercise of options outside profit or loss	2,868
As of December 31, 2013	**-15,676**

31 / Other financial obligations and contingent liabilities

The Group rents property, plant and equipment under rental and lease agreements that qualify as operating leases under IAS 17. The resulting lease installments and rental payments are recognized directly as expenses in profit or loss. The expenses amounted to a total of KEUR 5,800 in fiscal 2013 (previous year: KEUR 5,245).

The maturity structure of future, other financial obligations as of December 31, 2013 is as follows:

	KEUR
Due within one year	13,766
Due between one and five years	16,851
Due after five years	8,630
	39,247

These essentially relate to the annual costs for renting premises and equipment, land and leases for cars. The rental agreement for the office building at the Bielefeld location ends on April 30, 2019. There is an option to buy that can be exercised at fair value from December 31, 2018.

32 / Segment reporting

Segment reporting has been prepared in accordance with IFRS. The segments are defined in line with the Group's internal management and reporting (management approach). Internal financial reporting to the management and supervisory bodies is performed on a regional basis.

The geographical regions are the USA, Germany/Austria/Switzerland (DACH), Western Europe, Eastern Europe, Asia and Other.

Segment report as of December 31, 2013 and the previous year:

	USA KEUR	DACH KEUR	Western Europe KEUR	Eastern Europe KEUR	Asia KEUR	Other and consolidation KEUR	Group 2013 KEUR
Segment revenues	101,199	199,910	110,266	49,725	7,571	4,200	472,871
Intersegment trade	-681	-7,010	-5,595	-1,598	-462	-441	-15,787
External segment revenues	**100,518**	**192,900**	**104,671**	**48,127**	**7,109**	**3,759**	**457,084**
EBITDA	8,113	14,140	7,078	6,720	878	1,082	38,011
Depreciation and amortization	-4,345	-7,297	-1,129	-2,346	-641	-51	-15,809
EBIT	**3,768**	**6,843**	**5,949**	**4,374**	**237**	**1,031**	**22,202**
Investment income	0	-5	0	0	0	0	-5
Measurement of derivatives and exercise of options	0	4,188	0	0	0	0	4,188
Exchange rate differences from financing activities	0	-124	96	-109	0	64	-73
Interest income	5	109	1	38	0	1	154
Interest expenses	-122	-2,244	-333	-171	0	0	-2,870
Earnings before tax	**3,651**	**8,767**	**5,713**	**4,132**	**237**	**1,096**	**23,596**
Income taxes	**-1,314**	**-3,080**	**-1,944**	**-940**	**-16**	**-136**	**-7,430**
Consolidated net profit	**2,337**	**5,687**	**3,769**	**3,192**	**221**	**960**	**16,166**

	USA KEUR	DACH KEUR	Western Europe KEUR	Eastern Europe KEUR	Asia KEUR	Other and consolidation KEUR	Group 2012 KEUR
Segment revenues	94,526	191,279	92,941	33,327	7,690	4,202	423,965
Intersegment trade	-1,800	-6,195	-6,351	-1,463	-654	-394	-16,857
External segment revenues	**92,726**	**185,084**	**86,590**	**31,864**	**7,036**	**3,808**	**407,108**
EBITDA	7,277	13,608	5,572	3,381	506	1,069	31,413
Depreciation and amortization	-2,210	-6,650	-1,198	-1,490	-593	-25	-12,166
EBIT	**5,067**	**6,958**	**4,374**	**1,891**	**-87**	**1,044**	**19,247**
Investment income	0	-186	0	0	0	0	-186
Measurement of derivatives and exercise of options	327	102	1,736	118	0	0	2,283
Exchange rate differences from financing activities	0	-121	-52	8	0	0	-165
Interest income	6	240	-38	55	0	4	267
Interest expenses	-243	-1,678	-81	-128	0	0	-2,130
Earnings before tax	**5,157**	**5,315**	**5,939**	**1,944**	**-87**	**1,048**	**19,316**
Income taxes	**-2,116**	**-2,214**	**-993**	**-227**	**97**	**-142**	**-5,595**
Consolidated net profit	**3,041**	**3,101**	**4,946**	**1,717**	**10**	**906**	**13,721**

Intersegment revenues are reported separately and eliminated. The transfer prices are the prices applied in arm's length transactions. A detailed list of the components of net finance costs can be found in notes (7) and (8).

	USA	DACH	Western Europe	Eastern Europe	Asia	Other	Group 2013
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Investments in property, plant and equipment and intangible assets	7,130	7,490	757	3,458	726	120	19,681
Depreciation and amortization	-4,345	-7,297	-1,129	-2,346	-641	-51	-15,809
							Group 2012
Investments in property, plant and equipment and intangible assets	15,117	10,636	655	2,448	658	65	29,579
Depreciation and amortization	-2,210	-6,650	-1,198	-1,490	-593	-25	-12,166

The information for the divisions relating to revenues is as follows:

	Consulting	Licenses	Application Management	Outsourcing & Services	Other (unallocated)	Group 2013
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Segment revenues	214,900	56,844	49,225	135,650	465	457,084
						Group 2012
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Segment revenues	211,394	38,414	40,208	116,469	623	407,108

33 / Disclosures in accordance with section 160 (1) no. 8 AktG

On December 28, 2012, NTT DATA EUROPE GmbH & Co. KG submitted a formal request to the Management Board in accordance with section 327a AktG that the Annual General Meeting should resolve the transfer of the shares of the other shareholders (minority shareholders) to the majority shareholder, NTT DATA EUROPE GmbH & Co. KG, in exchange for appropriate cash compensation (squeeze-out).

The resolution by the Annual General Meeting of itelligence AG on the squeeze-out was passed at the next Annual General Meeting of itelligence AG on May 23, 2013.

On January 16, 2013, NTT Communications Corporation, Tokyo, Japan informed itelligence AG in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its share of the voting rights of itelligence AG had fallen below the thresholds of 5% and 3% on December 28, 2012 and amounted to 0% (corresponding to 0 voting rights) on this date.

