ANNUAL REPORT 2012

itelligence NTT DATA Business Solutions

# GLOBAL BUSINESS SOLUTIONS

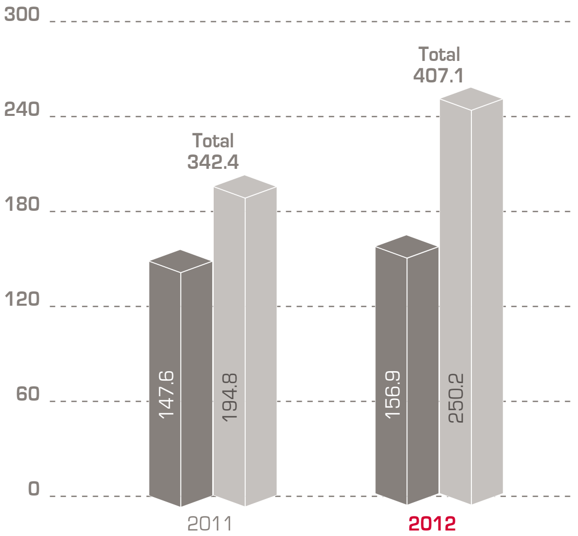
## itelligence Key Figures

| MEUR | IFRS 2012 | IFRS 2011 | IFRS 2010 | IFRS 2009 |
|---|---|---|---|---|
| **Total revenues** | **407.1** | **342.4** | **272.2** | **220.0** |
| **Revenues by area** | | | | |
| Consulting | 211.5 | 190.9 | 142.6 | 115.3 |
| Licenses | 38.3 | 37.5 | 33.8 | 28.5 |
| Application Management | 40.4 | 23.3 | 22.0 | 13.0 |
| Outsourcing & Services | 116.3 | 89.8 | 73.3 | 62.8 |
| Other | 0.6 | 0.9 | 0.5 | 0.4 |
| **Revenues by segment** | | | | |
| DACH (Germany/Austria/Switzerland) | 185.0 | 163.6 | 144.3 | 115.2 |
| Western Europe | 86.7 | 66.6 | 36.1 | 35.3 |
| Eastern Europe | 32.0 | 22.1 | 19.2 | 15.9 |
| USA | 92.6 | 82.0 | 66.9 | 50.2 |
| Asia | 7.0 | 4.1 | 2.3 | 0.1 |
| Other | 3.8 | 4.0 | 3.4 | 3.3 |
| EBIT in MEUR | 19.2 | 20.4 | 14.9 | 12.3 |
| EBIT margin | 4.7% | 6.0% | 5.5% | 5.6% |
| EBITA in MEUR | 21.4 | 22.5 | 16.4 | 13.1 |
| EBITA margin | 5.2% | 6.6% | 6.0% | 6.0% |
| EBITDA in MEUR | 31.4 | 30.4 | 23.4 | 19.3 |
| EBITDA margin | 7.7% | 8.9% | 8.6% | 8.8% |
| Earnings IFRS | 13.7 | 12.8 | 10.0 | 7.2 |
| Earnings per share | 0.44 | 0.46 | 0.39 | 0.28 |
| Dividend per share | 0.06* | 0.18 | 0.14 | 0.10 |
| Cash flow per share | 0.17 | 0.29 | -0.56 | 0.30 |
| Return to sales | 3.4% | 3.7% | 3.7% | 3.3% |
| Cash flow in MEUR | 4.8 | 7.1 | -13.8 | 7.4 |
| Balance sheet total in MEUR | 306.8 | 254.3 | 180.2 | 141.2 |
| Equity in MEUR | 112.0 | 68.0 | 61.2 | 53.9 |
| Equity ratio | 36.5% | 26.7% | 34.0% | 38.2% |
| ROE (Return on equity) | 12.3% | 18.9% | 16.4% | 13.3% |
| ROA (Return on assets) | 4.5% | 5.4% | 5.4% | 5.5% |
| ROCE (Return on assets employed) | 6.4% | 8.3% | 8.4% | 10.8% |
| Investments in MEUR | 43.1 | 32.5 | 30.6 | 13.1 |
| Employees as of December 31 | 2,765 | 2,251 | 1,844 | 1,538 |
| Average | 2,552 | 2,119 | 1,734 | 1,465 |
| – Germany | 1,088 | 935 | 836 | 791 |
| – Abroad | 1,677 | 1,316 | 1,008 | 747 |

*Proposal for the annual general meeting.

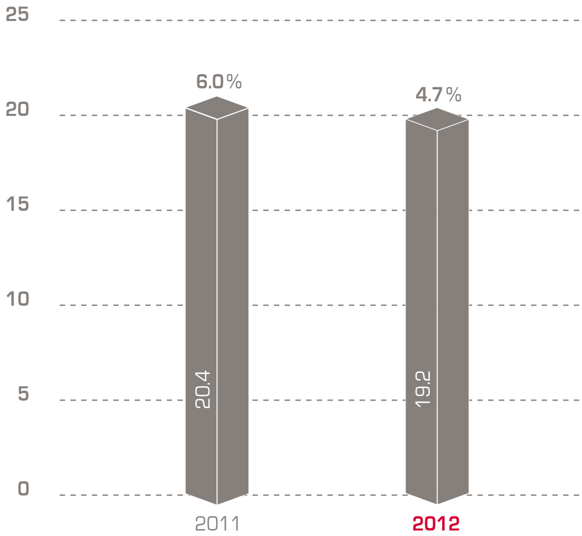
**Revenue development** (in MEUR)

Germany/Abroad

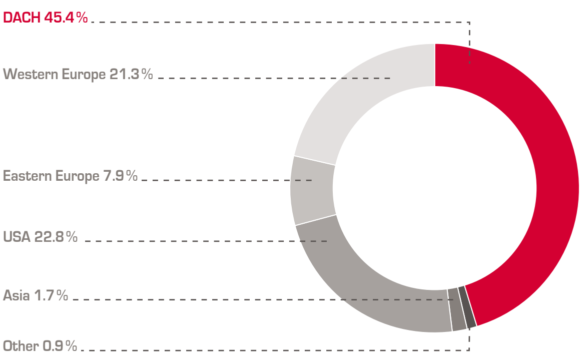



**Growth in earnings** (in MEUR)

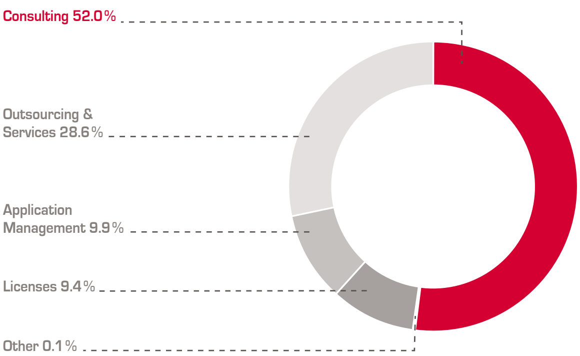
EBIT/EBIT margin




**Revenue per segment 2012**




**Revenue by division 2012**



# GLOBAL BUSINESS SOLUTIONS

## *Dear Shareholders and Friends of the Company,*

Different countries, different customs: A simple but important truth that is becoming an increasingly central aspect of our work. itelligence now operates in many different countries all over the world. Whether in the US, China, Russia or in a number of other regions on five continents, we are working much more in an international context than before. This can be seen by the figures we present in this Annual Report: itelligence generates more than half of its revenues outside Germany.

Cultural diversity is a great treasure. Getting to know new worlds is a personal enrichment. For itelligence, it is the future. Our success is largely dependent on our global growth. We work constantly with companies from an international background. Either because our German customers are moving abroad, or because we are attracting new customers abroad.

Cultural diversity is an everyday matter. Even within Europe, we have to combine different ways of thinking and acting – and our work in Australia, Japan and Malaysia merely adds to this.

Cultural diversity is also a challenge – I will make no attempt to deny that. There is no catch-all formula for the best way of dealing with other expectations, values or rules. However, I am confident that itelligence's corporate culture is already a good "school" for our employees: We have always attached great importance to respecting "others" and dealing openly with those we do not yet know. These two things help us to work with clients and colleagues even beyond national borders.

The 2012 Annual Report provides several examples that show where and how itelligence is working internationally. This is just a snapshot of what our colleagues do every single day. You will see where itelligence is entrusted with which duties, and you can see how successfully we are now working with our parent company, NTT DATA, and our affiliates.

NTT DATA created NTT DATA Business Solutions Company at the beginning of last year. itelligence works with three other NTT DATA affiliates with the goal of offering SAP services for medium-sized companies in the Asia/Pacific region. itelligence is responsible for the overall coordination of SAP business. Projects already concluded and still underway prove that this form of cooperation is advantageous to all parties.

Our strategy of entering new countries and positioning ourselves as an international company has proved correct. This has been shown once more by the figures for the past fiscal year of 2012. itelligence has again generated record revenues that we can all be proud of. We have continued to grow in our established and new markets, and with the investment in the SAP service provider Elsys in Turkey, we have closed another gap on our map of the world. In Turkey, the Black Sea region and later the Middle East, we are now moving into an exciting area.

itelligence is also still in the premiere league from a technological standpoint. Our industry solutions help us and our customers to work efficiently. Thanks to the internationalization of these solutions, we are able to enjoy these advantages around the world. A key reason for our undisputed pioneering role in SAP services for medium-sized companies is also our ability to innovate. At itelligence, we're not just talking about the cloud, we're making it possible. We also successfully implemented cloud projects for our customers in the past year.

The same is also true of mobile computing. Mobility is something we take for granted. Companies allow their employees to access their data from anywhere and on any device, offering them new forms of flexible and state-of-the-art working. We are also no stranger to technologies that are just at the beginning of their development: SAP HANA is setting new standards in handling information – of that we are convinced. Corporate IT is entering the next era, and itelligence is there from the start.

You can take that literally, because, here too, we are true to our belief that we seek to use what we sell. itelligence is therefore one of the first users of the SAP Business Suite powered by SAP HANA. Thanks to accelerated simulations and the possibility of integrating intelligent workflows, we will implement customer requirements much more effectively in the future. This is progress that will be tangibly and measurably visible in customer projects.

Innovation, internationalization – itelligence: As in previous years, we will continue to play this triad of our success. I would like to thank you for your confidence in us and I wish you a successful year 2013,

Yours,

Herbert Vogel

Herbert Vogel

# Interview with the Management

# Board

**Mr. Vogel, what were the highlights of fiscal year 2012 for you?** ***Herbert Vogel:*** itelligence's 2012 was shaped by several events. For example, our new data center was opened in Salzenforst in June. Shortly afterwards, we celebrated the completion of a state-of-the-art data center and a move to a new office building in the USA. Of course, the highlights also included the acquisitions of Elsys in Turkey and Blueprint in the UK. I should also mention the fact that we gained many interesting new customers once again. And the fact that further intensified our collaboration within the NTT DATA Business Solutions Company. I was particularly pleased to see us win two SAP Pinnacle Awards. We had never come top in two categories before. This proves how closely involved we are with the market and SAP core topics, and is a great reward for our work.

**Mr. Rotter, what was 2012 like in terms of figures?** ***Norbert Rotter:*** Measured on the basis of revenues, we recorded significant growth. We increased revenues by 18.9%, from MEUR 342.4 to MEUR 407.1. This means that we are clearly operating in line with the optimistic forecast issued at the beginning of the year. Our target was to generate revenues of between MEUR 400 and MEUR 420 – and we have achieved this. I am not satisfied with our earnings before interest and taxes (EBIT), which proved to be much lower than we expected. They totaled MEUR 19.2 as against MEUR 20.4 with an EBIT margin of 4.7% as against 6.0% in the previous year. We mainly attribute this decrease to non-recurring and extraordinary effects in the amount of MEUR 2.4 as well as substantial expenses in IT solutions and internal projects. I firmly believe that these investments will pay off and will soon be reflected by a significantly increased return.

**Did anything stand out for you in the last fiscal year?** ***Norbert Rotter:*** It was certainly a year with lots of exciting projects. If I had to single out one thing, it would be the acquisition of Elsys in Turkey. This was a major challenge, as we were breaking new economic and cultural ground in Turkey – a great pleasure for me personally. We have selected and planned all our acquisitions very carefully. This acquisition is an important milestone on our growth path and on the way to even more internationality. The Turkish economy is booming, and we see great potential for SAP services. With around 150 employees, Elsys is one of the biggest SAP resellers in Turkey, and provides the entire range of SAP services, like itelligence. In addition, with this acquisition in Turkey, we are finally entering another uncharted territory, and opening up further opportunities for expansion. First and foremost, Turkey is the gateway to the Black Sea region, but it can also be a springboard for the Arab region. There are many well-trained specialists with Turkish roots in Germany, including at itelligence. They will help us to build up and cultivate links in Turkey.

**But itelligence has made ten acquisitions in the last five years. Are you overextending yourselves?** ***Herbert Vogel:*** Our aim is to have a broad international base, and there are two options for achieving this: We start from scratch in a country and build up a customer base and visibility on the market by our own efforts. That is sometimes laborious, and can also be risky. The second option is that we look around for a suitable partner that provides the foundation for further growth. In most cases, we have opted for the second variant: With a partner that knows the market and the business, instead of having to relearn everything, we can concentrate on the partnership and growing together.

Of course, an acquisition is more than just a purchase process – you can't underestimate integration of the new subsidiaries. It involves a lot of work. Although we are determined, we proceed carefully. To avoid overextending ourselves, for example, we spread the acquisitions – and therefore the burden of integration – across several shoulders, or individual regions. For example, the Eastern Europe regional organization is responsible for Elsys, while Blueprint in the UK belongs to the Western Europe area.

**So how has the British business performed?** ***Herbert Vogel:*** The UK is a perfect example of a suitable acquisition and successful integration. We have merged four firms into one successful company here. itelligence is now the number one on the market, established in various sectors with consultancy, licenses business, hosting and application management. In addition, we have expanded two business areas simultaneously in the UK: Conventional ERP business as well as business intelligence and business analytics. That is a great example of how we can position ourselves in a new market.

**Is there a recipe for finding the right acquisition candidates?** ***Norbert Rotter:*** There is no standard recipe. But we have learned that the right blend of hard and soft factors is required. An acquisition involves high risks, so extensive preparation is crucial. The figures are important, but the corporate culture also plays a key role. We take great care to ensure that the management and employees are compatible with our culture. There is certainly an element of gut instinct here – that's why you can't write a recipe, and culture can't be determined by facts alone. We always make several trips to the location so that we can gain the best possible impression. As well as talking with the top management, we also want to get to know the second tier. We gather information from third parties, namely customers, market observers and SAP. When these impressions are combined with the figures, a clear picture soon emerges.

**How did the fiscal year go in terms of regional performance?** ***Norbert Rotter:*** itelligence has clearly become more international. We posted double-digit growth (+13.1%) in the DACH region (Germany/Austria/Switzerland). Our highest growth rates were generated in Western Europe at +30.2%, with the acquisitions in France, the UK and Scandinavia bearing fruit here. Business in Asia is also on a stable footing now. For the first time, we posted a positive earnings figure in Malaysia. At MEUR 7.0 million, revenues in Asia are at a low level, but we are making significant progress. Even the weakening US market recorded an increase, albeit to a lesser extent than we had hoped. However, our consultancy business saw a slight downturn. Even so, at the beginning of the year, we decided to acquire the SAP-based business of Software AG in North America. The new branch in Toronto, Ontario supplements the existing branch in the French-speaking part of the country in Montreal, Quebec. The team in Canada has grown by 30 to 50 employees, and we have acquired 80 new customers in Canada and the USA. This strengthens our position on the North American continent.

**What does the situation look like in terms of revenues generated by the various business areas?** ***Herbert Vogel:*** Encouragingly, the revenue share of the recurring business continues to grow steadily. itelligence now generates just under 40% of its revenues through services such as outsourcing, application management and maintenance: and the numbers keep growing. We can see ongoing demand for these services from existing and new customers alike. Many companies no longer want to do everything themselves or maintain their own IT infrastructure. By expanding our data centers, we can keep on meeting this demand in future and also expand our range of cloud computing services.

However, our strongest field remains the consultancy business, which generates more than half our revenues. We also expect rising demand here. The increasingly wide and far-reaching spread of IT means that companies need professional advice. With our industry

Norbert Rotter
CFO

expertise and knowledge of the SME sector, we are extremely well-positioned for this development. Licenses business accounted for just under 10% of revenues last year. itelligence is satisfied with this figure, but overall, license business must continue to increase its share next year.

**Mr. Rotter, are you satisfied with the current revenue distribution?** ***Norbert Rotter:*** Recurring business ensures sustainable long-term revenues for us. Our business is therefore on stable foundations. However, I see a need to make up ground in license sales. This is our calling card for new customer relationships, in which we are investing considerable capital. We also need to keep an eye on staff-intensive consultancy. Due to the shortage of specialists on the market, staff costs rose significantly last year, with no corresponding increase in daily rates. For itelligence, this means continuously improving capacity utilization in projects.

**With cloud computing, business analytics and mobile business, several innovations impacted on the IT market simultaneously. What role did the new technologies play in your business?** ***Herbert Vogel:*** The discussion in the IT community about cloud computing and business analytics is certainly sparking a lot of curiosity and demand. But it is necessary to distinguish between the market maturity levels of the various technologies: Mobile business has now become the norm, it is state-of-the-art. All customers expect company data to be entered, called up or evaluated on a mobile device. This is now easily possible, as the devices have become much more affordable and the solutions are easier to operate in the SAP environment. Running company software on tablets or smartphones and managing the applications and devices is not rocket science.

**In business analytics, everything revolves around SAP Business Warehouse and the in-memory technology HANA. Has using HANA also become the norm?** ***Herbert Vogel:*** Not yet, it is still too early for that. But the technology is becoming established, as SAP has managed to position the product successfully. HANA represents acceleration in all areas. Combined with use of Business Warehouse, data queries and analyses can be completed much more quickly. Running different evaluations in a fraction of the previous time is an important tool to help companies assess and manage their own business, the market and new potential.
In the next step, SAP is extending this potential to its entire range of applications, for instance solutions in customer relationship management. Ultimately, HANA is becoming a platform for the whole of ERP. Therefore, SAP AG is also changing, from a software manufacturer to a provider of an entire platform. I firmly believe that HANA will mean much more work for us in the years

**Herbert Vogel**
CEO

ahead. We ran a few pilot projects in 2012, and are seeing active interest from our customers.
**Is HANA really suitable for SMEs?** *Norbert Rotter:* The technology is attractive to all companies that work with high data volumes or analyze lots of evaluations in a short period of time. So far, HANA has mainly been the preserve of major customers, but HANA is also attracting the attention of SMEs. We are also noticing this: Customer interest is high. In new customer business, this SAP innovation is a clear competitive advantage. We can do well here, and have nothing to fear when companies compare the performance of SAP products and non-SAP products.

**And finally, hype number three: Cloud computing. Would you say that it made the big breakthrough in 2012?** *Herbert Vogel:* We actually concluded large-scale projects in the cloud sector last year, and are very confident of further revenue growth here. This applies to the SAP solution Business ByDesign as well as other products. itelligence is a member of the partner program of SuccessFactors, an SAP company and a leading provider of cloud-based business execution software. As a result of this partnership, we can provide our customers with an optimum product range in human capital management. As for the question of hype: I think cloud computing accounts for an increasing share of our business, but not to an extreme extent, as conventional ERP business still has the biggest share of our market by some distance.

**How is itelligence actually managing to keep up in view of this increasingly wide range of SAP products?** *Norbert Rotter:* The range of solutions has certainly become much bigger, and asks a great deal of our employees. At the same time, they face increasing requirements in terms of their sector and process expertise. However, we have a vast wealth of experience in this field in particular. In addition, we continuously support our colleagues in various ways: Conventional training is on the agenda, as well as continuous expansion of our knowledge platform. And with DELTa, we have an internal intelligence program with which we develop our trainees. Furthermore, we don't insist on doing everything ourselves. With our "Extended Business Member" (EBM) partner program launched in 2010, we have set up a network of companies that possess specialist expertise. We cooperate successfully with these partners in some regions, in special sectors or on selected SAP topics.

**Mr. Vogel, you have already talked about the target regarding internationalization. How have you pursued this?** *Herbert Vogel:* We have taken some important steps in this direction and achieved several targets. Internationalization has several aspects. Firstly, it is about building up a presence in countries where we don't have any branches yet. We have achieved this with the acquisition of the Turkish consultancy firm Elsys, for example. Another aspect of internationalization was integration of the individual national companies. We have made very good progress here in the UK as well as in France, the Netherlands and the Denmark/Norway region.

We can also talk of successful internationalization in terms of our products: We have invested a lot of time and money in our core products. All industry solutions including the accompanying materials as well as documentation or marketing documents are now available in German and English, which obviously makes cooperation between countries easier.

**The NTT DATA Business Solutions Company established by NTT DATA plays a key role with regard to Asia. itelligence coordinates and leads this collaboration of various NTT DATA subsidiaries. What has happened since this structure was established at the beginning of 2012?** ***Herbert Vogel:*** The NTT DATA Business Solutions Company brings together the SAP services of NTT DATA in the Asia/Pacific economic area, thus the APAC region. The focus is on SAP and the SME sector, which in this case we define as a revenue volume of up to EUR 5 billion. By working together in the NTT DATA Business Solutions Company, we are boosting growth in the region and strengthening our local and global position. To date, in addition to itelligence, the NTT DATA Business Solutions Company consists of three other firms: Two SAP service providers with the same business model as itelligence in Australia and Malaysia, and a BI specialist from Singapore, which obtains around 70% of its work from SAP solutions, but also provides non-SAP systems.

The firms have already been working hand-in-hand on their first projects in the past year. To make further progress with this and make collaboration easier, we laid important organizational foundations in 2012, for example by aligning the governance model of the individual organizations.

**So what is the difference between an itelligence project and a project of the NTT DATA Business Solutions Company?** ***Herbert Vogel:*** There is no difference, there is simply an added dimension, as we support each other. If a project is started up in Singapore, Malaysia or Australia, where itelligence is not represented, the affiliates in the NTT DATA Business Solutions Company take responsibility. In turn, China is the market where the itelligence team takes over the reins. With this collaboration, we cover a wide range of SAP services for the Asia/Pacific region by working closely together across national borders.

**itelligence is likely to become wholly-owned by NTT DATA EUROPE this year. The voluntary public purchase offer marked the start of this. Now the squeeze-out is looming, which will also see ownership of the remaining shares transferred to NTT DATA. What is your view of this step by NTT DATA?** ***Norbert Rotter:*** We can understand this step by NTT DATA. If itelligence is wholly owned by the NTT DATA Group, this makes several processes easier, especially internal ones, for instance in the cooperation with the NTT DATA Business Solutions Company that I mentioned earlier. Although itelligence is already a driving force within NTT DATA, the previous ownership situation made this really complicated. We can soon structure this work more efficiently. Ultimately, we expect an increase in business with affiliates in the NTT Group.

**Do you also expect savings in terms of time and money if itelligence is no longer listed on the stock exchange in future?** ***Norbert Rotter:*** Expenditure for our listing has been limited. I therefore don't expect us to save costs to a great extent by delisting. Listing on the capital market certainly involves costs for reporting or communication with analysts. However, it also raises our profile beyond the stock exchange. To maintain this publicity, we will have to invest more in marketing and PR measures in future.

**What will happen next with the squeeze-out?** ***Norbert Rotter:*** There are specific rules for a squeeze-out. At the moment, we have the formal request from NTT DATA EUROPE. NTT DATA EUROPE will set the appropriate cash compensation on the basis of a business valuation by an auditing firm. The appropriateness of the cash compensation will be examined by the legally selected and appointed auditor. As things stand, we expect the squeeze-out to be approved at the Annual General Meeting on May 23, 2013. The squeeze-out will then become effective upon entry in the Commercial Register.

**What does the full takeover mean for itelligence? Will the itelligence name be retained?** ***Herbert Vogel:*** We have arranged with NTT DATA that itelligence will remain independent, and this statement continues to apply. This also means that the itelligence name will be retained.

**Mr. Vogel and Mr. Rotter, what are your plans for the current year? What are your predictions for 2013?** ***Herbert Vogel:*** First of all, I'm optimistic that we will continue to grow in 2013, both inorganically and organically. We have invested heavily in our industry solutions, and I can see that we are well on course to reap the benefits of this. These solutions help our customers, as they are easier and quicker to implement. But they also help us to carry out projects as efficiently as possible.

I can still see constant demand from customers. There remains a need to make up ground in the use of modern ERP systems and innovative technologies. Interest in services such as outsourcing and application management will continue to grow.

In keeping with our internationalization strategy, we are planning further acquisitions in order to strengthen existing companies or fill regional gaps. One large region where we don't yet have a presence is South America. This is an exciting market that we can only service through partners at the moment.

**And what will you be working on in 2013, Mr. Rotter?** ***Norbert Rotter:*** My main priority is our efficiency program "Target Seven". This is based on the principle that a company is attractive when its operations are extremely profitable. We have set ourselves the target of trimming our EBIT margin towards 7%. This gives us the scope to step up our expansion.

**Does this mean you are planning a cost-reduction program?** ***Norbert Rotter:*** No. It's not about simply cutting costs, but about creating more transparency. This will be reflected by reduced expenditure. Our focus is clearly on internally-driven revenue growth and targeted acquisitions. Through this approach, we will extend our expertise in the new and fast-growing SAP technologies such as HANA and business analytics. It is important for us to remain innovative. itelligence should attract by virtue of its size and internationality, but especially its innovative strength. Our employees are the key factor here.

**Mr. Vogel, last year, your contract as a member of the Management Board was extended until 2015 only. Does this mean you will be stepping down as itelligence CEO in two years' time?** ***Herbert Vogel:*** Yes, I decided some time ago to step down in the year of my 62nd birthday. I've never made a secret of that. By then, I will have been doing the job for 26 years. That's a long time. Long enough to hand it over to someone younger. ■

# Global
# Business Solutions

Working globally is not something that can be taken for granted. Even in the 21st century, different time zones, different languages and different mentalities are still a challenge to companies that operate in multiple countries. But there are ways of overcoming these hurdles. Experience and knowledge are two of them, as are openness and tolerance. There are also such solutions in the software world: Applications that work across national borders, that satisfy the requirements of the Brazilian tax system just as well as they do the specific IT processes in China, the Czech Republic or Australia. In the NTT DATA Business Solutions Company, we are building a bridge between nations by bringing together the very best SAP experts from various regions. In other words, we are combining our forces so that customers can concentrate on their business – worldwide. »

# Helping you grow

CHEMINOVA — HARBOØRE, DENMARK

Since 2009, the itelligence team from the Nordic Region has been working on an SAP system roll-out for the Cheminova Group. It is converting the entire SAP landscape to a globally uniform basis in close cooperation with the management of the Danish company. „We defined a clear roll-out methodology and approach," says Jens Christian Derdau Sørensen, itelligence consultant and project manager. „Clear tasks and responsibilities and implementation in a structured manner are a prerequisite for a successful roll-out." Production sites in Denmark and processes in Madrid – the largest sales branch abroad – were to act as the template for the global use of the software.

Cheminova is a specialist for plant protection products. This type of business consists of coming up with products that support the world's growing foodstuff requirements. The company arose in 1938 from a research branch of the Aarhus University, Denmark, and has expanded in the past decades – both organically and due to takeovers. Today's 2,100 employees achieve sales of around MEUR 760. The Danish firm sells its products through its own subsidiaries in 20 countries and via partners all around the world.

„We had an outdated IT platform, inhibiting our global growth. As we bought up and acquired other companies with different ERP solutions, it became clear that we needed a more powerful IT backbone," says Henning Christensen, Vice President IT at Cheminova. This is why the Cheminova management decided to carry out an overall modernization of its IT and make it available on a uniform basis.

itelligence would not only be an implementation partner for this task, rather it would also subsequently assume application support and hosting. „We are very happy with the cooperation with itelligence. We enjoy an excellent and close partnership, as we know what we have in common and what are our differences," says Henning Christensen, Vice President IT at Cheminova.

Since then, the team has rolled out the SAP system in around a dozen countries – in Europe, North America, Asia, Australia and South America. Last year it was South America's turn. The majority of the job has thus already been completed. "Every continent and country was unique," says Sørensen and continues: "We were learning at a tremendous rate and the SAP team worked closely together with local employees and management. We solved big and small problems and even got help from the small itelligence USB-stick named Herbie referring to the founder of itelligence Herbert Vogel. The small USB-stick proved to be a last minute solution to transfer a sensitive file from the legacy system to SAP solving a critical invoicing issue."

Sørensen feels the right balance has to be found when it comes to combining different cultures and how they work. "I am happy that we achieved three successful Go-Lives on a tight schedule for Cheminova in South America. We gathered huge amounts of experience in the culture, SAP competences and relations to people and partners," says Sørensen and concludes: "We have completed roll-out projects in many countries for Cheminova and our roll-out approach and methodology has proven very successful." ■

*"We keep working with itelligence, because our cooperation is very good. We know each other and each other's differences, and we are very close. When rolling out, we have a strong focus week by week and full attention from both our management and the itelligence management."*

**Henning Christensen, Cheminova's Vice President IT**

# Work without Pressure

OKI DATA CORPORATION — TOKYO, JAPAN

The roots of the Japanese OKI Group stretch back to the 19th century. Founder Kibataro Oki, who developed Japan's first telephone in 1881, established his own company, originally under the name of Meikosha – it was later renamed OKI Electric Industry. Over the decades, the electronics group has grown to become a global company that now has approximately 18,000 employees and operates in 120 countries.

OKI Data, a wholly-owned subsidiary of the electronics expert and a specialist in printers and printer services, is a customer of both NTT DATA and itelligence. The company has built up a strong reputation worldwide, especially in the professional sector. It is regarded as a market leader in high-performance color printing. OKI's image is built on numerous awards for its innovative technologies. Today, OKI Data focuses strongly on the growth segment of services. With intelligent concepts, companies can keep their printing costs down and reduce damage to the environment. OKI Data helps them in doing so with a wide range of services, from consultancy and installation through to operation and management of entire printer landscapes.

Corporate headquarters and the head office for operations in Asia (Asia/Pacific/Japan region) are in Tokyo. OKI Data's activities in the South and North America regions are managed from New Jersey, USA, while operations in Europe and the Middle East (EMEA) are run from London. The IT structure follows this organizational pattern: three SAP system environments support the global business. To avoid the need to invest in in-house resources while still ensuring high quality with stable IT operation, those who were responsible at OKI Data decided to transfer this job to a specialist. The call to tender for SAP outsourcing services was carried out separately for two of the three regions. NTT DATA won the tender for the two regions, APAC and Europe. This was possible because NTT DATA and itelligence coordinated very closely during the presale as well as later in the project, and impressed as a closed unit. "In Japan, NTT DATA Global Solutions Corporation is the main contact for OKI," explains Michael Porada, Vice President at itelligence and Head of Outsourcing for the APAC sales region. NTT DATA in Tokyo collaborates intensively with the itelligence data center in Cyberjaya, Malaysia. The central SAP system environment for OKI has been operated there since May 2012.

As a German company that provides SAP outsourcing services in Malaysia for Japanese companies, itelligence is regarded highly in the Japanese IT market. "In recent years, we have established ourselves successfully in the Japanese market in conjunction with NTT DATA Global Solutions Corporation. Communication with Japanese customers is mainly handled by our colleagues at NTT DATA," says Michael Porada. "Both OKI and NTT DATA are local giants in Japan, and the information flow between them runs extremely well. Also, the itelligence data center in Malaysia meets all customer requirements reliably and professionally." As Japanese colleagues also work at the data center in Cyberjaya, understanding is seamless. The customer, OKI Data, shares this viewpoint. ***"In this project, the NTT DATA and itelligence team has proved that it can address the customer's individual needs and provides outstanding services as an SAP Global Hosting Partner,"*** says Ms. Yoko Oizumi, Director of the Information System department at OKI Data. ***"An outsourcing partnership requires trust. Our trust in NTT DATA and itelligence has been more than confirmed, and we look forward to continuing our successful cooperation."***

itelligence also secured the project for operation of the European SAP system landscape. The itelligence data center in Poznan, Poland, is currently working to finish implementation of the SAP systems. "In close cooperation with our itelligence colleagues in Cyberjaya, Malaysia and NTT DATA in Tokyo, we will hand over the systems to OKI Europe Limited on time," says Michael Porada. ■

# A Partner with Profile

BRIDGESTONE – TOKYO, JAPAN

In Tokyo, the declared objective of the management of the tire manufacturer Bridgestone is to make Bridgestone the world's number one brand in its sector. Or, as it says on their website, „undisputed world No.1 tire and rubber company both in name and reality". They have almost achieved that goal.

The company currently has about 180 production and research locations in 25 countries. The most important country is still its home market of Japan. The success of the Japanese automotive industry has played a major role in the rise of Bridgestone. The automotive industry also first established itself in Japan before successfully taking on the international market. This is why about a third of Bridgestone's capacity can be found alone in Japan: 60 plants, 2 research centers and 2 test sites.

itelligence is supporting the Bridgestone Group in China. Bridgestone has two raw material plants, four tire plants and one sales organization in the largest country in the Asia-Pacific region. „The company headquarters in Tokyo decided to carry out an SAP upgrade," explains Arc Qian, itelligence project manager in China. „The previous SAP landscape was based on ERP R/3." The objective was to modernize the applications with the introduction of SAP ERP ECC 6.0 EHP 5.

The cooperation between itelligence and Bridgestone began in China in July 2011. Arc Qian's team worked on implementing the new system on behalf of itelligence's parent company, NTT DATA. The fact that both Japanese groups already have a long-standing business relationship was naturally of great help for this project. NTT DATA supported the project by making available an experienced manager, who facilitated communication between Japan and China. „The Japanese and Chinese come from different cultures," said Arc Qian. Their approaches to work are extremely different.

The new software was rolled out on-time in February 2012. „As is the case in many IT projects, we were initially viewed as a disruptive outside influence," states Arc Qian. The added value to the company due to the new system has, however, been clearly recognized. ***„The collaboration with itelligence was excellent overall,"*** sums up Xiaomeng Yang, Manager of IT department at Bridgestone. ***„We now save on costs and work more efficiently thanks to the new software."***

The project team had just 20 specialists, mainly from itelligence China, plus one NTT DATA manager from Japan and one NTT DATA manager assistant from China. „All our itelligence employees are Chinese, half of whom speak fluent Japanese," a clear success factor according to Arc Qian. They were able to collaborate closely with the Bridgestone key users, who were trained for the new processes.

This is not the end of the business relationship between itelligence and Bridgestone. Some of the Chinese itelligence SAP consultants will support the Japanese global market leader in further IT projects. Bridgestone can thus fully focus on its goal of being the world's number one brand for tires. ■

# All the Way across Europe – and Beyond

GEDIA — ATTENDORN, GERMANY

From Germany to Poland, back to Germany, then to Hungary, Spain and back to Poland again. This is the route on which itelligence embarked two years ago with its customer GEDIA. GEDIA, based in Attendorn, is a developer and manufacturer of bodywork structure parts and components. It is known mainly to industry insiders: The company delivers to almost every big-name automotive manufacturer. In keeping with the principle of sticking close to the customer, GEDIA and its production facilities follow automotive manufacturers into other countries. It is a sophisticated clientele. A clientele that wants to be supplied quickly, efficiently and with high quality. To date, GEDIA has had production plants and technology centers in Poland, Hungary, Spain and China, with a large number of investments in technology companies and joint ventures, including in the United States and Mexico.

GEDIA's business demands a complex system landscape. ERP that supports the full logistics chain of the automotive industry. The company's own development requires construction and project planning tools that need to be integrated. It also has its own IT-based tooling operations – from project planning to prototyping to delivery.

itelligence was asked to replace the previous heterogeneous system landscape with a uniform solution. "An integrated application allows efficient processes, ensures deliverability and guarantees consistent quality and security standards," says Peter Roth, project manager at itelligence, of the advantages of the new system. itelligence also got the complexity under control by choosing the industry solution "it.automotive supplier". "The industry solution and our industry expertise allowed us to accelerate the work involved in implementation to some degree," Peter Roth continues. The launch began at the company's head office in Germany, followed by the roll-out to various branches. An intensive phase of collaboration thus began for the teams from GEDIA and itelligence. In doing so, they got to witness differing facets of Europe – with Poland and Hungary in the east and Spain in the south. The best recipe for successful cooperation was mutual respect and clear communication. "Explain, show, convince – as long as it takes until everyone understands what's involved and also feels involved," explains Peter Roth. Each SAP project is built on three pillars: First, the completeness and correctness of all functions and processes, second, the quality of the master data, and third, the expertise and acceptance of the staff.

The team also achieved the last of these because itelligence has its own people on site in each of the countries: Colleagues at the Polish itelligence branch in Poznan and the Hungarian office in Budapest especially helped the team to implement the local legal requirements. "Our coworkers there best know the local requirements of the system," said Peter Roth. He also relied on the support of his Spanish itelligence colleagues in Barcelona. ***"The special thing about working with itelligence is the excellent communication between the people involved,"*** said Uwe Herrmann, head of IT/Organization at GEDIA. ***"Thanks to their professionalism and the good personal understanding, we brought the project to a successful conclusion together in spite of the short time available."***

The Southern and Eastern European GEDIA project has since been largely completed. In April it will return to Poland once more, where the company has a second large production facility. It is starting to look like Mexico and China will be next on the agenda. Project manager Peter Roth knows that he will be confronted with completely different cultures there. But he doesn't have to worry. His colleagues there are sure to be happy to help. ■

# Robots with Flair

KUKA — AUGSBURG, GERMANY

They grasp with millimeter precision, transport objects, can cut, saw, mill and do much more. They are also extremely robust, can handle heat and dirt, and – if they have to – will do the same work day in, day out. Industrial robots are true miracles of technology. Their possible applications extend across numerous industries. Whether on a construction site, in a warehouse or in a factory.

The Augsburg company KUKA Robotics is one of the world's leading manufacturers of industrial robots. The company produces nearly 30% of all robots for the automotive industry alone. KUKA's largest location is Germany, and it is also represented by 25 subsidiaries on the key markets of Europe, the Americas and Asia.

Its roots in Germany, combined with international business – were one of the reasons why KUKA chose itelligence. The two partners have a similar corporate culture. "We also work worldwide and at the same time have strong ties to our home market," says itelligence manager Andreas Leidloff. Andreas Leidloff founded and successfully expanded the Chinese branch of itelligence. He is now the Director of Operations and Integrations for the Eastern Europe region.

KUKA has already been operating successfully in China for twelve years and is anticipating major growth in the coming years – specifically with automotive manufacturers, but in other industries of this future market as well. Both the Chinese and the German automotive industry now established there represent substantial potential for the Augsburg company. In order to keep pace with this growth, KUKA is currently building a new plant for control units and robot assembly in Shanghai. itelligence's job was to install the necessary SAP system as the new KUKA factory was being built in Shanghai. More precisely, this was a question of installing two product lines, because the two key elements of a robot – the hardware and the control cabinet – are built separately and then combined at the end of the process.

At the same time, KUKA had already begun the transition of production for control units in Hungary based on SAP. No easy undertaking. "Manufacturing control cabinets is highly specialized work," explains Andreas Leidloff. "We had to calibrate the SAP system especially for the required processes." This adaptation to the specific nature of control unit production was carried out in close coordination between the project teams in Hungary and China. The plant in China was to benefit from the transition in Hungary from the very beginning. "This was an unusual collaborative situation for us," says Andreas Leidloff. Co-workers in China and Hungary rarely have anything to do with each other. But the cooperation between Hungary and China worked from the start. People from both countries quickly got to know each other personally: In October 2012, the team from China flew to Hungary for two weeks to watch their colleagues at work.

Predominantly young Chinese integration consultants met a Hungarian team consisting of experienced SAP experts. The combination worked. The specialists on both sides spoke to each other in English, so that there was no difficulty in communication. As both project teams were working under considerable time pressure, they used the two weeks intensively to exchange knowledge. Back in China, the project was concluded to everyone's satisfaction.

All systems have been running as intended since the beginning of this year – in Hungary and China. A fitting end to the project. ■

# Smooth running

## OILES AMERICA CORPORATION – CONCORD (NC), USA

The OILES Group is one of Japan's hidden champions. Only sector insiders know the company; its products, however, are used in almost all Japanese vehicles. OILES is an expert for self-lubricating, maintenance-free bearings, seals and sliding elements. The company founder, Sozo Kawasaki, was intrigued in the 1920s with developing bearings that did not require lubrication. Products can be more easily serviced, have a long service life, and be easily further processed due to this design that uses no lubricants. The customer does not use any oil, thus saving on costs for the subsequent appropriate disposal of used oil: something which is good for both companies as well as the environment.