34 / Other disclosures

a) Cost of materials
The cost of materials calculated using the nature of expense method totaled KEUR 128,582 in fiscal 2013 (previous year: KEUR 108,537). Inventories of KEUR 91,427 (previous year: KEUR 67,225) were recognized as an expense in the reporting period. Of this figure, KEUR 37,155 related to the cost of purchased services (previous year: KEUR 41,312).

b) Staff costs
Staff costs calculated using the nature of expense method totaled KEUR 236,779 in fiscal 2013 (previous year: KEUR 213,368).

c) Number of employees
The itelligence Group employed an average of 2,930 people in fiscal 2013 (previous year: 2,552). An average of 347 persons were employed in administration, 219 in sales, 1,596 in consulting and 768 in outsourcing & services. The Group had a total of 3,078 employees on December 31, 2013.

d) Executive bodies
The members of the Management Board and the Supervisory Board are as follows:

Management Board	Membership of supervisory boards and other comparable German and foreign executive bodies of enterprises not belonging to the itelligence Group (as of December 31, 2013)
Herbert Vogel CEO	Member of the Supervisory Board of Cayago AG Member of the Advisory Board of TBV ProVital Lemgo GmbH & Co. KG
Norbert Rotter CFO	

Supervisory Board	Membership of other executive bodies:
Friedrich Fleischmann Chairman since January 1, 2013 Independent business consultant Senior Managing Director Central Europe, Adobe Systems GmbH, retired	
Dr. Stephan Kremeyer Deputy Chairman Employee representative/re-elected as of May 23, 2013 Regional management SAP consultant	
Kazuhiro Nishihata Executive Vice President, Managing Director, Global Business, NTT DATA Corporation, Tokyo, Japan	
Akiyoshi Nishijima Deputy Head of Fourth Enterprise Sector, Enterprise IT Services Company, NTT DATA Corporation, Tokyo, Japan	
Prof. Heiner Schumacher since January 1, 2013 Independent auditor and business consultant, business consulting expert at KAP1 Consulting, Düsseldorf, honorary professor of business studies at the University of Bielefeld, specializing in external accounting	Member of the shareholders' advisory board of SOS Kinderdörfer Global Partner GmbH
Carsten Esser Employee representative from May 23, 2013 SAP Service Senior Professional	
Dr. Britta Lenzmann Employee representative until May 23, 2013 Head of SAP Sales Installed Base Germany	

e) Remuneration of the Management Board and the Supervisory Board
The remuneration report sets out the principles of the remuneration systems for the Management Board and the Supervisory Board and describes the amount and structure of the remuneration paid. The remuneration of the members of the executive bodies is disclosed as total remuneration broken down into fixed remuneration, performance-related components and components with a long-term incentive effect.

Remuneration of the Management Board
The following table provides a breakdown of the remuneration of the Management Board for fiscal 2013:

Herbert Vogel (CEO)	2013 KEUR	2012 KEUR
Non-performance-related (fixed) remuneration	500	400
Performance-related (variable) current remuneration (current year)	159	280
Performance-related (variable) non-current remuneration (current year)	207	0
Fair value of share-based remuneration on the grant date	0	38
Payment difference for (variable) current remuneration (previous year)	0	2
Total remuneration for the year	**866**	**720**

Norbert Rotter (CFO)	2013 KEUR	2012 KEUR
Non-performance-related (fixed) remuneration	250	200
Performance-related (variable) current remuneration (current year)	95	187
Performance-related (variable) non-current remuneration (current year)	90	0
Fair value of share-based remuneration on the grant date	0	38
Payment difference for (variable) current remuneration (previous year)	0	1
Total remuneration for the year	**435**	**426**

The total remuneration paid to the members of the Management Board for fiscal 2013 was KEUR 1,301 (previous year: KEUR 1,146).

The remuneration of itelligence's Management Board consists of non-performance-related (fixed) and performance-related (variable) components. Fixed remuneration and expenses for retirement and ancillary benefits all constitute non-performance-related components. The performance-related elements are geared towards the company's short-term and long-term success. The Supervisory Board is responsible for determining the structure of the remuneration systems and the remuneration paid to the individual members of the Management Board. These matters are prepared by the Staff Committee.

The remuneration components are broken down as follows:

- Non-performance-related fixed remuneration is paid in equal installments in the form of a monthly salary. Ancillary benefits primarily relate to contributions to accident and liability insurance and the provision of a company car reflecting the position of the respective member.

- Variable remuneration consists of a short-term incentive based on the Group's achievement of its earnings goal (consolidated EBIT) for the year, the Group's revenues target (consolidated) and personal performance. It is paid within five working days of the adoption of the annual financial statements by the Annual General Meeting.

- Furthermore, the members of the Management Board receive a long-term incentive based on the comparison of two average EBIT contributions (consolidated EBIT), each calculated over a period of four years. This is also paid within five working days of the adoption of the annual financial statements by the Annual General Meeting for the fourth fiscal year of the relevant performance period. As the activities that give rise to a claim for remuneration were performed for the long-term incentive in fiscal 2013, this is reported in the 2013 remuneration report. Any payment difference compared with the amount actually granted is included in the total remuneration for the fiscal year in which the legally binding commitment was made.

- The members of the Management Board are entitled to a life-long old-age pension from their 65th birthday irrespective of how old they were when they joined the company. The monthly pension amounts to EUR 10,000 for the CEO and EUR 4,500 for the CFO. The pension commitment also includes a widow's pension amounting to 65% of the pension of the respective member of the Management Board and an orphan's pension. If a member of the Management Board leaves the company before his 65th birthday while serving as a member of the Management Board, the pension commitment will remain in place but will be reduced proportionately.

- From January 1, 2013, the members of the Management Board receive an invalidity pension corresponding to 75% of the respective pension.