The secret behind the OILES products lies in their special materials and production. The corresponding expertise is a valuable asset of the globally successful company, which has around 1,000 employees. OILES has over 2,000 patents worldwide. The most important customers are automotive manufacturers; the products are, however, also used in Japan in the mechanical engineering industry and in facility and power plant construction. OILES has production sites throughout the world: mainly in Asia, but also in Europe, Australia and the USA. itelligence, working through NTT DATA subsidiary Qunie, is a partner of Oiles America Corporation, which is headquartered in North Carolina. The combination of in-depth sector expertise and SAP knowledge led to the cooperation between the two companies. „OILES is already a customer of NTT DATA Global Solutions Corporation, more specifically Qunie," says Rob Clifton, Manager Strategic Operations from itelligence USA. Qunie had the task of installing a globally uniform SAP system for the following areas: finance, sales, warehousing and logistics as well as production planning.

Qunie brought in experts from its sister company itelligence USA to ensure a smooth rollout in the USA. „The US automotive market works differently than that in Asia and we have a lot of experience in this area," says Rob Clifton. The project was particularly complex due to the EDI platform used within the sector for exchanging data between business partners. The experience of the itelligence consultants was thus a success factor for the implementation. Oiles trusted the in-depth sector knowledge of the itelligence consultants. The success of the project has proven them right.

The active exchange between the teams from both NTT DATA subsidiaries was also an important success factor. The SAP platform had already been rolled out in China and Thailand before the USA. Under the guidance of Qunie, Chinese and US-American consultants worked together on continuing the global roll-out. „It is not difficult to imagine that some cultural differences arose," says Rob Clifton. The language as well as the large time difference between Japan and the USA were an additional challenge. „We all, however, had the same objective, namely to jointly master the SAP project so that a good working relationship could develop."

The new SAP system has now started, the business processes are running impeccably, and both NTT DATA sister companies are jointly responsible for application maintenance. For OILES, this means that the SAP system roll-out has moved onto additional OILES locations – with the excellent support of Qunie and itelligence. ■

**Friedrich Fleischmann**

Chairman of the Supervisory Board

# Report of the Supervisory Board

*Dear Shareholders and Friends of the Company,*

itelligence AG can look back on a successful fiscal year 2012 in which it achieved a substantial improvement in its revenue development and generated the highest revenue volume in the Company's history. This was driven by impressive organic revenue development and a targeted acquisition strategy including the successful integration of the companies acquired within the itelligence Group. The record earnings generated in the previous year were not repeated. This was due in particular to non-recurring extraordinary effects in the amount of MEUR 2.4, as well as significant expenses and investments in industry solutions. These are investments in the future that the Company is making in order to further expand its already excellent national and international positioning.

In fiscal year 2012, the Supervisory Board 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. On December 14, 2012, the two executive bodies jointly submitted a revised declaration of compliance in accordance with section 161 of the German Stock Corporation Act and made this available to shareholders in the relevant section of the Company's website. At the start of this year, this declaration was supplemented by the revised corporate governance report and the declaration on corporate governance. A report on the amount and structure of Supervisory Board and Management Board remuneration can be found on pages 66–73 of the Annual Report.

In the year under review, the Supervisory Board performed the tasks allocated to it by law, the Articles of Association, the German Corporate Governance Code 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.

In order to prevent conflicts of interest, the members of the Supervisory Board, Mr. Kazuhiro Nishihata and Mr. Akiyoshi Nishijima, abstained from voting on the resolution of the Supervisory Board on the joint statement by the Management Board and the Supervisory Board of itelligence AG in accordance with section 27 of the German Securities Acquisition and Takeover Act regarding the voluntary public purchase offer made by NTT DATA EUROPE GmbH & Co. KG. 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 Management Board or the Supervisory Board in the year under review.

In its capacity, 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 2012, the Supervisory Board held a total of six 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. **The statement regarding the public purchase offer made by NTT DATA EUROPE GmbH & Co KG to the Company's shareholders**
2. **Approval and adoption of the single-entity and consolidated financial statements for 2011**

3. **Commissioning of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for fiscal year 2012**
4. **Budget definition and budget review**
5. **Investments and planned acquisitions**
6. **Integration process for the acquired companies**
7. **itelligence AG's future dividend policy**
8. **Capital increase subject to shareholders' pre-emptive subscription rights utilizing authorized capital**
9. **Monitoring of the risk early recognition system established by the Management Board**
10. **Corporate governance and compliance**

In fiscal year 2012, the Audit Committee met on March 14 and October 24. At both 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 also met on March 14, 2012. The meeting focused on preparing the resolution of the plenary session of the Supervisory Board on the regulation of contractual matters with the members of the Executive Board.

The Strategy Committee also met on December 5, 2012, where it primarily discussed the expansion strategy and matters relating to increasing efficiency.

At the Annual General Meeting on May 31, 2012, the Supervisory Board and Management Board proposed a dividend of EUR 0.18 per share for fiscal year 2011. The Annual General Meeting approved this proposal with a large majority.

In accordance with the resolution by the Annual General Meeting on May 31, 2012, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as the auditor of the single-entity and consolidated financial statements. 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 and the consolidated financial statements, the management reports of itelligence AG and the itelligence Group and the risk management system 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 13, 2013, the Audit Committee discussed the single-entity and consolidated financial statements for 2012 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 14, 2013, 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, 2012, 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.

The term of office of the shareholder representatives in the supervisory board ended after the ordinary shareholder meeting 2012. Therefore, the former shareholder representatives were appointed again by the court. The previous Chairman of the Supervisory Board, Dr. Lutz Mellinger, stepped down from his position for personal reasons on December 31, 2012. We would like to thank Dr. Mellinger for nine years of constructive work on behalf of the Supervisory Board, including five years as Chairman. In recent years in particular, Dr. Mellinger played a key role in shaping and driving ahead the successful integration of the majority shareholder NTT DATA thanks to his foresight and extensive experience. At its meeting on December 6, 2012, the Supervisory Board selected Friedrich Fleischmann, who has been a member of the Supervisory Board since 2004, as the new Chairman of the Supervisory Board and Chairman of the Strategy and Personnel Committee. Prof. Heiner Schumacher was appointed by court as a new Supervisory Board member. The Supervisory Board elected Prof. Schumacher to the Audit Committee, the Personnel Committee and the Strategy Committee. Prof. Schumacher took over as Chairman of the Audit Committee. The supervisory board will propose to the ordinary shareholder meeting 2013 to resolve on the election of the shareholder representatives which were appointed by the court.

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 2012. They have made a major contribution to another successful business year for itelligence.

Bielefeld, March 14, 2013
For the Supervisory Board

**Friedrich Fleischmann**
**Chairman**

# Corporate Governance Report

In fiscal year 2012, the Management Board and Supervisory Board of itelligence AG again placed a high degree of importance on corporate governance topics, which it pursued internally. The Management Board and Supervisory Board are committed to the principles of the German Corporate Governance Code and follow the majority of the recommendations contained therein. 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 shareholders, customers, employees and the public in the Company.

The Management Board and Supervisory Board addressed corporate governance topics on several occasions during fiscal year 2012 and jointly submitted a revised declaration of compliance for 2012 in accordance with section 161 of the German Stock Corporation Act (AktG) on December 14, 2012. 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 15, 2012, and only deviates from these principles 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 2012 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). There were no 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. In order to improve efficiency, a number of committees were formed in 2004. The committees in the year under review were the Audit Committee, the Personnel Committee and the Strategy Committee. No conflicts of interest arose within the Supervisory Board during the previous financial year.

Information on the remuneration paid to the members of the Management Board and Supervisory Board can be found in the remuneration report in the management report of this 2012 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.

## Shareholders and the Annual General Meeting

The shareholders of itelligence AG can exercise their rights at the Annual General Meeting, where they can also discharge their voting rights. Shareholders may exercise their voting rights at the Annual General Meeting in person or appoint a proxy of their choice or the Company's representative to exercise their voting rights in accordance with their instructions. itelligence AG ensured that all relevant reports and documents for the Annual General Meeting were made available on its website in good time.

The Annual General Meeting in Bielefeld on May 31, 2012 passed all agenda items with a large majority of the votes cast. The shareholders in attendance, who numbered around 50 and accounted for 74.5% of the voting rights, also approved the proposal to distribute a dividend of EUR 0.18 per share for fiscal year 2011 with a majority of the votes cast.

## Transparency

itelligence AG provides 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. The declaration on corporate governance can also be found on itelligence AG's website. In fiscal year 2012, a total of nine ad hoc releases in accordance with section 15 of the German Securities Trading Act and five directors' dealings were published.

## Directors' holdings

No members of the Management Board or Supervisory Board held itelligence shares or financial instruments based on them as of December 31, 2012.

In February 2012, the CEO Herbert Vogel acquired a total of 5,059 itelligence shares. Thus, Herbert Vogel held 610,797 itelligence shares at this time. Dr. Britta Lenzmann, employee representative in the Supervisory Board, still held 189 itelligence shares in 2012. Both Herbert Vogel and Dr. Britta Lenzmann sold their itelligence shares as part of the public bid by NTT DATA EUROPE GmbH & Co. KG.

## Accounting and auditing

The Management Board prepares consolidated financial statements for the full year and condensed consolidated financial statements for the quarterly and 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.

All reports were published within the periods specified by the German Securities Trading Act and the Exchange Rules of the Frankfurt Stock Exchange for companies listed in the Prime Standard. The audit for fiscal year 2012 was performed by the auditor elected by the Annual General Meeting on May 31, 2012, 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 in accordance with Article 161 of the German Stock Corporation Act

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 aforementioned executive bodies of itelligence AG endorse the recommendations and provisions of the German Corporate Governance Code. itelligence AG acted in accordance with the recommendations of the German Corporate Governance Code throughout the 2012 financial year and will continue to do so in future based on the version of the German Corporate Governance Code last amended on May 15, 2012. itelligence AG departed from the recommendations of the German Corporate Governance Code in some aspects. Details of the individual departures are provided below.

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

### 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, itelligence AG has made elections to the Supervisory Board on a block basis rather than on an individual basis, and does not intend to change this procedure in future.

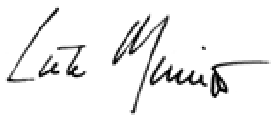
Elections on a block basis are standard practice and have proved to be valuable in enabling the rapid completion of the General Meeting.

### Section 5.4.6: Performance-related compensation of members of the Supervisory Board

"If members of the Supervisory Board are promised performance-related compensation, it shall be orientated toward sustainable growth of the enterprise."

Besides their fixed compensation, the members of the Supervisory Board of the Company receive a performance-related compensation. The amount of the performance-related compensation is orientated towards the Company's short-term and long-term success. The short-term component is calculated on the basis of the consolidated results per share in the last fiscal year. The long-term component is calculated on the basis of the development of the stock exchange price in a three-year-period. It is envisaged to convert the compensation of the Supervisory Board members into a fixed compensation without performance-related component.

Bielefeld, December 14, 2012
itelligence AG



For the Board of Management
Herbert Vogel

For the Supervisory Board
Dr. Lutz Mellinger

# Shareholder Value

## itelligence's shares

The national and international stock markets developed very positively overall in 2012. Both the DAX and the DOW JONES began the year well with prices rising until March, though a subsequent down phase led to the year's lowest prices in June. Both indices recovered from this, and each reached its respective high for the year at the end of December. The DAX opened 2012 at around 6,100 points and closed at over 7,600. Its performance was therefore around 25%. The movements on the TecDax were almost parallel to this in 2012, beginning the year at around 700 points and ending at roughly 830. Technology stocks therefore slightly underperformed the DAX, but still delivered a strong showing of around 18.5%.

Developments were very quiet for itelligence shares in the past year, and they remained in the region of EUR 7 into October. Following the publication of the voluntary purchase bid by NTT DATA on October 29, 2012, the shares climbed to EUR 10.70 within one day and reached their high for the year of EUR 11 on December 28. After opening at EUR 6.83, this corresponds to a performance of around 61%. A dividend of EUR 0.18 was also paid for 2011.

## Shareholder structure

According to the Company's own information, itelligence AG had the following shareholder structure at the publication date of the Annual Report (March 21, 2013):

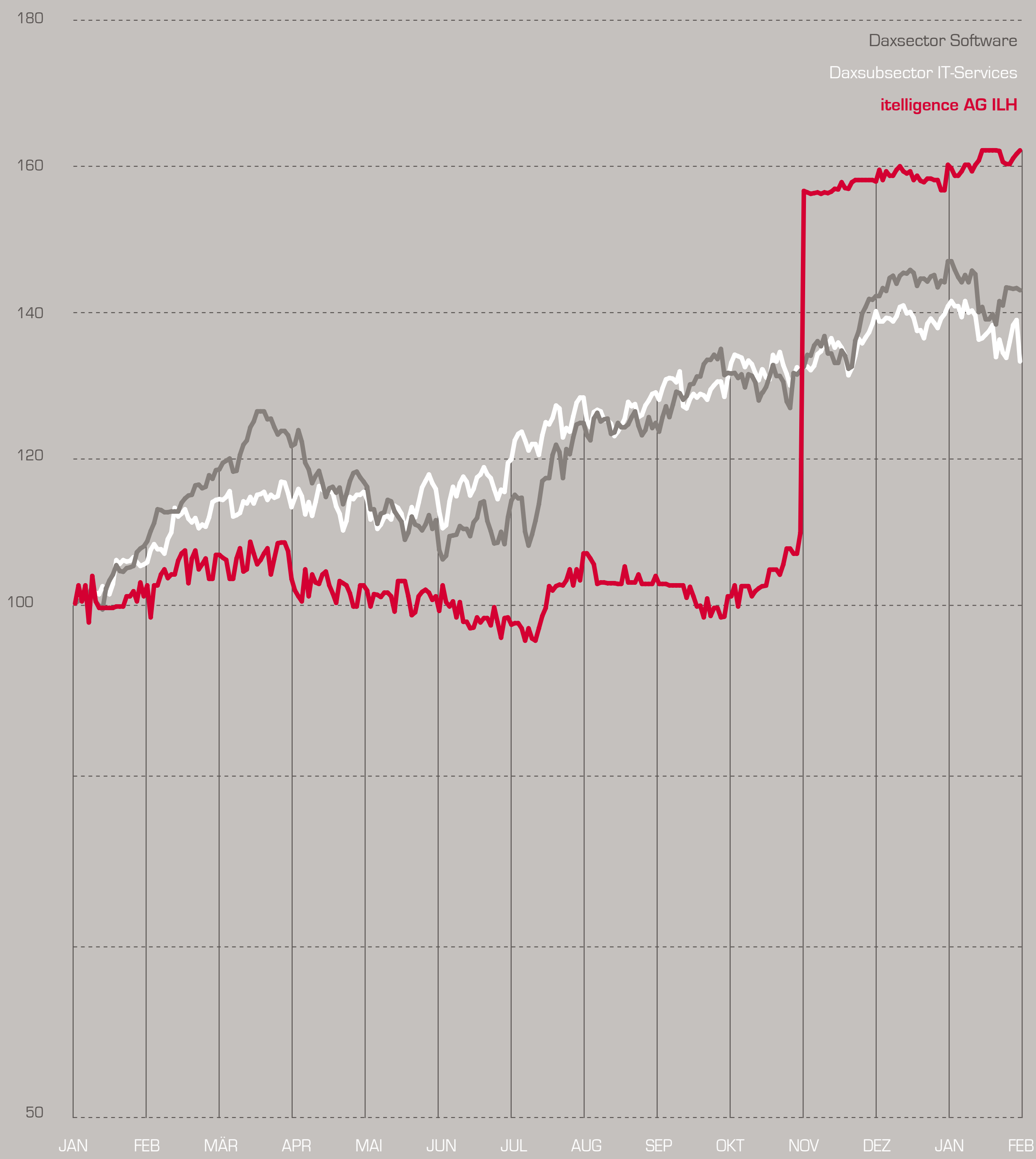
| | |
|---|---|
| NTT DATA EUROPE | 98.43 % |
| Free float | 1.57 % |

## itelligence's key share data for 2012

| | |
|---|---|
| WKN | 730 040 |
| ISIN | DE 000 730 040 2 |
| Market segment | Prime Standard |
| Stock exchange | Frankfurter Stock Exchange |
| Indices | Prime All Share Index (technology industry index, Sektor Software) |
| Designated Sponsor | equinet Securities AG |
| Number of shares (Dec. 31, 2012) | 30,014,838 |
| 2012 high | EUR 11.02 (Dec. 4, 2012) |
| 2012 low | EUR 6.48 (Jul. 6, 2012) |
| Share price at the start of the fiscal year (Xetra) | EUR 6.83 |
| Share price at the end of the fiscal year (Xetra) | EUR 11.00 |
| Market capitalization/ stock market value at year-end* | MEUR 330.2 |
| Earnings per share (EUR) | EUR 0.44 |
| Capital stock (EUR) | MEUR 30,01 |

* based on the share price at year-end

Performance of the itelligence share price



## Investor Relations

In the past year, itelligence AG reported to its shareholders, analysts and journalists on the latest developments at the Company in line with the publicity requirements of the Prime Standard, Deutsche Börse's highest transparency standard. In addition to providing regular information on the Company's homepage and continuous reporting, itelligence AG was represented at the German Equity Forum organized by Deutsche Börse on November 12, 2012, where it sought discussion with investors, analysts and the financial media.

In April 2012, itelligence AG resolved a capital increase subject to pre-emptive subscription rights from authorized capital. This capital increase was successfully implemented in May 2012. After entry of the capital increase in the commercial register, the total number of itelligence shares outstanding rose to 30,014,838.

itelligence AG's Annual General Meeting was held in Bielefeld on May 31, 2012. At the meeting, which was attended by around 50 shareholders representing more than 74.5% of the voting rights, the Management Board reported on developments in the past fiscal year, the current market situation and the Company's strategy. The Annual General Meeting also approved the payment of a dividend of EUR 0.18 per share for 2011. Furthermore, since the voluntary purchase bid by NTT DATA, the Company has regularly reported to its shareholders on strategy activities and is always delighted to answer requests regarding itelligence. ■

# Financial Report 2012
## itelligence AG

# Group Management Report
for Fiscal Year 2012

## Key Figures in Fiscal Year 2012

Significant improvement in consolidated revenues of +18.9% to MEUR 407.1

- Strong organic growth of +16.5%
- Revenue up +2.4% due to acquisitions
- Foreign revenues 61.5%, domestic revenues 38.5%

Earnings before interest and taxes (EBIT) amounts to MEUR 19.2

- EBIT down -5.5%
- EBIT impacted by non-recurring extraordinary effects in the amount of MEUR 2.4
- EBIT margin of 4.7% (previous year: 6.0%)

Continuous growth in orders on hand

- Orders on hand rise 21.7% to MEUR 286.6
- Non-current orders on hand account for MEUR 213.7 (previous year: MEUR 166.6)

Number of employees up +22.8% to 2,765

- Addition of 591 employees through new appointments and a further 252 employees through acquisitions
- Successful integration of acquisitions in UK and Turkey

Dividend proposal of 6 cents per share

- itelligence AG's net profit in accordance with HGB declines to MEUR 2.0 (previous year: MEUR 6.5)
- Distribution ratio of 92% based on itelligence AG's HGB net profit (previous year: 68%)

Forecast for 2013 as a whole

- Forecast revenues of MEUR 450-470
- Organic revenue growth target of more than 10%
- EBIT margin to rise to over 6%

## 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 focus on the traditional and upper midmarket and a strong international presence. itelligence's customers include more than 5,000 companies who are managed from 45 locations in 21 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 (Germany/Austria/Switzerland), Western Europe (Spain, France, Belgium, Netherlands, United Kingdom, Denmark, Norway, Sweden), Eastern Europe (Russia, Ukraine, Poland, Czech Republic, Hungary, Turkey), the USA, Canada and Asia (China and Malaysia) regions.

The areas of application management and hosting have been bundled internationally in order to optimally meet customer demands for a global service range.

As an international outsourcing service provider, itelligence AG operates state-of-the-art data centers in Germany, Poland, Malaysia, Switzerland and the USA, from which it manages all SAP solutions and releases for its midmarket customers. itelligence also has a backup data center at its site in Bautzen. In June 2012, itelligence opened its new data center in Bautzen Salzenforst – the expansion of Data Center 3. This means that itelligence now boasts one of the most modern data centers in the region. In the third quarter of 2012, itelligence announced the opening of a new data center in Legacy Pointe in the Greater Cincinnati area, Ohio. itelligence currently operates ten data centers around the world.

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 2012, the organizational structure of the itelligence Group encompasses a total of 35 subsidiaries around the world. The largest subsidiaries are located in Germany, the USA, Switzerland, the United Kingdom and Denmark. itelligence AG is domiciled at its head office in Bielefeld.

### 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 are required to 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 supports its customers in their challenges with innovative IT solutions. 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 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 "Software as a Service" (SaaS) with Business ByDesign and other 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 in order to ensure continued growth

### Value-oriented management

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. The key figure system, which is structured on the basis of segments and areas of responsibility, covers human resources indicators and, in particular, financial indicators such as revenue development, the order pipeline, orders on hand, and EBIT and the EBIT margin. In the Consulting segment, the key performance indicators are consultant utilization and productivity and the billable daily rate. The Licenses business is evaluated on the basis of volumes and margins. In the technical Outsourcing & Services segment, these key figures are supplemented by indicators such as availability, server performance and energy efficiency.

Among other things, the non-operating business is managed using key figures on net financial income as well as the consolidated tax rate.

### Annual and multi-year planning for all regions 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. 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, intelligence has a long-established market position 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

intelligence successfully continued its expansion in 2012. In the United Kingdom, intelligence acquired the leading SAP BusinessObjects partner Blueprint Management Systems Ltd., London, in July 2012. This acquisition represents an expansion in the range of services offered by intelligence in the UK in the growth segments of business analytics and SAP BusinessObjects, as well as making intelligence the leading SAP partner in the country. With revenues of MGBP 40 and 180 employees, the UK is now intelligence's third-largest national company worldwide.

Formed in 1993, Blueprint Management Systems Ltd. has 60 employees and generated revenues of MGBP 8.9 in 2011. Customers of the renowned provider of business analytics solutions include high-profile companies such as ING Bank, M & G Ltd. and Eurostar International. As an SAP BusinessObjects Gold Value Added Reseller and SAP Authorized Education Partner, Blueprint has received numerous accreditations from SAP.

The second transaction in July 2012 was the acquisition of a majority interest in the Turkish SAP consulting firm Elsys, Istanbul. intelligence AG initially acquired a 60% stake in the SAP Gold Partners Elsys. This means that intelligence is developing the growth market of Turkey as part of its systematic growth strategy with a focus on further international expansion and growth in its service portfolio.

Elsys was formed in 2000 and has some 180 employees. It generated revenues of around MEUR 11.5 in 2011. Thanks to its in-house industry solutions based on SAP Business All-in-One, Elsys has extensive expertise in the automotive, textile, retail, consumer goods and pharmaceutical industries in particular. Elsys's service range also covers the full lifecycle of an SAP solution, including license sales, consulting, maintenance and application management services. Elsys looks after well-known clients such as Unilever, Aydınlı Group, DESA, Alvimedica and Silverline.

The transaction was closed on August 31, 2012.

## Partnerships

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

### SAP partnership

intelligence AG is a partner of SAP, whose products form the core of its service portfolio along with the related services. intelligence regularly demonstrates its importance within the SAP partner environment by winning first-class 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". intelligence is one of a select group of only seven SAP partners to be certified for both global categories.

In November 2010, intelligence announced the signing of a Global Value-Added Reseller (Global VAR) agreement with SAP AG. intelligence is one of only two companies in the world to have concluded this global agreement on the sale of SAP Business All-in-One and Analytics 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 Analytics. intelligence offers a total of 12 industry solutions based on SAP Business All-in-One. The signing of the Global VAR agreement is based 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 involved in the latest developments, product strategies, release updates and new technologies of SAP worldwide at an early stage.

itelligence AG is one of the world's most successful SAP partners for SMEs. This is underlined by the SAP partnerships that itelligence won in 2012. itelligence AG received the SAP Pinnacle Award in two categories in 2012: SAP PartnerEdge Global Volume Reselling Partner of the Year and ITO Outsourcing and Cloud Services Provider of the Year. The annual SAP Pinnacle Awards are presented to leading SAP partners that have excelled in the development and expansion of their partnership with SAP and made a significant contribution to their customers' success. The winners were selected from more than 150 candidates nominated by partners and SAP employees in 22 categories.

The SAP Pinnacle Awards recognize leading SAP partners in a number of categories, including resellers, OEMs, sustainability, technology, support, services and outsourcing. They reinforce SAP's commitment to a sophisticated ecosystem strategy, which it considers to be one of the main drivers behind its customers' unique value added and which it supports in terms of achieving corporate targets.

In April 2012, the SAP Channel Partner received another SAP award in the form of certification as a Partner Center of Expertise. After a series of extensive checks of the service and support organization, it was confirmed that itelligence customer support solutions meet SAP's current technical and organizational standards.

Partner Center of Expertise certification is a support center certification offered by the SAP Active Global Support organization with support from the SAP Partner Services delivery team. The certification covers all aspects of the Channel Partner's support center, including the support staff, support processes and infrastructure. Certification confirms that the support organization of a Channel Partner meets the necessary requirements to provide customers with high-quality services for SAP Business All-in-One and SAP BusinessObjects solutions.

Most of the 500 support staff are SAP-certified. Partner Center of Expertise certification is issued for two years.

itelligence has also been certified as part of SAP's new global quality accreditation program. 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 in projects, both before and after implementation, and ensures that projects can be executed in accordance with the relevant specifications, budget and schedule.

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 is closely aligned to the principles of quality that SAP believes to be fundamental to successful implementation. These are designed to deliver high-quality software and support while providing the right processes, tools and services to drive successful projects and delivery.

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. itelligence AG is already a successful SAP Channel Partner for the sale of SAP Business ByDesign, meaning that it resells the

SuccessFactors BizX Suite for business execution in Europe as a SuccessSales Partner.

With SAP Business ByDesign, itelligence AG has already gained extensive knowledge and experience in cloud-based business processes. 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. With the new partnership, itelligence will expand its customer base, addressing not only installed SAP customers but also new customers individually and using a scalable approach.

itelligence is one of the most successful SAP partners for SMEs and offers a comprehensive range of industry solutions based on SAP Business All-in-One. This includes license sales, consulting, business intelligence and full managed services, from 24/7 hotlines through to application management and hosting options at ten state-of-the-art data centers around the world. As one of SAP AG's leading partners, itelligence also exhibited at the SAPPHIRE NOW and SAP TechEd conferences in Madrid. Particular highlights of itelligence's presentation to the most important SAP customer event in Europe included the SAP HANA platform and the itelligence Rapid Deployment Solution (RDS) for SAP EWM.

### NTT DATA

The partnership with the Japanese NTT DATA Group is allowing itelligence to significantly expand its own international market position. NTT DATA EUROPE currently holds 98.43% of the shares of itelligence AG (free float: 1.57%). This forms the basis for a close partnership within the framework of a cooperation agreement. In addition, NTT DATA has informed the Management Board of itelligence AG that the company was intending to conduct a squeeze-out in fiscal year 2013, thereby acquiring all of the shares of itelligence AG. The resolution of the Annual General Meeting of itelligence AG on the squeeze-out is expected to take place at the next Annual General Meeting of itelligence AG, which is currently scheduled for May 23, 2013.

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, this step 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 AG.

### 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 will create the largest global SAP reseller and the largest solutions-based SAP service provider.

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 latest development represents the further expansion of itelligence's global presence. The Business Solutions Company forms part of NTT DATA's global solution 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. In particular, the organization in the Asia Pacific 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 enabling 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 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

itelligence has been a member of the new Logistics research cluster at RWTH Aachen University since fiscal year 2010. itelligence AG and the FIR Institute presented the initial results of this cooperation in the first quarter of 2012. As part of the cooperation, scientific researchers and industry partners are working in close cooperation, in terms of both content and location, on the innovative solutions of the future. itelligence, the most successful SAP midmarket consulting house worldwide, is bringing its proven logistics expertise relating to SAP solutions to the joint project. The Cluster is coordinated by the FIR Institute at RWTH Aachen. At the CeBIT in Hanover, itelligence, the FIR Institute and other partners are for the first time presenting a logistics demonstrator – based on the example of customer-specific USB stick production: Information is recorded in real time using AutoID technologies and provided within the company and at intercompany level using standardized interfaces. This demonstrates the increased efficiency through automation, standardization and use of logistical collaboration concepts. Here, itelligence is responsible for the RFID-supported storage controlled by SAP Warehouse Management, the connection of a pick-by-voice procedure for taking in stock and removing from storage as well as an SAP-based webshop for graphical order entries and tracking orders along the complete logistics chain.

In the third quarter of 2012, compamedia GmbH recognized the best consultants for SMEs for the third time. itelligence AG was one of them for the second time in 2012, receiving the "Top Consultants" award. This Germany-wide comparison of consultants focuses in particular on the professionalism of the consulting services provided and customer satisfaction. Above and beyond the responses to the questionnaire, ten reference customers of each consulting firm were surveyed. The award was presented in four categories: management consulting, HR consulting, IT consulting and coaching. The Top Consultants award is a seal of quality for itelligence and shows that the Company is meeting the demanding requirements of SMEs.

itelligence AG's EBM partner program has been continuously expanded over recent years. In the third quarter of 2012, itelligence included SALT Solutions GmbH, Munich, and NEO Business Partners GmbH, Hanover, as new members of its SAP EBM partner program. The object of the partnership with SALT Solutions is joint consulting and sales activities in the logistics, production and commerce sectors. itelligence AG and SALT Solutions are targeting large and medium-sized businesses with their expanded range of consulting services. The new strategic partnership with NEO Business

Partners extends itelligence AG's range of services, particularly in the SAP mobility solutions sector. itelligence AG's sales and consultancy expertise will help NEO Business Partners to achieve its aim of tapping into new markets. NEO is a market leader for SAP mobility, and has carried out more than a hundred mobility projects for user companies. NEO Business Partners GmbH specializes in SAP mobility and SAP CRM. In addition to the NEO Mobile Suite product range based on SAP/Sybase technology, NEO provides other SAP solutions including SAP CRM (customer relationship management), HR planning, SAP MRS and the new SAP mobility applications.

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

For itelligence AG, 2012 was a successful year that was characterized by the SAP Pinnacle Award in two categories, among other things: SAP PartnerEdge Global Volume Reselling Partner of the Year and ITO Outsourcing and Cloud Services Provider of the Year.

In 2012, itelligence won Gold in the Large Implementation category at the SAP Quality Awards 2012 with its implementation project for KHD Humboldt Wedag. itelligence enjoyed great success in implementing the migration of company software to SAP solutions at the global player KHD, Cologne. The Cologne-based company KHD operates globally with branches in Dessau, Russia, the USA, China, Australia, South Africa, India and Turkey.

The SAP solution was implemented across the entire process chain by the itelligence consultants together with KHD in just 18 months. All commercial and logistical information relating to a customer order goes through the new SAP system. The following functional areas at KHD work together in a team: Sales, Order Management, Project Management, Construction, Materials Management, Purchasing, Quality Management, Transport Logistics, Commissioning, Replacement Parts Service, Documentation, Finance & Controlling, and Management. itelligence's SAP standard was enhanced with sector-specific elements to better match the individual processes.

In addition to SAP NetWeaver Business Warehouse and SAP Product Lifecycle Management (SAP PLM), the globally active company KHD is now also able to manage the value flow in the company transparently for all activities in the customer order by means of "cost type and cost center based budgeting". An SAP NetWeaver web application for reporting service expenses rounds off the complete process integration.

In December 2012, itelligence completed the SAP implementation project at Molkerei Meggle Wasserburg GmbH & Co. KG, Wasserburg, in line with the terms of the contract. itelligence won this SAP implementation project following a comprehensive potential analysis. In particular, Meggle was won over by itelligence's process expertise and know-how in the consumer and pharmaceutical industries.

Other new customers opting for itelligence as their consulting company in fiscal year 2012 included Genuport Trade AG, Norderstedt, Suedwolle GmbH & Co. KG, Schwaig, ACA Müller ADAG Pharma AG, Gottmadingen, Fruit SA2PE SA, Barcelona (Spain), Minerales y Productos Derivados SA, Bilbao (Spain), Virent Inc., Madison (Wisconsin, USA), Tube Specialties Inc., Portland (Oregon, USA), TBAI Poland Sp. z o.o., Wykroty (Poland), Biofarm sp. z o.o., Poznań (Poland), CJSC Berlin Chemie, Kaluga (Russia), Rusal LLC Global Management BV, Moscow (Russia), Fresenius Netcare GmbH, Moscow (Russia), MICS LLC, Moscow (Russia), Enter LLC, Moscow (Russia) and Tehnosila LLC Service Trade, Moscow (Russia).

itelligence also enjoyed further success in its activities with existing customers. Among other things, itelligence AG implemented a project for the release change of the SAP system to the latest release, ERP 6.06, at SaarOTEC Saarländische Oberflächenbearbeitung + Technik GmbH, St. Ingbert. At the existing customer GROB-Werke GmbH & Co. KG, Mindelheim, itelligence implemented an SAP project for the introduction of electronic recruiting. For our long-standing customer burgbad AG, we also performed a roll-out at the French subsidiary Société d'Equipement Postformé (S.E.P.), Nogent le Roi.

In the third quarter of 2012, itelligence reported that it had gone live with SAP Business ByDesign at CAYAGO AG, Stuttgart. itelligence AG successfully implemented the on-demand solution SAP Business ByDesign at the Stuttgart-based manufacturer of exclusive seatoys. CAYAGO, which manufactures the world's fastest water sled, SEABOB, now benefits from company data directly from the data cloud. With SAP Business ByDesign, CAYAGO can reproduce business processes completely within SAP across all manufacturing locations.

SAP Business ByDesign forms a uniform, central basis for CAYAGO's two production facilities. The business processes between the locations run automatically and are controlled flexibly by 20 SAP users both from the workplace and on a mobile basis. SAP Business ByDesign not only overcomes the restrictions of the previously deployed individual solutions, but also allows mobile access to corporate information via dashboards and with mobile devices such as smartphones and tablets. In fiscal year 2012, applications also went live successfully at Hela Gewürzwerk Hermann Laue GmbH, Ahrensburg, Golf House Direktversand GmbH, Hamburg, Orafol Europe GmbH, Oranienburg, Roland DEU, Cerdanyola del Valles, Barcelona (Spain), Arcelor Mittal Kryvyi Rih, Ukraine, EP ENERGY TRADING a.s., Prague (Czech Republic), ICOM transport a. s., Jihlava (Czech Republic), Home Credit Bank LLC, Moscow (Russia) and Coleman, Moscow (Russia).

### Outsourcing & Services

In fiscal year 2012, itelligence's Outsourcing & Services division won two SAP Pinnacle Awards in the categories of "IT Outsourcing and Cloud Services Provider" and "SAP PartnerEdge Global Volume Reseller Partner of the Year". With its comprehensive service range, itelligence again gained a large number of high-profile new customers in the Outsourcing & Services division in 2012.

Friedrich Remmert GmbH, Löhne, is an expert for all warehousing and logistics processes relating to long goods and sheet metal. The solutions offered by the medium-sized company cover full warehousing, handling and processing systems and the corresponding logistics software, including integration in SAP, for example. More than 600 installed systems at well-known clients around the world serve to demonstrate the company's quality and leading market position. Since 2012, Remmert's SAP landscape has been hosted at itelligence's data center in Bautzen.

"Great Solutions with Small Particles" – this is the motto of Sachtleben, a developer and manufacturer of white pigments and functional additives at its locations in Germany and Finland for customers across a wide range of industries around the world. These products are used in applications ranging from toothpaste through to paints and plastics. Sachtleben has been one of the leading manufacturers of high-quality white pigments for more than 130 years and boasts impressive expertise and quality. With more than 2,200 employees at three production sites and its own sales offices plus distribution partners on all continents, Sachtleben has a global network of specialists. Since 2012, the 19 SAP systems in Sachtleben's server rooms, with more than 1,000 users, have been managed by itelligence via remote administration.

Leica Microsystems, Wetzlar, is a leading global provider of innovative microscopy, camera and software solutions for the imaging and analysis of macro-, micro- and nanostructures. Leica Microsystems has five production sites in four countries and sales and service organizations in 20 countries. Leica Microsystems required a hosting provider to support its global SAP BW landscape with SOX-compliant service. The demands of this system in terms of availability and performance are particularly high, especially at the end of the month, quarter and year. itelligence is using the cloud service platform, which has received an award from SAP, to meet the flexible requirements of Leica Microsystems.

Autoneum Management AG, Winterthur, Switzerland, is a globally active company in the automotive supply industry with around 50 sites and some 9,500 employees. It is one of the market leaders in the area of acoustic and thermal management for passenger cars and commercial vehicles. itelligence performs outsourcing services for Autoneum Management AG as part of a long-term strategic partnership. The aim of the first phase is to provide and operate SAP ERP and Solution Manager systems for what will ultimately be almost 2,500 users.

In addition, itelligence won a long-term outsourcing contract from the customer SCA Hygiene Australasia (SCA HA), Malaysia. SCA Hygiene Australasia is a leading company in the field of hygiene solutions. It manufactures and distributes brands such as Sorbent, Purex, Handee Ultra, Deeko, Libra, Treasures, Tork and TENA. The company, which is domiciled in Box Hill (Australia), has production sites in Australia, New Zealand and Fiji and a workforce of around 1,300. itelligence is hosting SCA HA's SAP system landscapes. At its data center in Cyberjaya (Malaysia), itelligence operates the systems for ERP, Supply Chain Management, Business Information Warehouse, Customer Relationship Management, the portal solution (EP) and the process integration environments.

Omega Pharma is a leading company in the field of health and beauty. It has locations in 35 countries and serves a high-potential market for non-prescription, customer-oriented health products. The company is domiciled in Nazareth, Belgium, from where it has developed a strong international market position. Omega Pharma's SAP landscape is hosted at itelligence's data center in Bautzen.

In addition, itelligence has concluded outsourcing agreements with Arcelor Mittal Kryviy Rih and RUSAL in Poland. Arcelor Mittal Kryviy Rih is the largest steel mining and smelting country in Ukraine. The subsidiary of the Luxembourg-based Arcelor Mittal Group has 34,000 employees. The Group provides jobs for a total of 280,000 people in more than twenty European, Asian and American countries. ArcelorMittal Kryviy Rih's SAP landscape is hosted at itelligence's data center in Poznan, Poland. All in all, a three-stage ERP system landscape, a three-stage SAP BW and a Solution Manager with a total of more than two terabytes of data were successfully migrated.

RUSAL is the world's largest producer of aluminum. The company's main products are aluminum, aluminum alloys, foil and aluminum oxide. RUSAL is a fully vertically integrated aluminum producer with assets throughout the entire production process, from bauxite and naphthalene ore mines to aluminum smelters and foil plants. RUSAL is active in 19 countries on five continents and has more than 72,000 employees around the world. Its main smelting capacities are located in Siberia, allowing the company to benefit from access to renewable, environmentally-friendly hydro power and proximity to the flourishing Chinese market. itelligence hosts RUSAL's SAP BW landscape at its data center in Poznan, Poland.
On the US market, customers such as GOJO Industries Inc. and GSI Group LLC have opted for itelligence as their outsourcing partner. GOJO Industries Inc. is the inventor of PURELL® Advanced Instant Hand Sanitizer

and a leading global provider of skin and hygiene products for away-from-home settings. GOJO's broad product range covers the areas of hand cleansing, hand washing, hand disinfection and skin care formulas. GOJO is domiciled in Akron and has branches in the UK, France, Australia, Japan and Brazil. GOJO was won over by itelligence's existing infrastructure, range of services and performance as a full-service provider in the area of implementation and hosting services.

GSI Group LLC is a leading global manufacturer of equipment for crop storage and materials handling, preparation and drying, and is also a full-service provider for equipment for pig and poultry farming. GSI Group LLC is headquartered in Assumption (Illinois, USA). itelligence is operating GSI's production landscapes for USA and Brazil at its data center in Cincinnati (Ohio).

### International Application Management

Demand on the market for cost-effective, highly qualified services for the operation and management of IT solutions remains high. The current economic situation in Europe and North America in particular is further intensifying the pressure on the cost budgets of companies' internal IT departments. CIOs and IT managers are increasingly being required to find solutions for operating and managing their IT systems that strike the right balance between cost efficiency on the one hand and quality, stability and security on the other.