In previous years, part of the variable remuneration was paid as a long-term remuneration component based on the three-year performance of the average unweighted Xetra closing price of itelligence's shares. The share-based remuneration was replaced by the long-term incentive program described above. See also the comments under note 27 Other non-financial liabilities.

Virtual itelligence shares were usually issued after the end of itelligence's Annual General Meeting on the basis of the unweighted Xetra closing prices on all trading days in the previous fiscal year. After the end of the third subsequent Annual General Meeting, the average of the unweighted Xetra closing prices on all trading days of the respective previous fiscal year was calculated. If this comparison of the average price at the issue date and the average price after the end of this three-year period showed an increase in the company's share price, the respective Management Board member was paid an amount equivalent to the increase in the value of the virtual shares acquired. Variable long-term remuneration is only payable after the end of the third Annual General Meeting. Share-based remuneration is included in total remuneration at the fair value at the grant date. The performance of the virtual stock options and the amounts paid are shown separately within the remuneration report. Management Board members not in office for the entire three-year period receive this performance related remuneration on a pro rata basis at the end of the three-year period.

- In fiscal 2013, the seventh tranche of the long-term share-based remuneration, which ran from January 1, 2010 to December 31, 2012, was paid to the Management Board.

KEUR 142.8 was paid to the CEO and KEUR 107.1 to the CFO. The average Xetra closing price for itelligence shares for the period from January to December 2012 was EUR 7.658. The tranche was measured at the average Xetra closing price for 2009, which was EUR 4.088. This increase in value was multiplied by the number of virtual shares acquired. The resulting expense was recognized during the term of the tranche from 2010 to 2012.

The following table shows the virtual stock options granted:

	Virtual shares CEO	Virtual shares CFO	Fair value of a stock option on the grant date	Proportionate fair value Dec. 31, 2013 CEO	Proportionate fair value Dec. 31, 2013 CFO	Expenses for stock options 2013
			EUR	EUR	EUR	EUR
Tranche 8	40,000	40,000	1.614	218,320	218,320	154,400
Tranche 9	40,000	40,000	0.94	114,400	114,400	120,480

No loans were granted to members of the Management Board in the fiscal years 2013 and 2012. There were also no similar benefits. The members of the Management Board do not receive any remuneration for mandates at Group companies.

There were no commitments for severance payments in the case of the regular termination or non-renewal of employment contracts or a change of shareholder or for transitional benefits. In the event of the early termination of a Management Board contract not resulting from justified extraordinary termination by the company, the members of the Management Board shall be paid the remuneration for the remainder of their contract as severance. A cap on severance has not been agreed. A post-contract prohibition on competition and post-contract customer protection has been agreed with the members of the Management Board for a period of 24 months after the end of the contract. The company undertakes to pay compensation of 50% of the final fixed remuneration of the respective members of the Management Board for the duration of the post contract prohibition on competition. The company has the right to waive the prohibition on competition.

The company has pension obligations to the members of the Management Board in the amount of KEUR 2,017, for which total expenses of KEUR 100 were incurred in 2013.

The financing status developed as follows:

Herbert Vogel	2013 KEUR	2012 KEUR
Defined benefit obligation	1,815	1,032
Cash surrender value of the employer's pension liability insurance policy	-930	-843
Financing status	**885**	**189**

Norbert Rotter	2013 KEUR	2012 KEUR
Defined benefit obligation	202	125
Cash surrender value of the employer's pension liability insurance policy	-113	-82
Financing status	**89**	**43**

The company has pension obligations to former members of executive bodies in the amount of KEUR 902, for which expenses of KEUR 18 were incurred in 2013.

The financing status developed as follows:

	2013 KEUR	2012 KEUR
Defined benefit obligation	902	713
Cash surrender value of the employer's pension liability insurance policy	-514	-481
Financing status	**388**	**232**

Remuneration of the Supervisory Board

The following table provides a breakdown of the remuneration of the Supervisory Board for fiscal 2013 and the previous year:

	Fixed remuneration component KEUR	Committee remuneration KEUR	Attendance fees KEUR	2013 Total remuneration KEUR
Friedrich Fleischmann (Chairman)	75.0	37.5	14.0	126.5
Dr. Stephan Kremeyer (Deputy Chairman)	37.5	9.5	11.0	58.0
Heiner Schumacher	25.0	27.5	14.0	66.5
Carsten Esser *	15.1	3.1	6.0	24.2
Dr. Britta Lenzmann *	9.9	4.9	2.0	16.8
Kazuhiro Nishihata	25.0	0.0	7.0	32.0
Akiyoshi Nishijima	25.0	0.0	7.0	32.0
	212.5	**82.5**	**61.0**	**356.0**

	Fixed remuneration component KEUR	Committee remuneration KEUR	Attendance fees KEUR	Variable remuneration component: earnings per share 2012 KEUR	Fair value of share-based remuneration on the grant date KEUR	2012 Total remuneration KEUR
Dr. Lutz Mellinger * (Chairman)	27.9	23.2	7.0	8.2	2.1	68.4
Dr. Stephan Kremeyer (Deputy Chairman)	22.5	5.0	6.0	6.6	1.1	41.2
Friedrich Fleischmann *	9.3	17.0	7.0	2.7	0.7	36.7
Dr. Britta Lenzmann	15.0	12.5	7.0	4.4	0.7	39.6
Kazuhiro Nishihata *	9.3	0.0	5.0	2.7	0.7	17.7
Akiyoshi Nishijima *	9.3	0.0	4.0	2.7	0.7	16.7
	93.3	**57.7**	**36.0**	**27.3**	**6.0**	**220.3**

* Remuneration calculated on a pro rata basis as Supervisory Board members were not in office for the entire fiscal year.

The remuneration of itelligence AG's Supervisory Board is regulated by Article 16 of the Articles of Association. A resolution by the Annual General Meeting on December 12, 2013 introduced new provisions for the remuneration of the activities of the members of the Supervisory Board from fiscal 2013. In line with these provisions, Supervisory Board members receive fixed remuneration in addition to the reimbursement of their expenses.