In addition, there is steadily growing demand for international services, including in the midmarket and upper midmarket sectors. More and more companies in this segment have production, sales and/or service locations, including beyond their own national borders.

In order to meet the requirements of this market, itelligence defined the further expansion of application management services (AMS) as one of its top priorities for 2012, and has systematically pressed ahead with the AMS transformation project it launched in mid-2011. All activities in this area are based on the principle: "Global expertise and functions, local presence and proximity to the customer". The transformation project and clear business responsibilities for global AMS within itelligence's matrix organization form the basis for achieving the Group's ambitious targets in this area.

Building on the vision and strategy as defined, the AMS portfolio has been globally harmonized and developed. In addition to the reactive support services that are typical for the market, there is an even stronger focus on the optimization and evolution of customers' SAP solutions and on proactive services such as business product management. These services support customers in preventing potential problems. AMS is also working towards the more extensive use of new technologies, such as cloud and mobility solutions, within the SAP product portfolio. Country-specific services supplement the global AMS portfolio, thereby strengthening itelligence's market positioning while meeting our customers' requirements.

The AMS portfolio and the corresponding market access are embedded within itelligence's integrated approach for services throughout the entire lifecycle of an SAP-centered IT solution. In terms of productive operations, this means a portfolio of SAP managed services that is geared towards the ITIL standard, ranging from maintenance, AMS and hosting through to integrated cloud services.

The global service infrastructure has been developed with a view to further optimizing the AMS delivery model. This consists of a tool and process landscape based on SAP Solution Manager and the service desk as the first point of contact for itelligence customers. The processes between the aforementioned productive operation services, maintenance, AMS and hosting have been harmonized further in order to provide customers with simple and clearly defined channels of communication.

The new acquisitions in the UK and Turkey have expanded the internationality and expertise of itelligence AMS, meaning that itelligence now has a local AMS presence in 17 countries on three continents that covers more than 20 languages. itelligence has further increased the scalability and international presence in close cooperation with other NTT DATA Group companies. itelligence can offer a highly flexible delivery model in which customers can choose between local presence or proximity in their national language through our local delivery centers, global/regional expertise from our virtual centers of expertise, or low-cost solutions from our offshore center in Malaysia and/or our near-shore center in Romania, depending on their specific requirements. The SAP AMS and Maintenance Center China in Shanghai has also been further expanded.

All of the activities aimed at driving ahead the development of AMS formed the basis for itelligence's operational success in this area. With growth of more than 70%, AMS recorded the highest growth rate within the Company and now boasts more than 350 dedicated AMS employees and more than 750 customers with multi-year AMS and/or SAP maintenance agreements. In addition to local AMS agreements following on from implementation projects at SMEs, itelligence was able to secure several major international agreements with new customers in a number of countries. This success in particular has served to reinforce the strategy of focusing on the expansion of recurring business.

### International Sales & Operations

SAP solutions map the core processes at a large number of companies, thereby forming the basis for their business success. The design and interaction of the solutions provide companies with important unique selling points. Our customers have made extensive progress in terms of process efficiency and harmonization thanks to their SAP software.
As is illustrated by many practical examples from our customers, a targeted strategy is necessary when it comes to innovations in the area of SAP solutions. Guidelines and best practices are essential components when formulating these strategies.

In recent years, the demands of the market with regard to SAP service providers have increasingly shifted towards full-service provision with a uniform international portfolio. itelligence has followed this development and offers SAP consulting services in an international environment as a leading full-service provider for SAP. The International Sales & Operations organizational unit, which is dedicated to the expansion of itelligence's international business, is the core element of this strategy. The central development of solutions and methods and the harnessing of synergies at a global level – including the NTT DATA Group companies – enable permanent innovation and its application throughout itelligence's entire solutions portfolio.

In the past year, the International Sales & Operations organizational unit not only supported itelligence's international business, but also established a framework and laid the technical foundations for identifying and leveraging the potential of new SAP solutions – such as the in-memory technology SAP HANA – in order to reconcile the SAP strategies of our customers with the new requirements of global competition.

These tools and templates allow us to identify scope for innovation in a dialog with specialist departments and the IT organization while also performing a critical cost/benefit analysis.

## Employees

The Group had 2,765 employees as of December 31, 2012 (previous year: 2,251), of which 1,088 were employed in Germany (previous year: 935) and 1,677 outside Germany (previous year: 1,316). This meant that the number of employees increased by +22.8% compared with the end of 2011 (previous year: +22.1%).

itelligence AG further improved awareness of the Company as an attractive employer by intensifying its presence at various job fairs for career entrants and IT experts. In order to include our employees in the recruitment process to a greater extent, a new program entitled "Employees recruit employees" was launched in the second quarter of 2012. By the end of the year, itelligence had gained more than 40 new employees in Germany as a result of this program.

At an international level, the HR department supported the integration of the past year's acquisitions in Turkey and the United Kingdom. For example, itelligence organized a networking meeting in Istanbul with participants from various divisions, as well as a workshop on the subject of business intelligence in London under the title "Intercultural collaboration and the global business analytics market". Follow-up events have already taken place and are also planned for 2013.

In 2012, itelligence offered its employees a wide range of internal and external training opportunities. In Germany, for example, 164 in-house training sessions were held with a total of 1,057 participants. More than 20% of these sessions focused on soft skills, such as communication techniques, conflict management, customer orientation and management. In addition, 130 specialist SAP training sessions were held with a total of 551 internal participants.

Extensive employee training also took place in the USA, where employees took advantage of the internal "it. learning Book Library" and the online courses offered by the Company College, which won the award for "Best New Program" at the BizLibrary Align Training Conference in St. Louis in September 2012.

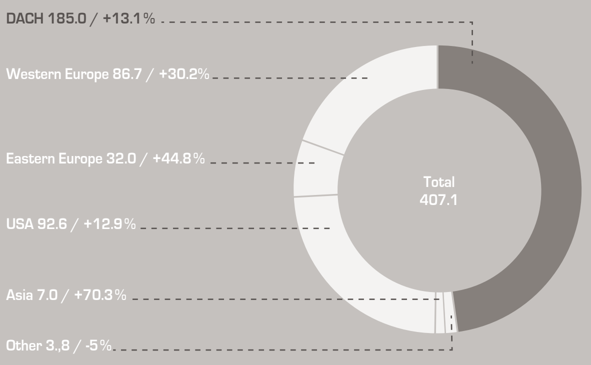
Following a successful 2011, itelligence further expanded its recruitment measures in 2012. In addition to campaigns in the proven online, print and social media, activities in the "out of home" area were intensified. In order to attract our specific target group of travelling IT specialists, itelligence used its internal expertise to develop a career app, which it presented in the first quarter at the CeBIT. The poster campaign that was designed in the previous year was rolled out at three additional locations in Germany (Bautzen, Dresden and Stuttgart). This campaign is being supported throughout Germany by the creative "Edgar cards" with four striking visual designs.

Our HR strategy aimed at creating an "attractive home of talents" at itelligence is being continuously developed with the aid of all of these measures.

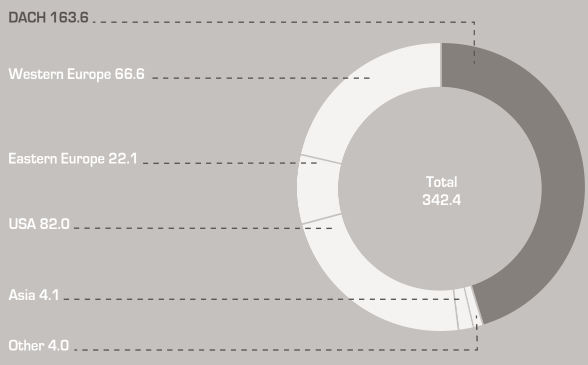
Please see also descriptive charts on pages 53 to 55. →

## Revenue development by segment (in MEUR)

### 2012

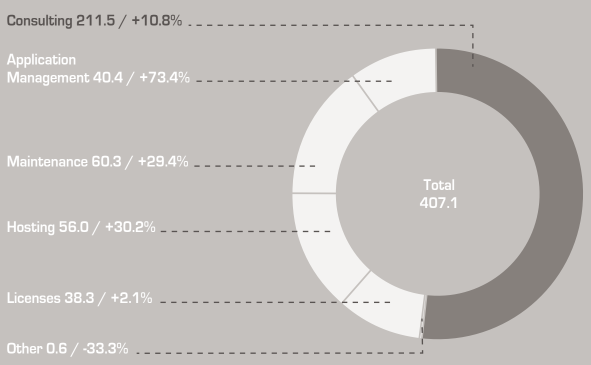



### 2011

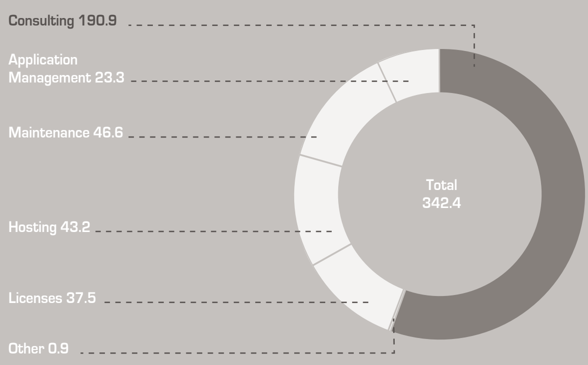



## Revenue development by division (in MEUR)

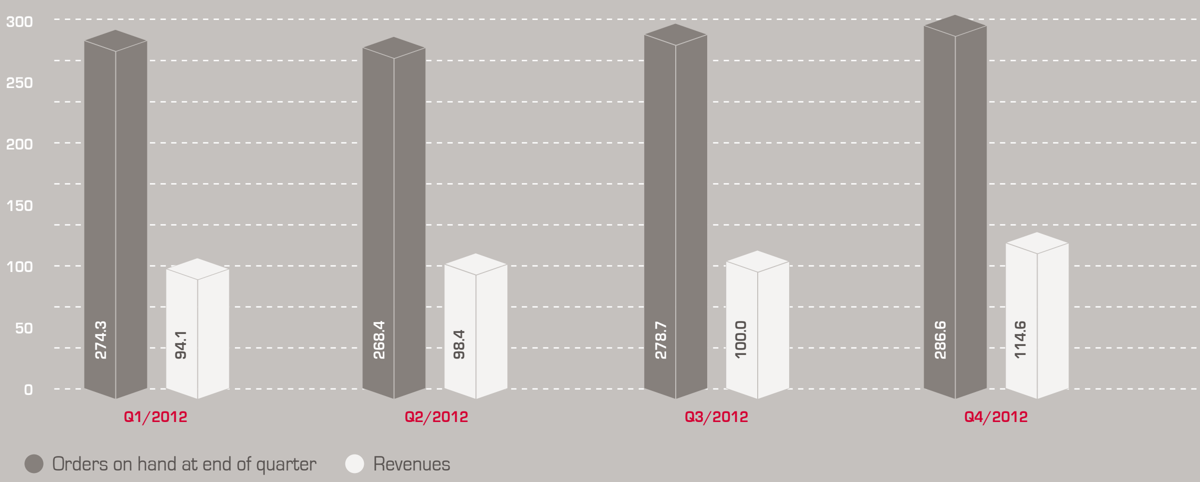
### 2012



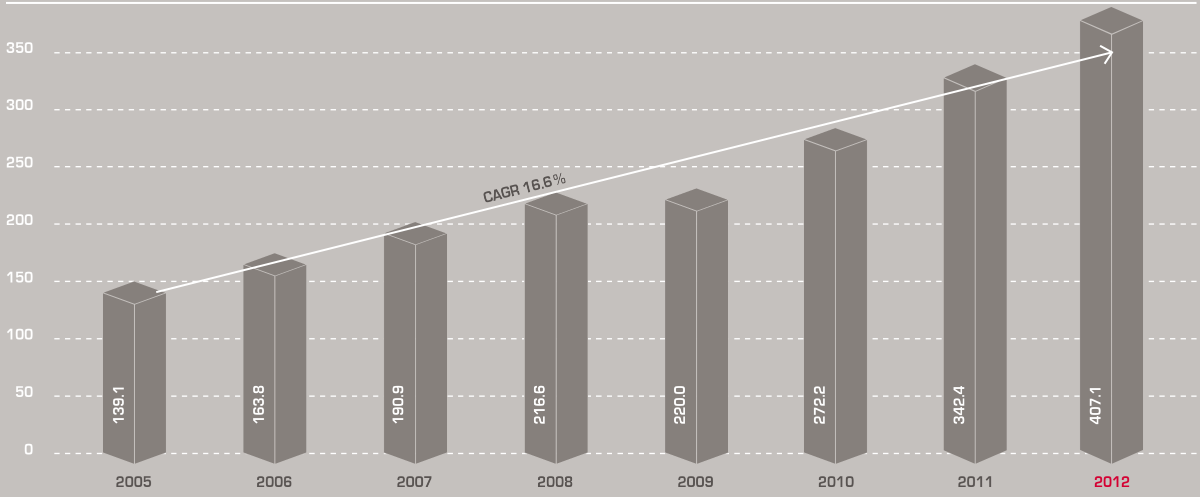

### 2011



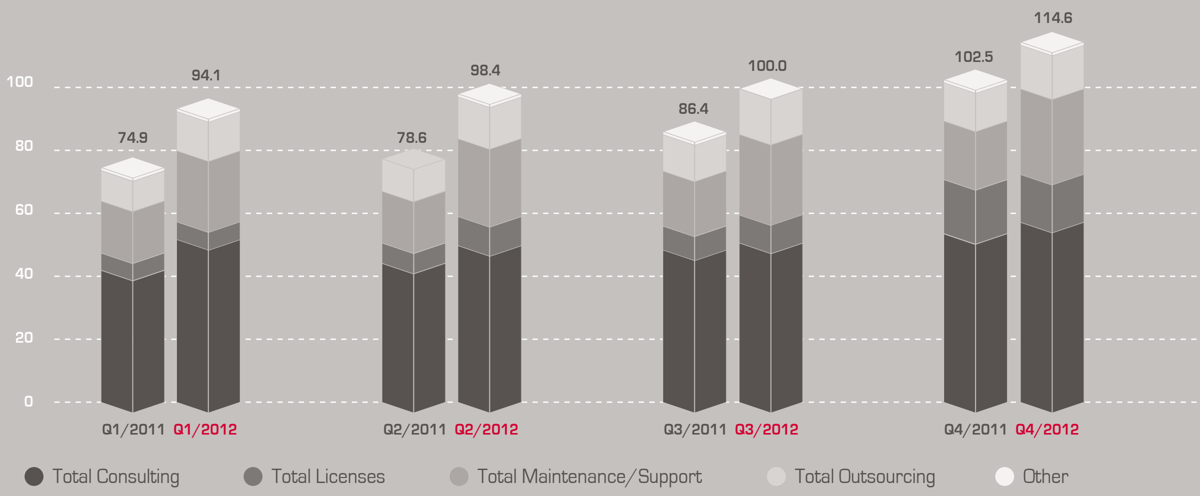

## Orders on hand and revenues per quarter (in MEUR)



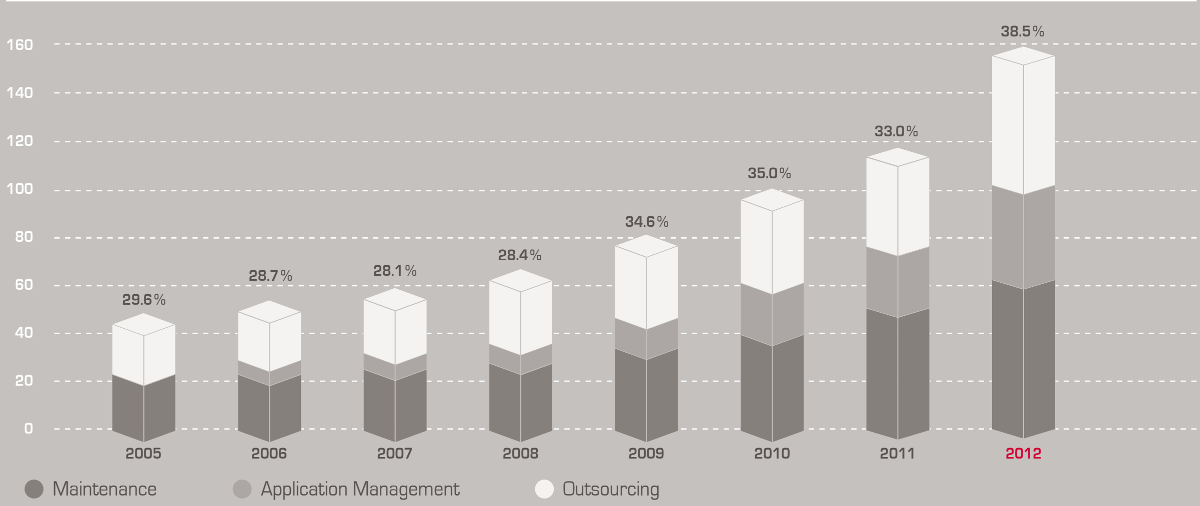
## Revenue development 2005 – 2012 (in MEUR)




## Revenues by quarter (in MEUR)

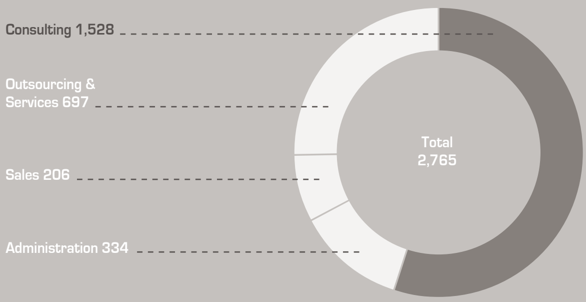



## Share of total revenues attributable to recurring business (in MEUR)

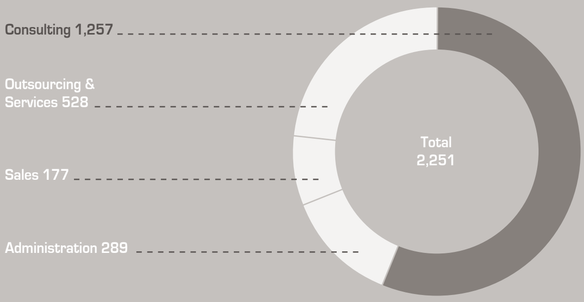


## Employees by function

as of December 31, 2012

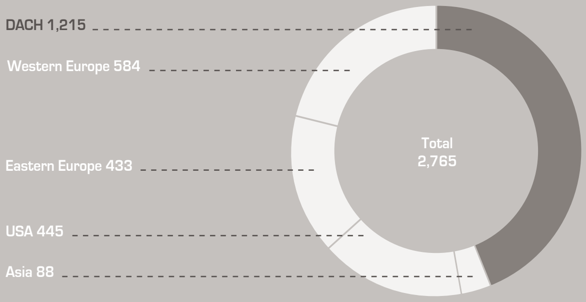



as of December 31, 2011

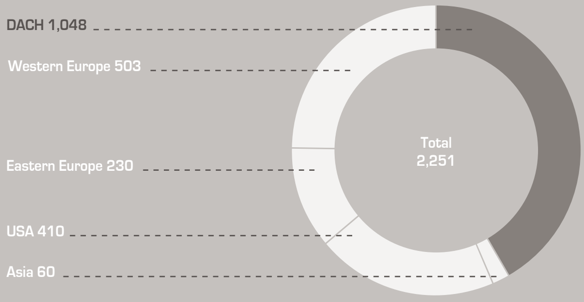



## Employees by segment

as of December 31, 2012




as of December 31, 2011



## 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<br>MEUR | Jan. 1–Dec. 31, 2012 | Jan. 1 –Dec. 31, 2011 | Oct. 1 –Dec. 31, 2012 | Oct. 1–Dec. 31, 2011 |
|---|---|---|---|---|
| Total revenues | 407.1 | 342.4 | 114.6 | 102.5 |
| **Revenue division** | | | | |
| Consulting | 211.5 | 190.9 | 58.2 | 53.7 |
| Licenses | 38.3 | 37.5 | 14.8 | 17.3 |
| Application Management | 40.4 | 23.3 | 10.4 | 5.3 |
| Outsourcing & Services | 116.3 | 89.8 | 31.1 | 25.8 |
| Other | 0.6 | 0.9 | 0.1 | 0.4 |
| **Revenue segment** | | | | |
| DACH | 185.0 | 163.6 | 51.4 | 49.6 |
| Western Europe | 86.7 | 66.6 | 24.5 | 22.0 |
| Eastern Europe | 32.0 | 22.1 | 12.6 | 6.8 |
| USA | 92.6 | 82.0 | 23.1 | 21.7 |
| Asia | 7.0 | 4.1 | 2.0 | 1.5 |
| Other | 3.8 | 4.0 | 1.0 | 0.9 |
| EBIT | 19.2 | 20.4 | 6.6 | 9.2 |
| EBIT margin | 4.7 % | 6.0 % | 5.8 % | 9.0 % |
| EBITA | 21.4 | 22.5 | 7.2 | 9.8 |
| EBITA margin | 5.2 % | 6.6 % | 6.3 % | 9.5 % |
| EBITDA | 31.4 | 30.4 | 10.0 | 12.0 |
| EBITDA margin | 7.7 % | 8.9 % | 8.7 % | 11.7 % |
| IFRS net profit | 13.7 | 12.8 | 7.1 | 6.9 |
| IFRS earnings per share in EUR | 0.44 | 0.46 | 0.24 | 0.25 |

Percentages are calculated on a KEUR basis.

### Revenue development

In fiscal year 2012, itelligence again continued on the growth path established in the previous years. Revenues increased by +18.9%, from MEUR 342.4 to MEUR 407.1 – the highest figure in the Company's history.

Average revenue growth (CAGR) for the past eight years now amounts to 16.6%. Year-on-year revenue growth was generated in all quarter of fiscal year 2012. Organic growth was unchanged as against the previous year at 16.5%, while the acquired companies Blueprint in the

UK and Elsys in Turkey contributed around MEUR 7.7 or 2.4% to the positive revenue development.

itelligence reports its revenues by region and division.

45.4% of revenues were attributable to the Germany/Austria/Switzerland segment (previous year: 47.8%), 21.3% to Western Europe (previous year: 19.5%), 7.9% to Eastern Europe (previous year: 6.5%), 22.8% to the USA (previous year: 24.0%), 1.7% to Asia (previous year: 1.2%) and 0.9% to the Other segment (previous year: 1.2%).

In terms of the revenues generated in the individual divisions, 52.0% of the total figure was attributable to Consulting (previous year: 55.8%), 9.4% to Licenses (previous year: 11.0%), 9.9% to Application Management (previous year: 6.8%), 28.6% to Outsourcing & Services (previous year: 26.2%) and 0.2% to Other (previous year: 0.3%).

### Revenue development in the regions

DACH (Germany/Austria/Switzerland), which is traditionally the segment of itelligence AG that generates the highest revenues, recorded year-on-year revenue growth of +13.1% to MEUR 185.0 (after adjustment for currency translation effects: +12.7%). With the exception of Licenses, this development was driven by all of the revenue segments. In addition to the positive development in the Consulting division, which increased its revenues by MEUR +12.8 (+15.3%) year-on-year to MEUR 96.3, the Outsourcing & Services division enjoyed extremely positive development: revenues amounted to MEUR 63.8, up MEUR +7.7 or +13.7% on the previous year. Application Management saw the strongest growth, with revenues increasing by MEUR +5.8 year-on-year to MEUR 5.8 (previous year: 0). By contrast, revenues in the Licenses division declined by MEUR -4.3 (-18.2%) year-on-year to MEUR 19.3.

The Western Europe segment also saw extremely positive development, with revenues increasing by +30.2% (after adjustment for currency translation effects: +26.2%) to MEUR 86.7. All of the segments and companies in the region contributed to this development. Due to the first-time consolidation of Denmark and Norway for the full year, the revenues attributable to these countries increased by MEUR 15.1 to MEUR 33.6.

Consulting revenues jumped by +17.8% to MEUR 56.8 during the period under review. This was attributable to all of the companies in the region, with Denmark/Norway, the UK and France/Canada making particularly strong contributions. Revenues in the Licenses division improved by +39% year-on-year, from MEUR 5.9 to MEUR 8.2. The Outsourcing & Services division also recorded revenue growth of +63.0%, from MEUR 10.0 to MEUR 16.3, while revenues in the area of Application Management were up MEUR +3.0 on the previous year.

Revenues in the Eastern Europe segment increased by MEUR +9.9 (+44.8%) to MEUR 32.0. Revenues adjusted for currency translation effects were up +46.8% on the previous year. This was driven in particular by the positive revenue development in Poland and the Czech Republic. Revenues in Turkey in the amount of MEUR 5.2 were reported for the first time in the year of acquisition. At MEUR 12.6, Consulting revenues were up MEUR +2.1 on the previous year (+20.0%); after adjustment for currency translation effects, segment revenues improved by +22.3%. Outsourcing & Services enjoyed particularly encouraging performance, with revenues increasing by MEUR +4.1 (+45.6%) year-on-year to MEUR 12.9. As in the previous year, this was attributable to the continuous positive development in Poland (MEUR +1.1) and the major order that is administered in Russia and hosted in Bautzen (MEUR +1.6).

The Licenses division also recorded growth in fiscal year 2012, with revenues up MEUR +2.1 year-on-year to MEUR 3.1.

The USA segment also developed positively compared with the previous year. Revenues increased by +12.9% (after adjustment for currency translation effects: +4.4%), from MEUR 82.0 to MEUR 92.6. This development was driven in particular by Application Management, which contributed revenues of MEUR 26.0, up +63.5% on the previous year. The Outsourcing & Services division generated revenues of MEUR 19.3, up MEUR +3.6 compared with the previous year (after adjustment for currency translation effects: +15.6%). Licenses revenues were up +14.8% year-on-year at MEUR 7.0. Only the Consulting division saw a downturn in revenues of MEUR -3.8 to MEUR 40.3 (after adjustment for currency translation effects: -15.7%); this was due to a lack of projects, the resulting weak utilization and a slight reduction in daily rates.

Revenues of MEUR 7.0 were generated in the Asia segment, up MEUR +2.9 or 70.3% on the previous year. Consulting business in China and hosting business in Malaysia generated above-average growth.

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

### Revenue development by division

Growth was recorded in all of the Group's revenue divisions. The Consulting division continued to enjoy extremely positive development in the past fiscal year, with revenues increasing by MEUR +20.6 or +10.8% (after adjustment for currency translation effects: +7.5%), from MEUR 190.9 to MEUR 211.5.
The Outsourcing & Services division increased its revenues by +29.5%, from MEUR 89.8 to MEUR 116.3, while revenues from Application Management rose by +73.4%, from MEUR 23.3 to MEUR 40.4. Licenses revenues enjoyed further year-on-year growth in the fiscal year under review, thereby reaching a record level once again. Revenues increased by +2.1% to MEUR 38.3 (after adjustment for currency translation effects: no change).

In fiscal year 2012, the strong business performance meant that orders on hand again increased by +21.7%, from MEUR 235.5 to MEUR 286.6. Long-term business accounted for 74.6% of orders on hand after 70.7% in the previous year. The book-to-bill ratio for 2012 was almost unchanged year-on-year at 1.13 (previous year: 1.10).

## Results of operations

In fiscal year 2012, earnings before interest and taxes (EBIT) decreased by MEUR -1.2, from MEUR 20.4 to MEUR 19.2. This development was attributable to various non-recurring effects, among other things. In addition to the one-off technical interruption to data center operations in Bautzen, costs were incurred for the planned squeeze-out and the resulting revaluation of the stock option program as well as for the acquisitions of the companies in Turkey and the United Kingdom, while the Company also reported remeasurement effects for pension provisions. The EBIT margin declined by -1.3%, from 6.0% to 4.7%. The operating EBITA margin (earnings before interest, taxes and amortization) amounted to 5.2%. The difference of 0.5 percentage points to the EBIT margin is due to the scheduled amortization of intangible assets. Capitalized customer relationships and orders on hand are amortized over periods that reflect the respective contractual terms.

At MEUR 7.0, the highest earnings contribution was generated by the Germany/Austria/Switzerland segment (previous year: MEUR 10.1). This segment reports the acquisition expenses in the amount of MEUR 1.0. The earnings contribution was also impacted by the lower level of utilization of in-house consultants and the increased use of external consultants, as well as the one-off technical problem affecting the data center.

The Western Europe segment increased its earnings contribution by MEUR +1.2 to MEUR 4.4 (previous year: MEUR +3.2). The positive business development in the UK, France/Canada and the sub-region of Denmark/Norway more than offset the slight downturn in earnings in Spain and Belgium.

The Eastern Europe segment generated an earnings contribution of MEUR 1.9, up MEUR +1.4 on the previous year. The positive overall course of business compared with the previous year was supported by the acquisition in Turkey and was sufficient to offset the lower earnings contribution in the Czech Republic.

Profitability in the USA segment was lower than in the previous year. At MEUR 5.1, the EBIT contribution declined by MEUR -1.3 (-20.3%) year-on-year. This effect was due to a lack of consulting projects and the resulting lower level of consultant utilization.

The earnings contribution from the Asia segment was unchanged year-on-year at MEUR 0.1. As forecast, the national subsidiary in Malaysia enjoyed positive development: the earnings contribution of around MEUR 0.2 represented an improvement of MEUR +0.4 on the previous year. Business in Shanghai and China saw a temporary downturn as a result of the cancellation of a major order. This resulted in earnings of MEUR -0.3.

The EBIT contribution in the Other segment remained unchanged as against the previous year. Recruit generated positive earnings of MEUR 0.1, while ITC reported earnings of MEUR 0.3 (previous year: MEUR -0.3).

**Development of the EBIT margin**

| | |
|---|---|
| EBIT margin 2011 | 6.0% |
| Third-party service provider costs | +0.8% |
| Staff costs | -1.7% |
| Rental costs | -0.1% |
| IT/communication costs | -0.1% |
| Other income/expenses | -0.2% |
| EBIT margin 2012 | **4.7%** |

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

The ratio of staff costs to total revenues increased by +1.7% year-on-year to 51.5%. This was due to the increase in staff costs, as well as the lower level of consultant utilization at some national subsidiaries. The utilization ratio of third-party service providers declined by -0.8% to 10.1% despite higher expenditure.

The product cost ratio remained unchanged year-on-year at 16.1%.

In the past fiscal year, the ratio of rental costs to total revenues increased slightly by +0.1 percentage points to 2.5%.

At MEUR 1.5, the balance of other operating expenses and income was higher than in the previous year, thereby having a negative impact on the EBIT margin of -0.2 percentage points.

All in all, the gross margin declined by -1.0 percentage points year-on-year, from 26.0% to 25.0%; this was attributable to the change in the revenue mix as well as the lower earnings contributions from Consulting business. Despite the expansion of sales activities, the ratio of selling and marketing expenses to revenues fell by -0.5% to around 11.0% in fiscal year 2012. At 8.9%, administrative expenses were up +0.6 percentage points on the prior-year figure of 8.3%; this was due to the costs incurred in connection with the acquisitions, among other things.

### Financial results

In the year under review, net finance costs improved from MEUR -0.9 to MEUR 0.1. This was attributable to interest income from short-term investments in the amount of MEUR 0.3 (previous year: MEUR 0.2) and the reduced interest expense of MEUR 2.1 (previous year: MEUR 3.2). Net finance costs also include income from the remeasurement of derivatives and the exercise of options in the amount of MEUR 2.3 (previous year: MEUR 2.0).

### Tax expense

Tax expense in fiscal year 2012 amounted to MEUR 5.6 (previous year: MEUR 6.6). At 29.0%, the consolidated tax rate was lower than in the previous year (34.1%). This development is primarily attributable to the non-recurrence of backpayments of taxes for previous years and the utilization of unrecognized tax loss carryforwards. 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 13.7, up MEUR 0.9 or 7% on the prior-year figure of MEUR 12.8.

Despite the growth in earnings, the return on consolidated net profit decreased from 3.7% in the previous year to 3.4%. This was due to the Group's above-average revenue growth.

Basic earnings per share declined by 4.4% in the year under review, from EUR 0.46 to EUR 0.44. Although there was an increase in the consolidated net profit after taxes proportionally attributable to the shareholders of itelligence AG, earnings per share decreased as a result of the higher number of shares outstanding. The weighted number of shares applied in calculating earnings per share increased from 24,557,595 in fiscal year 2011 to 27,740,987 in fiscal year 2012; this was due to the capital increase that was implemented in May 2012.

### Dividend

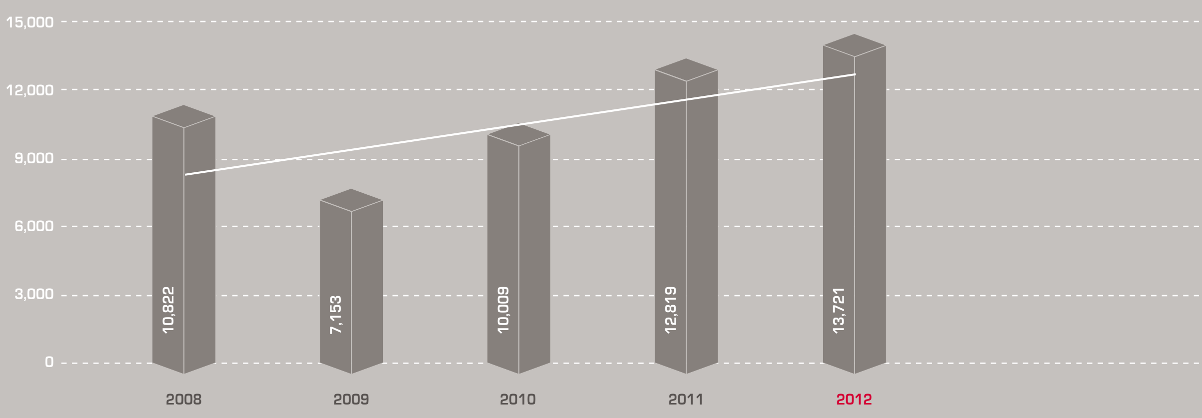
As in the previous years, itelligence AG intends to allow its shareholders to participate in the net profit for fiscal year 2012 to an appropriate extent. The basis of measurement for the dividend is the reported net profit for the year of itelligence AG in accordance with the German Commercial Code (HGB), which amounted to MEUR 2.0 (previous year: MEUR 6.5). The planned distribution ratio for 2012 is around 92% (previous year: 68%) of the net profit in accordance with HGB and 15% (previous year: 39%) of the proportionate consolidated net profit. The Management Board and Supervisory Board will propose to the Annual General Meeting the distribution of a dividend of EUR 0.06 per dividend-bearing share for the year under review (previous year: EUR 0.18). At the reporting date December 31, 2012, a total of 30,014,838 shares (previous year: 24,557,595 shares) were entitled to dividends. This corresponds to a distribution of MEUR 1.8. The dividend will be paid on May 23, 2013 subject to the approval of the Annual General Meeting.

Please see also descriptive charts on page 61 →

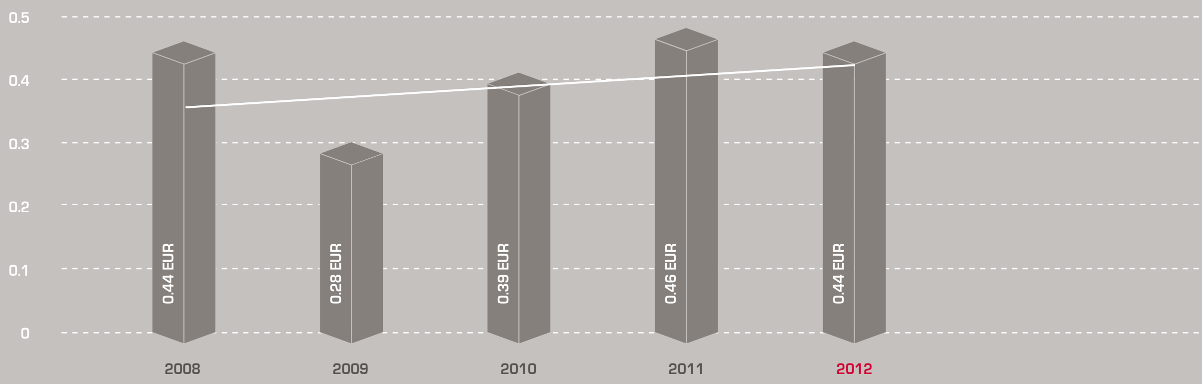
### Net Assets

The itelligence Group's total assets increased by MEUR 52.5 or +20.6% to MEUR 306.8 as of December 31, 2012 (previous year: MEUR 254.3). This was primarily due to the increase in assets following the consolidation of the acquired companies and the completion of data centers in Germany and abroad that were being financed by equity ans borrowing.

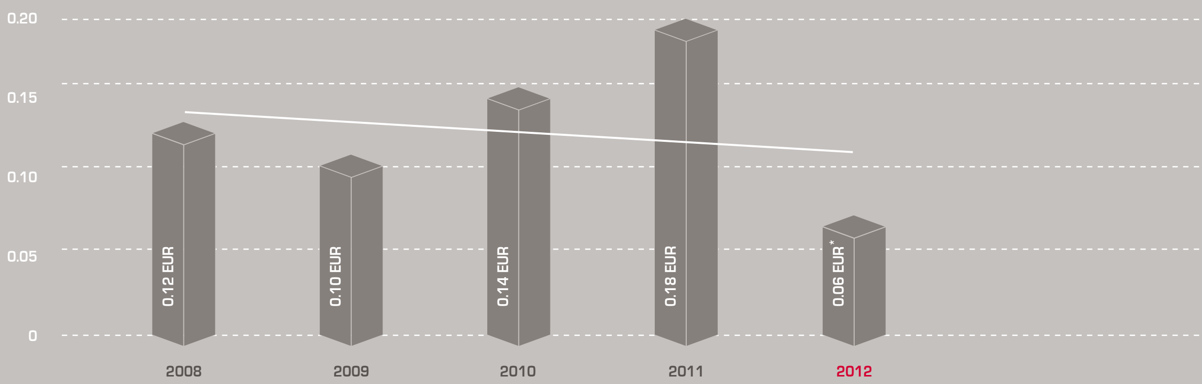
## Consolidated net profit after taxes 2008 – 2012 (in KEUR)




## Earnings per share 2008 – 2012 (in EUR)




## Dividend per share 2008 – 2012 (in EUR)




* Proposal for the annual general meeting.

| Assets | Dec. 31, 2012 | Dec. 31, 2011 | Change |
|---|---|---|---|
| | MEUR | MEUR | MEUR |
| Intangible assets | 80.7 | 67.8 | 12.9 |
| Property, plant and equipment | 61.1 | 42.8 | 18.3 |
| Non-current receivables and other assets | 6.5 | 7.4 | -0.9 |
| **Non-current assets** | **148.3** | **118.0** | **30.3** |
| Current receivables and other assets | 115.0 | 97.8 | 17.2 |
| Cash and cash equivalents | 43.5 | 38.5 | 5.0 |
| **Current assets** | **158.5** | **136.3** | **22.2** |
| **Total assets** | **306.8** | **254.3** | **52.5** |

| Equity and Liabilities | Dec. 31, 2012 | Dec. 31, 2011 | Change |
|---|---|---|---|
| | MEUR | MEUR | MEUR |
| **Equity (incl. non-controlling interests)** | **112.0** | **68.0** | **44.0** |
| Non-current financial liabilities | 64.5 | 63.8 | 0.7 |
| Provisions for pensions and other provisions | 0.6 | 0.3 | 0.3 |
| Other non-current liabilities | 14.1 | 9.9 | 4.2 |
| **Non-current liabilities** | **79.2** | **74.0** | **5.2** |
| Trade payables | 29.6 | 32.5 | -2.9 |
| Current financial liabilities | 13.6 | 12.4 | 1.2 |
| Other current liabilities and provisions | 72.4 | 67.4 | 5.0 |
| **Current liabilities** | **115.6** | **112.3** | **3.3** |
| **Total equity and liabilities** | **306.8** | **254.3** | **52.5** |

Non-current assets increased by MEUR 30.3 in fiscal year 2012, from MEUR 118.0 to MEUR 148.3. Non-current assets accounted for 48.3% of total assets at the reporting date (previous year: 46.4%). The main items under non-current assets are goodwill in the amount of MEUR 76.4 (previous year: MEUR 62.9) and property, plant and equipment in the amount of MEUR 61.1 (previous year: MEUR 42.8). The increase in goodwill in the amount of MEUR 13.5 is primarily attributable to the acquisition of the equity interests in Elsys and Interlart Bilgi Sistemleri A.S. in the amount of MEUR 12.2 and Blueprint Management System Ltd. In the amount of MEUR 3.7. At the same time, goodwill was reduced as a result of a subsequent purchase price adjustment of MEUR 2.6. The MEUR 18.3 increase in property, plant and equipment relates in particular to the data centers constructed and the capacity expansion in the Outsourcing & Services division.