(1) Each member of the Supervisory Board receives fixed annual remuneration of EUR 25,000. The Chairman receives three times this amount, while the Deputy Chairman receives one and a half times this amount. In addition, each member of the Supervisory Board receives an attendance fee of EUR 1,000 per day for each meeting of the Supervisory Board or of a Supervisory Board committee attended.

(2) Members of Supervisory Board committees receive additional fixed remuneration of EUR 5,000 for each membership of a committee. The chairman of a committee receives three times this amount, while the deputy chairman of a committee receives one and a half times this amount.

(3) Remuneration is payable quarterly after the end of each quarter. Supervisory Board members not in office for the entire quarter receive their remuneration pro rata temporis.

(4) Members of the Supervisory Board also received performance-based remuneration geared towards the company's long-term success in previous years. After the end of the Annual General Meeting, a situation was simulated whereby the company invested a notional amount of EUR 5,000 in shares of the company for each member of the Supervisory Board on the basis of the average of the unweighted Xetra closing prices of the shares on all trading days in the previous fiscal year. The notional investment amount for the Chairman of the Supervisory Board was EUR 15,000, while the notional investment amount for the Deputy Chairman was EUR 7,500. After the end of the third subsequent Annual General Meeting, the average of the unweighted Xetra closing prices on all trading days of the respective previous fiscal year was calculated. If this comparison of the average price in accordance with sentence 2 and the average price in accordance with sentence 4 showed an increase in the company's share price, the respective Supervisory Board member was paid an amount equivalent to the increase in the value of the virtual shares acquired in accordance with sentence 2. This performance-related remuneration was payable on the first working day after the third Annual General Meeting in accordance with sentence 4. Share-based remuneration is included in total remuneration at the fair value at the grant date. The performance of the virtual stock options and the amounts paid are shown separately within the remuneration report. Supervisory Board members not in office for the entire three-year period receive this performance related remuneration on a pro rata basis at the end of the three-year period.

In fiscal 2013, the seventh tranche of the share-based remuneration with long-term incentive effect, which ran from January 1, 2010 to December 31, 2012, was out to the members of the Supervisory Board in the amount of:

KEUR 11.4 to the former Chairman Lutz Mellinger
KEUR 6.5 to the Deputy Chairman
KEUR 4.4 to each member

The average Xetra closing price for itelligence shares for the period from January to December 2012 was EUR 7.658. The tranche was measured at the average Xetra closing price for 2009, which was EUR 4.088. This increase in value was multiplied by the number of virtual shares acquired. The resulting expense was recognized during the term of the tranche from 2010 to 2012.

The following table shows the virtual stock options granted:

	Virtual shares Chairman	Virtual shares Deputy Chairman	Virtual shares Members	Virtual shares (total)	Fair value of a stock option on the grant date EUR
Tranche 8	2,677	1,338	3,569	7,584	1,614
Tranche 9	2,248	1,124	2,996	6,368	0.94

	Proportionate fair value as of Dec. 31, 2013 Chairman	Proportionate fair value as of Dec. 31, 2013 Deputy Chairman	Proportionate fair value as of Dec. 31, 2013 Members	Proportionate fair value as of Dec. 31, 2013 (total)	Expenses for stock options 2013
	EUR	EUR	EUR	EUR	EUR
Tranche 8	9,739	7,304	19,480	36,523	9,767
Tranche 9	3,214	3,214	8,571	14,999	6,377

itelligence also reimburses the members of the Supervisory Board for any value added tax on their remuneration to the extent that this is invoiced or disclosed in a credit note by the respective Supervisory Board member. No advances on future remuneration or loans were granted to the members of the Supervisory Board. Furthermore, itelligence did not enter into any contingent liabilities for the benefit of the members of the Supervisory Board.

f) Related party disclosures

In addition to the Management Board, related parties as defined by IAS 24 include the Supervisory Board and shareholders. Transactions between the company and its subsidiaries considered as related parties are eliminated by way of consolidation and have not been described in these notes.

Several members of itelligence AG's Supervisory Board are or were employed in responsible and influential positions at other companies with which itelligence AG maintains ordinary business relationships. Purchase transactions for software and services with these related parties are conducted at arm's length conditions.

NTT DATA Corporation, Japan, granted itelligence AG the following loans to finance new buildings and the acquisition of international consulting companies:

	Interest rate	T otal	of which current	of which non-current
	%	KEUR	KEUR	KEUR
Loan from Oct. 1, 2009/10-year term	3.596	4,540	790	3,750
(previous year)		(5,298)	(798)	(4,500)
Loan from Jul. 15, 2010/10-year term	3.055	7,808	1,208	6,600
(previous year)		(8,923)	(1,223)	(7,700)
Loan from Jun. 13, 2011/10-year term	3.715	10,609	1,509	9,100
(previous year)		(11,935)	(1,535)	(10,400)
Loan from Jun. 30, 2011/5-year term	3.084	1,828	628	1,200
(previous year)		(2,437)	(637)	(1,800)
Loan from Dec. 15, 2011/5-year term	2.3597	1,802	602	1,200
(previous year)		(2,402)	(602)	(1,800)
Loan from Jul. 15, 2011/10-year term	3.514	4,278	594	3,684
(previous year)		(4,813)	(603)	(4,210)
Loan from Jan. 31, 2012/10-year term	2.2161	5,025	647	4,378
(previous year)		(5,836)	(688)	(5,148)
December 31, 2013		**35,890**	**5,978**	**29,912**
December 31, 2012		(41,644)	(6,086)	(35,558)

The interest rates are standard market interest rates.