Current assets totaled MEUR 158.5 at the end of the period under review (previous year: MEUR 136.3). They accounted for 51.7% of total assets at the end of 2012 (previous year: 53.6%). Trade receivables recorded the largest growth within this category, rising by 17.2% from MEUR 85.6 to MEUR 100.3 as a result of the high revenues recorded in fiscal year 2012 and the acquisitions conducted. In addition, cash and cash equivalents increased by 13.0% to MEUR 43.5 (previous year: MEUR 38.5), primarily as a result of the capital increase and the operating cash flow.

On the liability side of the consolidated statement of financial position, equity increased by MEUR 44.0 to MEUR 112.0. The equity ratio rose from 26.7% in the previous year to 36.5% in the year under review.

Non-current liabilities accounted for 25.8% of the Group's total equity and liabilities at December 31, 2012, down on the prior-year figure of 29.1%. Within non-current liabilities, financial liabilities increased from MEUR 63.8 in the previous year to MEUR 64.5. Non-current financial liabilities primarily relate to the financing of the data centers in Germany and abroad that were completed in the year under review, as well as the financing of the acquisitions conducted.

itelligence recorded an increase in current liabilities of MEUR 3.3 to MEUR 115.6. The ratio of current liabilities to total equity and liabilities fell by 6.5 percentage points year-on-year to 37.7%.

## Financial position

The cash flow statement shows the origin and application of cash flows in the year under review.

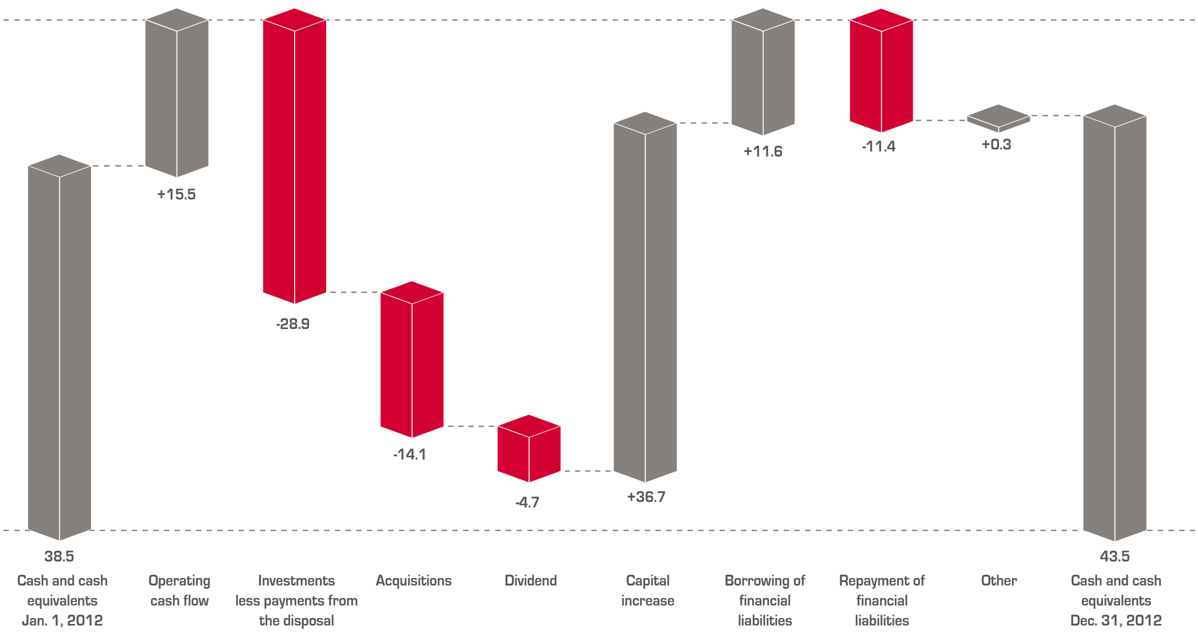
| Cash Flow<br>MEUR | Dec. 31, 2012 | Dec. 31, 2011 | Change |
|---|---|---|---|
| Cash flow from operating activities | 15.5 | 21.7 | -6.2 |
| Cash flow from investing activities | -43.1 | -32.5 | -10.6 |
| Cash flow from financing activities | 32.3 | 18.0 | 14.3 |

In the past fiscal year, net cash from operating activities declined by MEUR 6.2 to year-on-year to MEUR 15.5. This development was primarily due to the lower level of trade payables. As of the reporting date, the average days sales outstanding fell to 89 days (previous year: 92 days).

Net cash used in investing activities increased from MEUR 32.5 to MEUR 43.1. 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 9.9 (previous year: MEUR 12.2). In addition, subsequent purchase price payments for additional shares relating to acquisitions made in previous years amounted to MEUR 4.2. Investments in the new construction of data centers and property, plant and equipment (less investment subsidies and grants) amounted to MEUR 29.2 in the period under review after MEUR 20.0 in the previous year. 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.

Net cash from financing activities totaled MEUR 32.3 (previous year: MEUR 18.0). In May 2012, itelligence AG received funds of MEUR 36.7 from the capital increase after deduction of capital procurement costs. The Group also received MEUR 11.0 from the raising of non-current financial liabilities, of which MEUR 5.7 was granted by the Group parent. This was offset by repayments in the amount of MEUR 11.4, MEUR 6.2 of which related to the Group parent. The raising of

Development of Group liquidity (in MEUR)




non-current financial liabilities primarily related to the data centers constructed. The interest rates range from 2.17% to 4.92%. Due to the fixed interest agreements for the existing financing, a change in the interest rate would not have a significant impact on the itelligence Group's financial position. For future growth finance, a change in the interest rate would affect the Group's financial position and net interest income.

Net cash from financing activities for fiscal year 2012 was reduced by the dividend payment of MEUR 4.7 (previous year: MEUR 3.8).

Cash and cash equivalents increased by MEUR 5.0 to MEUR 43.5 as of the reporting date (previous year: MEUR 38.5). Of this figure, MEUR 20.7 was held in the euro zone and was therefore not subject to exchange rate fluctuations. Cash and cash equivalents held outside the euro zone in the amount of MEUR 22.8 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 interest rate fluctuations such investments on the money and capital markets can have an impact on itelligence AG's net interest income.

In order to increase financial flexibility, itelligence AG agreed additional credit facilities of MEUR 5.0 in Germany. In the year under review, these were utilized solely for drawing against guarantees. In addition to credit facilities in Germany, subsidiaries also applied for credit facilities abroad. These credit facilities with a total volume of MEUR 8.9 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 1.2.

Other financial obligations in the amount of MEUR 41.8 primarily relate to the cost of renting premises, equipment and land, as well as lease installments for cars.

The Company was able to meet its payment obligations at all times in the year under review. No future liquidity bottlenecks are currently foreseeable.

## 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 2012, business performance increased by +18.8% to MEUR 409.1. In addition to organic growth of +16.5%, this development is attributable to inorganic growth in the amount of +2.4% as a result of the acquisition of Blueprint in the UK and Elsys in Turkey.

Product-related expenses, which contain advance expenses for software licenses and maintenance, increased by MEUR +10.5 or +19.0% year-on-year to MEUR 65.7. The absolute increase is attributable 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 41.3, up MEUR +3.9 on the previous year.

itelligence AG again increased its value added in the year under review. Value added currently amounts to 57.5% (previous year: 57.1%) compared with business performance.

Value Added Statement

| KEUR | Origin | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | Change | |
| Revenues | 407,109 | 99.5% | 342,360 | 99.4% | 64,749 | 18.9% |
| Other income | 2,025 | 0.5% | 2,099 | 0.6% | -74 | -3.5% |
| **Business performance** | **409,134** | **100.0%** | **344,459** | **100.0%** | **64,675** | **18.8%** |
| Product-related expenses | 65,676 | 16.1% | 55,177 | 16.0% | 10,499 | 19.0% |
| Third-party service providers | 41,311 | 10.1% | 37,376 | 10.9% | 3,935 | 10.5% |
| Rental expenses | 10,054 | 2.5% | 8,190 | 2.4% | 1,864 | 22.8% |
| Depreciation/amortization | 12,170 | 3.0% | 10,009 | 2.9% | 2,161 | 21.6% |
| Other expenses | 44,839 | 11.0% | 37,159 | 10.8% | 7,680 | 20.7% |
| **Value added** | **235,084** | **57.5%** | **196,548** | **57.1%** | **38,536** | **19.6%** |

| | Application | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | Change | |
| Employees | 213,638 | 90.9% | 173,902 | 88.5% | 39,736 | 22.8% |
| Shareholders | 1,801 | 0.8% | 4,420 | 2.2% | -2,619 | -59.3% |
| Company (retained profits) | 10,530 | 4.5% | 6,972 | 3.5% | 3,558 | 51.0% |
| Lenders | 2,130 | 0.9% | 3,194 | 1.6% | -1,064 | -33.3% |
| Government | 5,595 | 2.4% | 6,633 | 3.4% | -1,038 | -15.6% |
| Minority interests | 1,390 | 0.6% | 1,427 | 0.7% | -37 | -2.6% |
| **Value added** | **235,084** | **100.0%** | **196,548** | **100.0%** | **38,536** | **19.6%** |

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 90.9% (previous year: 88.5%), the largest share of value added was attributable to the itelligence Group's employees. The government accounted for 2.4% of value added in the form of taxes and levies (previous year: 3.4%). Based on the current dividend proposal, the share of value added attributable to itelligence's shareholders declined by -1.4 percentage points year-on-year. This meant that 4.5% remained within the Group (previous year: 3.5%).

## Remuneration Report

itelligence's remuneration report is prepared in accordance with the recommendations of the German Corporate Governance Code and contains the disclosures prescribed by the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS). The remuneration report was prepared in accordance with the provisions of German Accounting Standard No. 17 (GAS 17). It forms part of the Management 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 tables provide a breakdown of the remuneration of the Management Board for fiscal year 2012:

| Herbert Vogel (CEO) | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Non-performance-related (fixed) remuneration | 400 | 400 |
| Performance-related (variable) current remuneration (current year) | 280 | 399 |
| Fair value of share-based remuneration on the grant date | 38 | 65 |
| Payment difference for (variable) current remuneration (previous year) | 2 | 77 |
| **Total remuneration for the year** | **720** | **941** |

| Norbert Rotter (CFO) | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Non-performance-related (fixed) remuneration | 200 | 200 |
| Performance-related (variable) current remuneration (current year) | 187 | 266 |
| Fair value of share-based remuneration on the grant date | 38 | 65 |
| Payment difference for (variable) current remuneration (previous year) | 1 | 47 |
| **Total remuneration for the year** | **426** | **578** |

The total remuneration paid to the members of the Management Board for fiscal year 2012 was KEUR 1,146 (previous year: KEUR 1,519).

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 oriented 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.

- The amount of the variable short-term remuneration depends on the achievement of certain Company success-specific and personal targets. The members of the Management Board receive remuneration based on the Group's revenue and earnings (EBIT) development. Various quantitative and qualitative targets are also agreed depending on the respective area of responsibility. The variable short-term remuneration is measured on the basis of the degree to which targets have been achieved and will be paid after itelligence AG's Annual General Meeting in May 2013. As the basic activities triggering the entitlement to the remuneration were performed in fiscal year 2012, this is disclosed in the remuneration report for 2012. 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.

- Part of the variable remuneration is 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 regular notional issue of itelligence shares is 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 is calculated. If this comparison of the average price at the issue date and the average price after the end of this three-year period shows an increase in the company's share price, the respective Management Board member is paid an amount equivalent to the increase in the value of the notional 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.

- 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 7,388 for the CEO (from January 1, 2013: EUR 10,000) and EUR 4,000 for the CFO (from January 1, 2013: EUR 4,500). The pension commitment also includes a widow's pension amounting to 60% 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 fiscal year 2012, the sixth tranche of the share-based remuneration with long-term incentive effect, which has a term from January 1, 2009 to December 31, 2011, was paid out to the CEO in the amount of KEUR 100.9 and the CFO in the amount of KEUR 75.7. The average Xetra closing price of itelligence's shares for the period from January to December 2011 was EUR 6.674. The tranche was measured at the average Xetra closing price for 2008, which was EUR 4.152. This increase in value was multiplied by the number of notional shares acquired. The resulting expense was recognized during the term of the tranche from 2009 to 2011.

After the end of the Annual General Meeting on May 31, 2012, a ninth tranche with a term from January 1, 2012 to December 31, 2014 was issued for the members of the Management Board. The basis of future measurement is the average Xetra closing price for 2011, which was EUR 6.674.

The following table shows the virtual stock options granted:

No loans or similar benefits were granted to members of the Management Board in fiscal years 2012 or 2011. 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, limited in any case to two years (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.

| | Virtual shares CEO | Virtual shares CFO | Fair value of a stock option on the grant date EUR | Proportionate fair value Dec. 31, 2012 CEO EUR | Proportionate fair value Dec. 31, 2012 CFO EUR | Expenses for stock options 2012 EUR |
|---|---|---|---|---|---|---|
| Tranche 7 | 40,000 | 30,000 | 1.798 | 142,800 | 107,100 | 127,587 |
| Tranche 8 | 40,000 | 40,000 | 1.614 | 141,120 | 141,120 | 242,640 |
| Tranche 9 | 40,000 | 40,000 | 0.94 | 54,160 | 54,160 | 108,320 |

The Company has pension obligations to the members of the Management Board in the amount of KEUR 1,157, for which total expenses of KEUR 463 were incurred in 2012.

The financing status developed as follows:

| Herbert Vogel | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Defined benefit obligation | 1,032 | 679 |
| Cash surrender value of the employer's pension liability insurance policy | -843 | -726 |
| **Financing status** | **189** | **-47** |

| Norbert Rotter | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Defined benefit obligation | 125 | 60 |
| Cash surrender value of the employer's pension liability insurance policy | -82 | -47 |
| **Financing status** | **43** | **13** |

The Company has pension obligations to former members of executive bodies in the amount of KEUR 713.0, for which expenses of KEUR 18 were incurred in 2012.

The financing status developed as follows:

| | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Defined benefit obligation | 713 | 483 |
| Cash surrender value of the employer's pension liability insurance policy | -481 | -448 |
| **Financing status** | **232** | **35** |

## Remuneration of the Supervisory Board

The following table provides a breakdown of the remuneration of the Supervisory Board for fiscal 2012 and the previous year:

| | 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 |
| Fritz Fleischmann * (Chairman since January 1, 2013) | 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 function for the entire fiscal year.

| | Fixed remuneration component | Committee remuneration | Attendance fees | Correction of attendance fees for 2010 | Variable remuneration component Earnings per share 2011 | Fair value of share-based remuneration on the grant date | 2011 Total remunera-tion |
|---|---|---|---|---|---|---|---|
| | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR |
| Dr. Lutz Mellinger (Chairman) | 45.0 | 37.5 | 7.0 | -3.0 | 13.8 | 4.3 | 104.6 |
| Dr. Stephan Kremeyer (Deputy Chairman) | 22.5 | 5.0 | 5.0 | 0.0 | 6.9 | 2.2 | 41.6 |
| Friedrich Fleischmann (Chairman since January 1, 2013) | 15.0 | 27.5 | 7.0 | -3.0 | 4.6 | 1.4 | 52.5 |
| Dr. Britta Lenzmann | 15.0 | 12.5 | 7.0 | -2.0 | 4.6 | 1.4 | 38.5 |
| Kazuhiro Nishihata | 15.0 | 0.0 | 4.0 | 0.0 | 4.6 | 1.4 | 25.0 |
| Akiyoshi Nishijima | 15.0 | 0.0 | 4.0 | 0.0 | 4.6 | 1.4 | 25.0 |
| | **127.5** | **82.5** | **34.0** | **-8.0** | **39.1** | **12.1** | **287.2** |

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 May 27, 2010 introduced new provisions for the remuneration of the activities of the members of the Supervisory Board with effect from fiscal year 2010. In accordance with these provisions, Supervisory Board members receive remuneration consisting of one fixed and one variable component as well as the reimbursement of their expenses. The amount of the variable remuneration is geared towards the company's short-term and long-term performance.

(1) Each member of the Supervisory Board receives fixed annual remuneration of KEUR 15. 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. The fixed remuneration and the attendance fees are payable at the end of each fiscal year.

(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. The additional remuneration described in sentence 1 is payable annually at the end of each fiscal year.

(3) The remuneration of each Supervisory Board member increases by EUR 100 for each EUR 0.01 of consolidated earnings per share, providing that the Company generates positive earnings per share. The Chairman of the Supervisory Board receives three times the amount of the performance-related remuneration described in paragraph (3) sentence 1, while the Deputy Chairman receives one and a half times this amount. Consolidated earnings per share are calculated by dividing the consolidated net profit reported in itelligence AG's consolidated financial statements for the respective fiscal year by the weighted average number of shares outstanding. The performance-related remuneration described in paragraph (3) is payable on the first working day after the Annual General Meeting at which the consolidated financial statements for the respective fiscal year are presented. As the basic activities triggering the entitlement to the remuneration were performed in fiscal year 2012, this is disclosed in the remuneration report for 2012.

(4) Members of the Supervisory Board also receive performance-related remuneration oriented towards the Company's long-term success. This remuneration is calculated as follows: After the end of the Annual General Meeting, a situation is simulated whereby the Company invests a notional amount of KEUR 5 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 is KEUR 15, while the notional investment amount for the Deputy Chairman is 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 is calculated. If this comparison of the average price in accordance with sentence 2 and the average price in accordance with sentence 4 shows an increase in the Company's share price, the respective Supervisory Board member is paid an amount equivalent to the increase in the value of the notional shares acquired in accordance with sentence 2. This performance-related remuneration is 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.

(5) Supervisory Board members not in office for the entire three-year period receive the remuneration described in paragraphs (1) to (4) on a pro rata basis.

In fiscal year 2012, the sixth tranche of the share-based remuneration with long-term incentive effect, which has a term from January 1, 2009 to December 31, 2011, was paid out to the members of the Supervisory Board in the amount of:

KEUR 9.1 to the Chairman
KEUR 4.6 to the Deputy Chairman
KEUR 3.0 to each member
KEUR 1.4 was paid to former members of the Supervisory Board.

The average Xetra closing price of itelligence's shares for the period from January to December 2011 was EUR 6.674. The tranche was measured at the average Xetra closing price for 2008, which was EUR 4.152. This increase in value was multiplied by the number of notional shares acquired. The resulting expense was recognized during the term of the tranche from 2009 to 2011.

After the end of the Annual General Meeting on May 31, 2012, a ninth tranche with a term from January 1, 2012 to December 31, 2014 was issued for the members of the Supervisory Board. The basis of future measurement is the average Xetra closing price for 2011, which was EUR 6.674.

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 7 | 3,669 | 1,834 | 4,893 | 10,396 | 1.798 |
| 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, 2012 Chairman EUR | Proportionate fair value Dec. 31, 2012 Deputy Chairman EUR | Proportionate fair value Dec. 31, 2012 Members EUR | Proportionate fair value Dec. 31, 2012 (total) EUR | Expenses for stock options 2012 EUR |
|---|---|---|---|---|---|
| Tranche 7 | 11,438 | 6,550 | 15,803 | 33,791 | 15,625 |
| Tranche 8 | 9,443 | 4,721 | 12,592 | 26,756 | 23,002 |
| Tranche 9 | 3,043 | 1,522 | 4,057 | 8,622 | 8,622 |

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.

## Disclosures on Acquisitions in accordance with Section 315 (4) of the German Commercial Code (HGB)

### Re Section 315 (4) no. 1 HGB

The subscribed capital of itelligence AG amounted to EUR 30,014,838 at the reporting date and is divided into 30,014,838 no-par value bearer shares. Each share represents a notional interest in the share capital of EUR 1.00. Each share grants the holder one vote.

### Re Section 315 (4) no. 2 HGB

There are no restrictions on itelligence AG's shares. To the knowledge of the Management Board, there were no conditions affecting the voting rights or the transferability of the shares of itelligence AG at the reporting date.

### Re Section 315 (4) no. 3 HGB

NTT DATA EUROPE GmbH & Co. KG, a subsidiary of NTT DATA Corporation, Tokyo, held approximately 98.43% of the subscribed capital at the reporting date. No other shareholders hold more than 10% of the voting rights. NTT Communications Corporation, Tokyo, a subsidiary of Nippon Telegraph and Telephone Corporation, Tokyo, held 10.0% of the subscribed capital until May 30, 2012. Since December 28, 2012, NTT Communications Corporation no longer holds any shares of itelligence AG.