In fiscal 2013, companies of the itelligence Group generated the following income and expenses from activities with companies of the NTT Group that are not also companies of the itelligence subgroup:

Income	KEUR
Consulting	2,934
Licenses	14
Application Management	1,076
Outsourcing & Services	3,765
Other	21
	7,810

Expenses	
Consulting	2,256
Outsourcing & Services	489
Other	44
Interest expense	1,237
	4,026

The negotiated prices are standard market prices for third parties.

g) Risk Management

Market risk

As an international full-service IT provider for SAP, itelligence is exposed to risks from the ordinary course of business and from general conditions.

Resource risk

As a full-service IT provider, itelligence has focused on the traditional and upper midsize market in the SAP environment. As a result of this strong relationship with SAP in terms of content and strategy, the company is also highly dependent on SAP. This dependence greatly influences itelligence's net assets, financial position and results of operations.

Customer-side market risks and supplier-dependent or resource-dependent market risks are additional risks that are not within the company's control.

Resource-dependent risks primarily include risks relating to human resource management. Employees and managers form the basis of the company's success. Accordingly, ensuring the loyalty of highly qualified employees to the company in the long term and attracting new highly qualified staff is of the utmost importance to itelligence.

Currency risk

The operating companies of the itelligence Group predominantly settle their activities in their respective functional currency. Managing these income and expenses within local currency provides a natural hedging of cashflows, as a result of which the currency risk within the Group can be rated as low. Differences from the translation of financial statements in foreign currency into Group currency as part of the preparation of the consolidated financial statements do not influence currency risk as the respective changes in foreign currency are shown outside profit or loss in equity.

Interest rate risk

Interest rate risks arise from fluctuations in interest rates on money and capital markets and as a result of market changes in exchange rates.

The Group is subject to interest rate fluctuations on both sides of its statement of financial position.

On the assets side, income from investments of cash and cash equivalents in particular is subject to interest rate risks.

On the equity and liabilities side, interest expenses on current financial liabilities in connection with the utilization of credit facilities and other debt items are exposed to the risk of changing interest rates.

Given the low utilization of current credit facilities (KEUR 1,830 as of December 31, 2013 and KEUR 1,036 as of December 31, 2011), there is very little interest rate risk here.

As of the end of the reporting period, the company had non-current financial liabilities denominated in EUR and USD for the financing of long-term investments. Fixed interest rates have been agreed for the term of these loans. A sensitivity analysis was performed to quantify interest rate risk. An increase or reduction in the average interest rate of 3.20% by 100 basis points would have resulted in a reduction or increase in market value of KEUR 1,441.

For the purposes of goodwill impairment testing, individual capital costs are recognized for the underlying units in order to determine the present value of future cashflows. The same applies to the measurement of put-call options. Fluctuations in capital costs on the capital markets can result in future valuation risk for itelligence.

Credit risk

Within its business activities and individual financing activities, itelligence is exposed to a credit risk that lies in the non-fulfillment of contractual agreements by its partners. Credit risk arises from trade receivables. itelligence limits this risk by assessing its partners primarily on the basis of external ratings. There are no significant risks with any individual business partners.

The monitoring of the credit risk in operating activities is based on past data and external ratings. Outstanding amounts are monitored on an ongoing basis. Credit risks are taken into account on the basis of individual analyses and the maturity structure of receivables with specific and portfolio valuation allowances of KEUR 3,290 (previous year: KEUR 3,042). Furthermore, as a result of the trade credit insurance concluded, the del credere risk in Germany was limited to the extent that, in the event of customer insolvency, 90% of the potential default is secured. Outside Germany, the carrying amounts of trade receivables of KEUR 82,631 is equal to the maximum credit risk.

The maturity structure of current trade receivables as of December 31, 2013 is as follows:

Total (in KEUR)	Up to 20 days	Up to 40 days	Up to 80 days	Up to 100 days	More than 100 days
116,558	95,185	6,593	5,490	1,398	7,892
100%	81.6%	5.7%	4.7%	1.2%	6.8%
of which impaired					
3,290	0	0	0	0	3,290

Current trade receivables that are not past due and not written down relate to customers with a good credit rating and are not considered to be impaired.

On December 31, 2013 the Group held cash and cash equivalents of KEUR 39,246 (previous year: KEUR 43,516). This figure is therefore also the maximum credit risk in connection with these assets. Cash and cash equivalents are only deposited with banks or financial institutions of good to very good credit quality.

Liquidity risk

The liquidity risk consists of the company being unable to meet its financial obligations from, for example, loan agreements, leases or trade payables.

	Up to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities	16,222	36,761	10,672	63,655
Trade payables	38,886			38,886
Interest payments	1,688	3,237	637	5,562
Cashflows from financial liabilities as of December 31, 2013	**56,796**	**39,998**	**11,309**	**108,103**

Working capital, which is the net current assets of an entity (current assets less current liabilities), amounted to KEUR 26,824 as of the end of the year (previous year: KEUR 42,891). The excess of current assets over current liabilities is available to the itelligence Group for the maintenance and expansion of its business activities.

itelligence has a central finance management system for global liquidity management, the overriding aim of which is to secure and optimize the necessary liquidity within the Group. To this end, the itelligence companies participate in central cash management. Cash and cash equivalents are monitored throughout the Group and investments are made in accordance with uniform principles. Long-term investments are always financed on a long-term basis in order to further increase itelligence's liquidity reserves for operations.

As of December 31, 2013, the Group had cash and cash equivalents of KEUR 39,246 (previous year: KEUR 43,516), consisting of current account balances and cash in hand of KEUR 39,246 (previous year: KEUR 43,516). Liquidity reserves bear interest at rates of between 0.00% and 0.3%.

itelligence has also agreed credit facilities with its key relationship banks in order to ensure the supply of liquidity.

h) Auditor's fees and services
At the Annual General Meeting on May 23, 2013, the shareholders of itelligence AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor of the separate and consolidated financial statements of itelligence AG for fiscal 2013.

In the current fiscal year, the itelligence Group paid the following fees to the auditor as defined by section 319(1) sentences 1 and 2 HGB:

	2013	2012
	KEUR	KEUR
Fees for audits of financial statements by KPMG AG	150	161
Fees for tax advisory services	115	59
Fees for other assurance services	0	0
Fees for other services	37	0
	302	220

i) Group affiliation
NTT DATA EUROPE GmbH & Co. KG, Düsseldorf, prepares the consolidated financial statements for the smallest group of companies. These can be found in the electronic Bundesanzeiger (German Federal Gazette). NTT CORPORATION, Tokyo, Japan, prepares the consolidated financial statements for the largest group of companies.

35 / Events after the end of the reporting period

As of January 1, 2014, itelligence acquired the company 4C Management Consulting (4CMC) in Scandinavia, thereby expanding its expertise in the field of business intelligence and strategic consulting for ERP projects. The purchase price for all shares was KEUR 2,036.

The itelligence Group has therefore widened its range of strategic consulting services for Danish and other Scandinavian companies. The acquisition will enable customers to achieve even better integration between strategic performance management and their ERP solution. This acquisition marks a further step in itelligence's dynamic investment strategy. Business intelligence and enterprise performance management are the key areas of itelligence's future service portfolio and global offering.

There were no other significant events after the end of the fiscal year.

Bielefeld, March 20, 2014
itelligence AG, Bielefeld

Herbert Vogel
CEO

Norbert Rotter
CFO

Statement of Changes in
Consolidated Non-current Assets →

Consolidated statement of changes in non-current assets in fiscal 2013

	Cost					
	Jan. 1, 2013	Currency translation	Additions	Reclassifications	Disposals	Dec. 31, 2013
		KEUR	KEUR	KEUR	KEUR	KEUR
Intangible assets						
IT software	9,627	-202	2,625	-3	-80	11,967
Orders on hand	3,456	-57	6,285	1,689	0	11,373
Goodwill	84,262	-1,006	6,963	-1,689	0	88,530
	97,345	**-1,265**	**15,873**	**-3**	**-80**	**111,870**
Property, plant and equipment						
Land, buildings and leasehold improvements	36,554	-591	530	16	0	36,509
Assets under development	82	0	107	-82	0	107
IT hardware	59,065	-908	7,447	95	-1,164	64,535
Operating and office equipment	13,279	-304	3,259	-26	-469	15,739
	108,980	**-1,803**	**11,343**	**3**	**-1,633**	**116,890**
Other non-current financial assets						
Other investments	220	0	0	0	-2	218
	206,545	**-3,068**	**27,216**	**0**	**-1,715**	**228,978**

	Cumulative depreciation/amortization					Carrying amounts	
	Jan. 1, 2013	Currency translation	Depreciation and amortization in the fiscal year	Disposals	Dec. 31, 2013	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	-6,507	106	-1,563	80	-7,884	4,083	3,120
	-2,291	48	-2,459	0	-4,702	6,671	1,165
	-7,877	82	0	0	-7,795	80,735	76,385
	-16,675	**236**	**-4,022**	**80**	**-20,381**	**91,489**	**80,670**
	-5,857	40	-1,570	0	-7,387	29,122	30,697
	0	0	0	0	0	107	82
	-34,448	386	-7,690	1,144	-40,608	23,927	24,617
	-7,580	148	-2,522	436	-9,518	6,221	5,699
	-47,885	**574**	**-11,782**	**1,580**	**-57,513**	**59,377**	**61,095**
	-205	0	0	0	-205	13	15
	-64,765	**810**	**-15,804**	**1,660**	**-78,099**	**150,879**	**141,780**

Auditor's Report

We have audited the consolidated financial statements prepared by the itelligence AG, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cashflows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Bielefeld, March 20, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hunke	Lo Conte
Wirtschaftsprüfer	Wirtschaftsprüfer

Income statement for the period from January 1 to December 31, 2013 (German Commercial Code)

EUR		2013		2012
1. Revenues		151,241,035.94		120,149,228.95
2. Decrease (previous year: increase) in services in progress		-7,337,562.83		9,760,731.36
3. Other operating income		10,974,050.44		12,036,387.34
4. Cost of materials				
a) Cost of purchased merchandise	-15,646,728.54		-10,369,213.11	
b) Cost of purchased services	-52,303,809.61	-67,950,538.15	-51,571,932.20	-61,941,145.31
5. Personnel expenses				
a) Wages and salaries	-62,854,015.47		-58,803,883.47	
b) Social security, post-employment and other employee benefit costs – of which in respect of old-age pensions EUR –168,255.39 (previous year: EUR -423,484.82)	-8,769,219.22	-71,623,234.69	-8,391,611.43	-67,195,494.90
6. Depreciation, amortization and write-downs				
a) Amortization and write-downs of intangible assets and deprecation and write-downs of tangible assets	-1,504,950.75		-1,400,643.10	
b) Write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation	-2,609,197.94	-4,114,148.69	-1,419,309.10	-2,819,952.20
7. Other operating expenses		-28,862,526.87		-26,891,709.88
8. Income from long-term equity investments – of which in respect of affiliated companies EUR 1,726,776.38 (previous year: EUR 1,061,789.66)		1,727,543.32		1,062,556.60
9. Income from profit and loss transfer agreements		20,956,862.00		20,154,138.12
10. Other interest and similar income – of which in respect of affiliated companies EUR 1,833,420.90 (previous year: EUR 1,691,689.30)		1,916,464.16		1,871,486.95
11. Write-downs of long-term financial assets		-1,727,250.00		-1,418,285.27
12. Interest and similar expenses – of which in respect of affiliated companies EUR -1,237,924.13 (previous year: EUR -1,401,008.62)		-1,430,326.02		-1,554,409.57
13. Result from ordinary activities		**3,770,368.61**		**3,213,532.19**
14. Income taxes		-3,543,237.68		-1,251,164.15
15. Net profit for the period		**227,130.93**		**1,962,368.04**
16. Retained profits carried forward		9,944,997.04		12,402,996.10
17. Dividend payment		-1,800,890.28		-4,420,367.10
18. Net accumulated profits		**8,371,237.69**		**9,944,997.04**

Balance sheet as of December 31, 2013 (German Commercial Code)

Assets EUR		Dec. 31, 2013		Dec. 31, 2012
A. Fixed assets				
I. Intangible assets				
Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets		1,173,821.00		538,532.00
II. Tangible assets				
1. Land. land rights and buildings including buildings on third-party land	6,880,061.00		7,080,537.00	
2. Technical equipment and machinery	241,931.00		305,559.00	
3. Other assets, operating and office equipment	2,571,036.25	9,693,028.25	2,573,922.00	9,960,018.00
III. Long-term financial assets				
1. Investments in affiliated companies	65,708,146.27		61,959,347.55	
2. Loans to affiliated companies	16,265,698.18		19,224,891.95	
3. Investments	10,225.84	81,984,070.29	10,225.84	81,194,465.34
		92,850,919.54		**91,693,015.34**
B. Current assets				
I. Inventories				
1. Work in progress		26,147,074.55		33,484,637.38
II. Receivables and other assets				
1. Trade receivables	28,777,442.66		20,920,614.47	
– thereof with a residual term of more than one year EUR 1,750,296.64 (previous year: EUR 1,501,492.83)				
2. Receivables from affiliated companies				
– thereof with a residual term of more than one year EUR 0.00 (previous year: EUR 476,636.78)	30,130,409.40		29,297,778.73	
3. Other assets	1,657,696.44	60,565,548.50	1,442,536.39	51,660,929.59
– thereof with a residual term of more than one year EUR 296,945.00 (previous year: EUR 274,691.25)				
III. Cash in hand, bank balances and checks		4,753,189.03		18,190,250.61
		91,465,812.08		**103,335,817.58**
C. Prepaid expenses and deferred income		1,188,691.23		1,138,381.58
		185,505,422.85		**196,167,214.50**

Equity and liabilities EUR	Dec. 31, 2013	Dec. 31, 2012
A. Equity		
I. Subscribed capital	30,014,838.00	30,014,838.00
II. Capital reserves	45,880,856.84	45,880,856.84
III. Net accumulated profit	8,371,237.69	9,944,997.04
	84,266,932.53	**85,840,691.88**
B. Provisions		
1. Provisions for pensions and similar obligations	659,287.00	598,860.00
2. Tax provisions	1,982,550.00	1,725,541.08
3. Other provisions	14,968,990.93	15,739,901.53
	17,610,827.93	**18,064,302.61**
C. Liabilities		
1. Advance payments received	28,203,857.02	37,058,977.51
– thereof with a remaining term of less than one year EUR 28,203,857.02 (previous year: EUR 37,058,977.51)		
2. Trade payables	14,409,737.03	8,673,563.92
– thereof with a remaining term of less than one year EUR 14,409,737.03 (previous year: EUR 8,673,563.92)		
3. Liabilities to affiliated companies	36,797,521.69	42,757,209.37
– thereof with a remaining term of less than one year EUR 6,886,074.12 (previous year: EUR 7,199,469.67)		
4. Other non-financial liabilities	3,841,784.81	3,536,369.53
– thereof with a remaining term of less than one year EUR 3,833,781.81 (previous year: EUR 3,529,833.53)		
– thereof relating to taxes EUR 3,508,112.69 (previous year: EUR 2,438,682.18)		
– thereof relating to social security EUR 11,486.10 (previous year: EUR 19,037.88)		
	83,252,900.55	**92,026,120.33**
D. Prepaid expenses and deferred income	374,761.84	236,099.68
	185,505,422.85	**196,167,214.50**

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Zengame (Page 32)

25 years ago, Herbert Vogel founded an IT service company under the name S&P Consult. The first office was barely 30 square meters in size. And there were no mobile phones – just a car phone with a huge battery.

Congratulations, Mr. Vogel! itelligence celebrates its 25th anniversary on June 21. Looking back to 1989, could you ever have imagined, a quarter of a century later, that the company would have more than 3,000 employees, continuously generate record results and be setting its sights on revenue of a billion euros? *Herbert Vogel:* I would certainly never have dared to think in these terms. We started out very small, after all.

Why did you even want to form your own company in the first place? *Herbert Vogel:* Following my studies, I gained experience at two large corporations: an automotive supplier and Bertelsmann. At Bertelsmann in particular, I learned to appreciate the feeling of working for a rapidly growing, owner-managed company. I also discovered that you need a good concept and a particular corporate culture. As far as I am concerned, both are essential to launching successfully.

What was your impression of a good corporate culture? *Herbert Vogel:* For us, a good corporate culture meant flat hierarchies. And, in particular, it meant personal proximity – maintaining close contact with employees. For me, it was always important to stay close to people. Our colleagues should have the feeling that the person "on top" is someone who understands their work from his own experience. And they should always feel like management is accessible to everybody.

That must be more or less impossible when you have 3,000 employees. *Herbert Vogel:* With a workforce of around 600, it can still be achieved. But once you reach a certain size and your operations become increasingly international, it is no longer possible. That said, I still make a point of spending a lot of time working on projects locally and maintaining contact not only with our customers, but also with my employees. And I like to show that I still have my feet on the ground and a fundamental understanding of our business. Even with the size that itelligence has now reached, I remain convinced that it is important – and quite possible – to uphold a good corporate culture.

Did you set specific targets in terms of the size of the company? *Herbert Vogel:* We started with very small aims. Our first target was to have ten employees. Once we had achieved that, we looked to expand to 20 employees, followed by 30, 50 and 100. Only then did we get really daring, setting our sights on having a workforce of 200! Although these figures are extremely modest from today's perspective, they underline our process of continuous growth. We then established our first office outside Bielefeld and quickly took the decision to expand internationally.

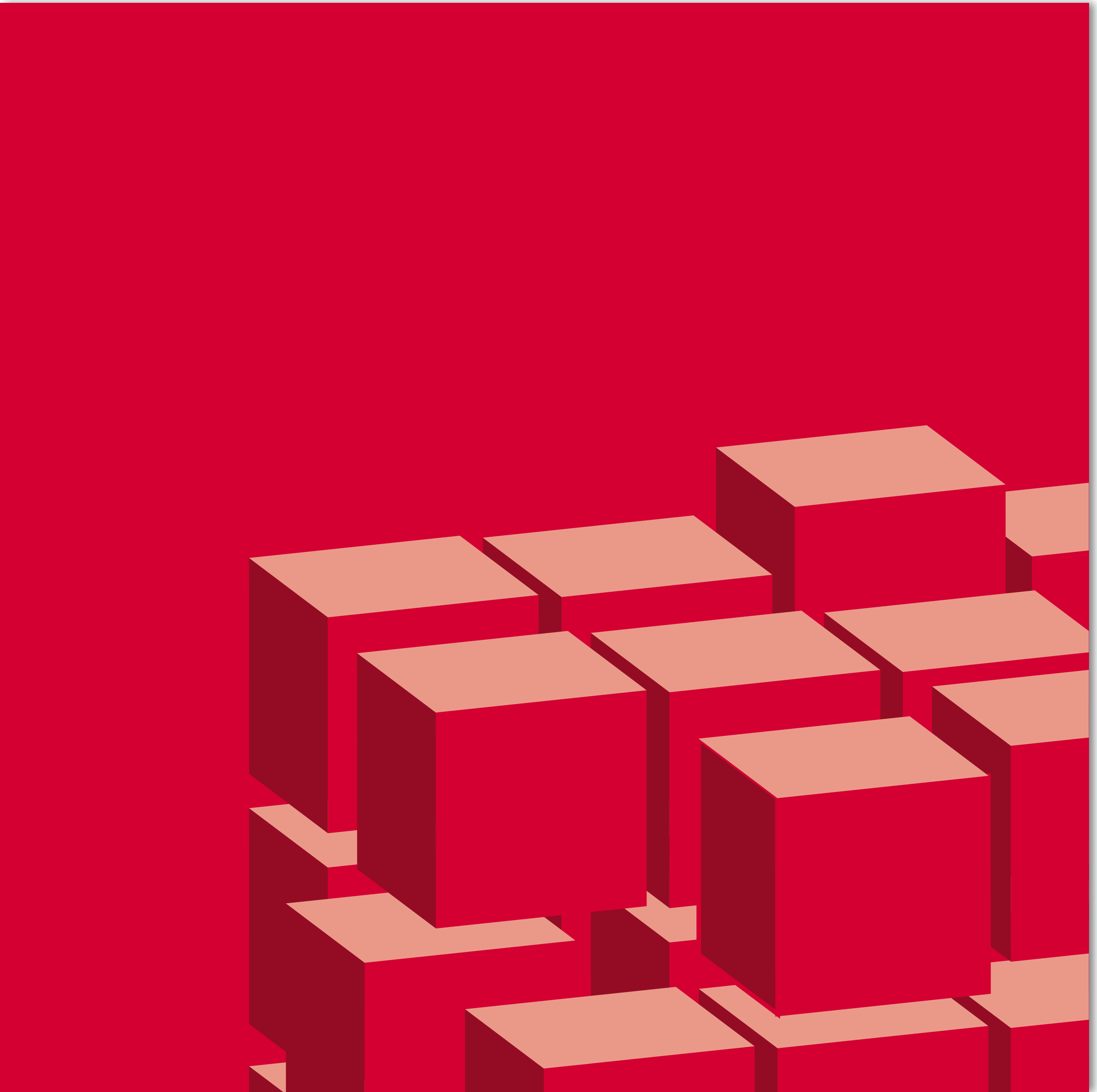
Which countries did you have in mind? *Herbert Vogel:* The USA, the UK and Switzerland. Our first international project was for MobilOil in the UK. That was in 1994. We worked locally but managed the project from Germany. It was not until 1996 that we established our first national subsidiary in the USA.

Looking back on the past 25 years, what are the moments that stand out for you? *Herbert Vogel:* There are many I could mention. But the moments that are and will remain unique are things like appointing your first employee, writing your first invoice or renting your first office – ours was barely 30 square meters in size! Other special moments in my personal history with the company include that first international project and the establishment of our first office outside Bielefeld. The milestones also include the IPO, the merger with APCON and, more recently, the partnership with NTT DATA.

Do you also have less positive memories? *Herbert Vogel:* Unfortunately, yes. Our employees at the time and I still have painful memories of the crisis in 2000. We had turned a profit every year, we had just gone public – and suddenly the entire market collapsed and we were operating in the red. We had no choice but to initiate a painful phase of restructuring. It did have the desired effect, though: we achieved the turnaround in 2004. Since then, we have achieved a continuous growth rate of more than ten percent and have never made another loss. We closed 2013 with the highest revenue and the highest absolute profit in our company's history. And I expect our anniversary year of 2014 to bring record results once again.

A quarter of a century is a long time – and practically an eternity where IT is concerned. What was different about your work back then compared with today? *Herbert Vogel:* The answer is quite simple – everything was different. The entire concept of technical support as we know it today did not exist. As an example: in August 1989, I had a motocross accident and damaged my knee so badly that I had to manage the company from hospital. People had to come to my bedside to discuss projects. This kind of scenario would be inconceivable today, but there were no laptops or mobile phones back then. At the time, I owned a car phone with a huge battery – and that was the state of the art.

1989 was a special year. The Berlin Wall came down, leading to the reunification of Germany and the fall of the Iron Curtain. Where were you in October 1989? Herbert Vogel: I was sitting with my crutches at home in Bad Salzuflen, following the world-changing events on television. ■



Our first target:
Ten employees

ITELLIGENCE AG

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