### Re Section 315 (4) no. 6 HGB

In accordance with the Articles of Association, the Management Board consists of one or more members. The precise number is determined by the Supervisory Board. The appointment of deputy Management Board members is permitted. The Supervisory Board may appoint a member of the Management Board as the Chairman and other members of the Management Board as Deputy Chairmen. Management Board members are appointed by the Supervisory Board for a maximum of five years. The reappointment or extension of the term of office of Management Board members, in each case for a maximum of five years, is permitted. In accordance with section 84 of the German Stock Corporation Act (AktG), the appointment of a Management Board member may be revoked by the Supervisory Board if there is good cause, such as a serious breach of duty on the part of the respective member. If a necessary Management Board member is missing, section 85 AktG states that a member may be appointed by court in urgent cases. For further information on the appointment and dismissal of members of the Management Board, please refer to the statutory provisions of sections 84 and 85 AktG.

In accordance with section 179 AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting with a majority of at least three quarters of the capital stock represented, unless the Articles of Association provide for a different majority. Under the Articles of Association of itelligence AG, the Annual General Meeting passes resolutions by a simple majority of the votes cast unless a larger majority is required by law or in accordance with the Articles of Association. If a capital majority is required by law in addition to a majority of votes, a simple majority of the share capital represented is sufficient if so permitted by law. In accordance with section 15 of the Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association that only affect their wording.

### Re Section 315 (4) no. 7 HGB

In accordance with the resolution by the Annual General Meeting on May 26, 2010, the Management Board is authorized to acquire treasury shares up to a maximum of 10% of the total share capital at the resolution date until April 30, 2015 and to utilize these treasury shares for all legally permitted purposes. The Management Board did not exercise this authorization in fiscal year 2012. itelligence AG did not hold any treasury shares at the reporting date.

The Management Board is also authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until April 30, 2015 by a total of up to EUR 6,821,554.00 by issuing new no-par value bearer shares in exchange for cash and/or non-cash contributions (authorized capital). In fiscal year 2012, authorized capital 2010 was reduced from EUR 12,278,797 to EUR 6,821,554.00 due to the increase in subscribed capital of EUR 5,457,243 resulting from the capital increase from authorized capital 2010 in exchange for cash contributions.

The aforementioned authorizations to issue and repurchase shares are commonplace among German companies that are comparable to itelligence AG. They give the Management Board the necessary flexibility and, in particular, provide for the possibility of using shares of itelligence AG as consideration when acquiring equity interests or borrowing on the capital markets at short notice and at favorable conditions; this is subject to the approval of the Supervisory Board as applicable.

### Re Section 315 (4) no. 8 HGB

itelligence AG's partnership agreements with SAP AG include change of control clauses that grant extra-ordinary termination rights to SAP AG "in the event that its business interests are significantly impaired by a material change in the shareholder structure of itelligence AG (for example, if a direct competitor of SAP becomes a direct or indirect shareholder)".

## Shareholdings

According to the Company's own information, itelligence AG had the following shareholder structure at the reporting date:

| | |
|---|---|
| NTT DATA EUROPE | 98.43% |
| Free float | 1.57% |

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.

Herbert Vogel (CEO of itelligence AG) and Dr. Britta Lenzmann (employee representative) both sold their itelligence shares as part of the public purchase offer by NTT DATA EUROPE GmbH & Co. KG.

## Report on Post-Balance Sheet Date Events

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. This 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. They will all benefit not only from cooperation with a proven SAP partner, but also from itelligence's extensive service portfolio. itelligence is opening a new branch in Toronto for the English-speaking Canadian market.

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% on this date.

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

## Declaration on Corporate Governance

The declaration on corporate governance can be found on itelligence AG's website at www.itelligence.ag.

## 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. As there is no control agreement in place with the majority shareholder, 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 executives, managers and employees of itelligence AG follow defined principles and rules with regard to the social, economic and ecological responsibility imposed on it by its customers, business partners and shareholders, as well as by the government and society. This includes sustainable planning and action with due foresight, as well as the timely identification of the opportunities and risks emerging for itelligence AG in its national and international environment. A transparent organizational structure, including the clear allocation of roles and duties and efficient, effective processes, forms the basis for dealing appropriately with the opportunities and risks presenting themselves for the Company on a daily basis. Compliance with targets based on contractual and statutory agreements is regularly monitored by internal and external auditors and the necessary adjustments and areas for improvement are addressed together with the responsible officers and the Company's management where applicable.

### 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 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 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 from the intensive cooperation with SAP, which is expressed in the form of global partnerships (SAP Global Services, Hosting, Support and Technology Partner), among other things. This enables itelligence to serve small and medium-sized enterprises and, in particular, upper mid-size companies with a strong international focus in Germany and abroad.

The parent company NTT DATA Corporation supports itelligence AG's dynamic growth. Growth potential in this respect lies in providing support for NTT DATA customers in Europe in particular, the realization of joint projects, and the development of markets such as those in Asia. As in the previous years, itelligence can use the capital resources provided by the partnership with NTT DATA to strengthen its position in a targeted manner through acquisitions.

The market for enterprise software is a global growth market. SAP AG's innovative product portfolio and itelligence's own IT solutions will enable sustainable growth over the coming years.

### 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 supplemented 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. The aim is to bundle and analyze the information required for efficient opportunity and risk management as quickly as possible and to make the findings available to all Group members in good time.

## Risks of future business development

### Human resources risks and opportunities

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

In addition to a positive working environment, human resources activities therefore focus on professional training and the promotion of the national and international management development program. Furthermore, all employees and managers are encouraged to meet the ever-increasing demands in terms of their expertise and qualifications with flexibility and a willingness to learn in order to ensure that they can continue to provide customers with competitive technologies and solutions in future.

Opportunities result in particular from the sustainable positive presentation of itelligence AG as an attractive employer in the IT environment. The aim of this is to attract and retain trainees as well as highly qualified employees. 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.

### Project risk

In addition to the project quality of the consultant team, the active involvement of the customer is a major factor in the success of a project. The lack of an appropriate customer-side project organization and the insufficient provision of employees can lead to reconciliation and quality problems and availability bottlenecks. This may give rise to claims for recourse on the part of the customer. These project risks, some of which do not fall within itelligence's sphere of influence, are reduced by organizing a project structure in conjunction with the customer. Factors ranging from information channels and coordination structures right through to escalation provisions are agreed as binding with the customer. Internally, the project managers are familiarized with potential project risks in project management training courses. Project reviews supplemented by regular reporting by project controlling support all of the parties involved in identifying risks at an early stage and initiating the relevant countermeasures. Despite all precautions, the risk of project escalation and resulting adverse effects on itelligence's net assets and results of operations cannot be completely ruled out.

### SAP partnership

itelligence offers comprehensive IT services for the traditional and upper midmarket SAP environment. This strong content-related and strategic focus on SAP products means that itelligence AG is dependent to a large extent on SAP's continued success in the market. 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, also embodies an economic risk for itelligence AG. The competitiveness of SAP's products and its future development are among the crucial factors in itelligence's success. The economic risk for itelligence will only be negated if customers continue to be provided with the most high-performance products available.

### Risks in the Outsourcing & Services division

The Outsourcing & Services division is exposed to all risks that can arise from data center operation and data transfer. State-of-the-art buildings and infrastructures and comprehensive security measures in the area of data center operation – from access restriction through to the internal authorization concept for the responsible employees – serve to ensure that all of the relevant security requirements are fulfilled. Regular security audits followed by process certification (e.g. ISO27000, ISAE3402) are an integral element of the risk minimization process. These measures are supplemented by existing insurance policies that further reduce the potential losses to the Company. Data center operation must also respond in a timely and appropriate manner to the ever-increasing demands of the market in terms of technological development and the conformity of processes and interfaces with statutory provisions and customer regulations. The necessary resources are determined by the relevant specialists and provided by the management in consultation with the customer. Despite every effort, however, the risk of a lack of system availability or breaches of the service level cannot be fully excluded.

### General market risk

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

a) **Market risks on the part of the customer**
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.

### Liquidity risk

itelligence has a central financial management system that is responsible for global liquidity management, the primary aim of which is to ensure minimum liquidity for the Group. 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. Uniform Group-wide investment principles and their financing serve to stabilize the Group's cash resources. By maintaining a constant level of cash and cash equivalents and credit facilities in Germany and abroad, itelligence increases its own security and independence.

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's net interest income to a limited extent.

### Price risk

itelligence permanently monitors exchange rate risks on the basis of items on 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 cash flows 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.

Share-based remuneration is measured on the basis of the assumed future volatility of itelligence's shares. If this future volatility proves to be greater than expected, this could have an impact on earnings.

### Default risk

itelligence has established a system enabling the early recognition of customer insolvency risk at all of its national subsidiaries. Permanent credit checks, which are performed as part of debtor management at the respective national companies and coordinated centrally, start prior to the conclusion of the contract and only end once the project is complete. To further limit the risk to which the Company is exposed, delcredere risk in Germany is limited by the trade credit insurance concluded to the extent that, in the event of customer insolvency, 80% of the potential default is secured. All receivables within the Group are examined on a monthly basis and bad debt allowances are recognized depending on the age structure. Risk provisions also include specific valuation allowances, which are recognized on the basis of a professional assessment of the respective project.

### 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.

### 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.

## Report on Expected Developments

### General economic situation in 2012

The global economy experienced a renewed phase of weakness in 2012. In the USA, economic growth amounted to a moderate 2.2% on the back of sustained high unemployment. The euro zone and the United Kingdom saw a further intensification of the debt crisis and remain in recession, with economic output declining by 0.4%.

In light of this environment, Germany is proving to be relatively strong, recording economic growth of 0.7% thanks to strong exports; however, exports lost significant momentum in the fourth quarter, leading to a decrease in GDP (gross domestic product) of 0.6% compared with the previous quarter.

Following the slump in economic output in 2011, the Japanese economy recovered over the course of 2012, recording overall growth of 2.2%.

Growth in the emerging markets has also slowed considerably as a result of the economic weakness affecting the industrialized nations. Even China, which had previously enjoyed high single-digit growth rates in recent years, was forced to make substantial adjustments and accept GDP growth of less than 8% for the first time in recent years. After bottoming out at 7.4% in the third quarter, year-on-year economic growth improved to 7.9% in the fourth quarter of 2012. This was the first quarter to see growth in the past two years.

### Economic forecasts for 2013

The leading institutions have become significantly more restrained in their forecasts for the global economy, downwardly revising the estimates previously issued. The International Monetary Fund is generally forecasting a global economic recovery but, in the same way as the other institutions, it expects the established industrial nations to experience a phase of substantial economic weakness. All in all, the growth forecast has been reduced from 2.0% to 1.5% for the established countries and from 6.0% to 5.6% for the emerging economies, including China. The reasons provided include the European debt crisis, the postponed resolution of the US budget dispute and the high level of unemployment in a number of industrialized nations. These uncertainties are also having an adverse impact on sentiment, and hence on the propensity of companies to make investments. However, there are signs of a general relaxation in the European debt crisis in particular. Market participants also expect the budget dispute in the USA to be resolved, with an economic upturn forecast for the second half of the year at the latest. China and Japan are initiating further programs with a view to boosting economic output. The European Central Bank believes that the euro zone economy will recover over the course of 2013, with economic activity picking up gradually following a weak start to the year.

### Outlook for the software and IT services market

The global market for enterprise software and the related IT services (consulting, software maintenance, application management and hosting) remains a global growth market. However, the IT market research institute Gartner believes that growth rates for 2012 will be significantly lower than in the previous year. Global IT spending increased by only around 3%, with expenditure on enterprise software rising by 3.3% (previous year: 9.8%) and expenditure on IT services climbing by 1.8% (previous year: 8.1%). Indeed, the Western Europe sub-region is expected to see a sharp decline in IT expenditure of 5.9%. This is more due to a reduced propensity to invest as a result of the pessimistic economic outlook than to a lack of IT innovation. All in all, a rapid recovery is forecast. Gartner believes that the main growth driver will be the combination of cloud, mobile, social and information (big data), which it describes as the "Nexus of Forces". The bundling of these inter-dependent trends will change the IT and business world substantially. This development is confirmed by IDC, which expects these trends to account for around 90% of total growth in the IT market in the period from 2013 to 2020.

SAP is addressing the implications of this development with its product range. The analysis of the constantly rising volume 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.

### Expected business development at itelligence AG

In spite of the weaker overall environment, itelligence again outperformed the market in 2012, recording growth of 18.9%. Organic growth (revenue growth adjusted for acquisitions in 2012) amounted to 16.5%, thereby exceeding the average rate of revenue growth of 15.5% for the period from 2004 to 2012 once again. This growth momentum was not maintained in the fourth quarter, which is the most important period of the year in seasonal terms. Organic growth declined to 8.3%. EBIT profitability declined significantly to 4.7% (previous year: 6.0%), while the operating margin before non-recurring effects and the amortization of capitalized assets from acquisitions amounted to 5.5% (previous year: 6.2%).

Although macroeconomic development is expected to be difficult, the Management Board is forecasting total revenues of between MEUR 450 and MEUR 470 for fiscal year 2013, which would correspond to growth of between 10.4% and 15.5%. The Management Board also expects to see revenue growth in fiscal year 2014 assuming the targets for the current fiscal year are met.

In the current fiscal year and the subsequent years, the Group's management will focus on increasing EBIT profitability.

In addition to measures aimed at reducing the share of third-party service providers, the earnings contribution from investments in IT solutions will be investigated and non-billable internal services will be reduced. The strategic objective remains to expand the Group's international business, including through acquisitions. The aim is to increase the share of SAP maintenance, application management and hosting revenues attributable to recurring business to 40% of total global revenues. The share of revenues attributable to the Licenses division will return to over 10%. We expect product developments relating to SAP HANA for SMEs to have a positive effect from the second half of 2013 onwards. We do not expect the planned squeeze-out by the majority shareholder, NTT DATA, Tokyo, to have a negative impact on itelligence AG's business development. One general aim is to intensify business activities with our partner NTT Group subsidiaries.

The Management Board expects to see a significant improvement in EBIT profitability to over 6% in fiscal year 2013, accompanied by a substantial increase in the operating result. The cost reduction measures implemented by the Group and the investments in growth over recent years will provide the basis for a sustainable improvement in profitability in 2013 and beyond.

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 14, 2013

itelligence AG

The Management Board

# Consolidated Income Statement (IFRS)

| KEUR | | Jan. 1–Dec. 31, 2012 | Jan. 1–Dec. 31, 2011 |
|---|---|---|---|
| Revenues | (1) | 407,108 | 342,360 |
| Cost of sales | (2) | -305,350 | -253,197 |
| **Gross profit** | | **101,758** | **89,163** |
| Marketing and distribution expenses | (3) | -44,705 | -39,517 |
| Administration expenses | (4) | -36,338 | -28,314 |
| Other operating income | (5) | 2,025 | 2,099 |
| Other operating expenses | (6) | -2,874 | -2,185 |
| Amortization of orders on hand | (11) | -619 | -872 |
| Total operating expenses | | -82,511 | -68,789 |
| **Operating earnings** | | **19,247** | **20,374** |
| Investment income | | -186 | 28 |
| Measurement of derivatives and exercise of options | (7) | 2,283 | 2,023 |
| Exchange rate differences from financing activities | | -165 | -4 |
| Finance income | (8) | 267 | 225 |
| Finance expenses | (8) | -2,130 | -3,194 |
| Financial results | | 69 | -922 |
| **Earnings before tax** | | **19,316** | **19,452** |
| Tax expenses | (9) | -5,595 | -6,633 |
| **Consolidated net profit** | | **13,721** | **12,819** |
| of which attributable to the shareholders of itelligence AG | | 12,331 | 11,392 |
| of which attributable to non-controlling interests | | 1,390 | 1,427 |
| Earnings per share (EUR) (basic) | (10) | EUR 0.44 | EUR 0.46 |
| Earnings per share (EUR) (diluted) | | EUR 0.44 | EUR 0.46 |
| Number of shares on the basis of which earnings per share were calculated: | | | |
| – basic | | 27,740,987 | 24,557,595 |
| – diluted | | 27,740,987 | 24,557,595 |

# Consolidated statement of comprehensive income (IFRS)

| KEUR | Jan. 1–Dec. 31, 2012 | Jan. 1–Dec. 31, 2011 |
|---|---|---|
| Consolidated net profit | 13,721 | 12,819 |
| Foreign exchange differences | 355 | 748 |
| **Total comprehensive income** | **14,076** | **13,567** |
| of which attributable to the shareholders of itelligence AG | 12,716 | 12,060 |
| of which attributable to non-controlling interests | 1,360 | 1,507 |

# Consolidated Balance Sheet (IFRS)

| **Assets** KEUR | | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|
| Non-current assets | | | |
| Intangible assets | (11) | 80,670 | 67,767 |
| Property, plant and equipment | (12) | 61,095 | 42,758 |
| Other financial assets | (13) | 1,966 | 2,294 |
| Trade receivables | (14) | 1,501 | 1,879 |
| Other non-financial assets | (15) | 125 | 869 |
| Income tax receivables | | 241 | 270 |
| Deferred tax assets | (16) | 2,697 | 2,195 |
| | | **148,295** | **118,032** |
| Current assets | | | |
| Inventories | | 210 | 763 |
| Trade receivables | (14) | 100,342 | 85,606 |
| Income tax receivables | | 2,624 | 573 |
| Other financial assets | (13) | 881 | 786 |
| Other non-financial assets | (15) | 1,802 | 1,284 |
| Cash and cash equivalents | (17) | 43,516 | 38,513 |
| Prepaid expenses | (18) | 9,109 | 8,730 |
| | | **158,484** | **136,255** |
| | | **306,779** | **254,287** |

| **Equity and liabilities** KEUR | | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|
| Equity | | | |
| Share capital | (19) | 30,015 | 24,558 |
| Capital reserves | (20) | 52,768 | 21,491 |
| Net accumulated profit | (21) | 38,315 | 30,404 |
| Other comprehensive income | (22) | -27,309 | -23,727 |
| | | 93,789 | 52,726 |
| Non-controlling interests | | 18,196 | 15,251 |
| | | **111,985** | **67,977** |
| Non-current liabilities | | | |
| Financial liabilities | (23) | 64,524 | 63,838 |
| Deferred tax liabilities | (16) | 8,203 | 5,212 |
| Other non-current provisions | (24) | 177 | 286 |
| Pension provisions | (25) | 465 | 1 |
| Government grants | (26) | 4,812 | 4,278 |
| Other non-financial liabilities | (27) | 1,021 | 365 |
| | | **79,202** | **73,980** |
| Current liabilities | | | |
| Trade payables | (28) | 29,648 | 32,517 |
| Financial liabilities | (23) | 13,631 | 12,436 |
| Tax provisions | | 2,058 | 2,074 |
| Other current provisions | (24) | 2,445 | 3,184 |
| Income tax liabilities | | 1,339 | 620 |
| Other non-financial liabilities | (27) | 56,297 | 53,669 |
| Deferred income | | 10,174 | 7,830 |
| | | **115,592** | **112,330** |
| | | **306,779** | **254,287** |

# Consolidated Cash Flow Statement (IFRS)

| KEUR | Jan. 1–Dec. 31, 2012 | Jan. 1–Dec. 31, 2011 |
|---|---|---|
| Consolidated net profit | **13,721** | **12,819** |
| Amortization of intangible assets and depreciation of property, plant and equipment | 12,166 | 10,040 |
| Elimination of gains/losses on asset disposals | 8 | 17 |
| Other non-cash expenses and income | 167 | -878 |
| Net finance costs | -69 | 922 |
| Tax expenses | 5,595 | 6,633 |
| | **31,588** | **29,553** |
| Change in inventories | 553 | -541 |
| Change in trade receivables | -10,848 | -10,209 |
| Change in other non-current assets | 1,200 | -1,422 |
| Change in other current assets | -2,324 | -186 |
| Change in prepaid expenses | 1,009 | -924 |
| Change in trade payables | -2,806 | 5,258 |
| Change in provisions for pensions | 464 | -11 |
| Change in other liabilities and provisions | 791 | 7,328 |
| Change in deferred taxes | 2,489 | 835 |
| | **22,116** | **29,681** |
| Interest received | 191 | 225 |
| Interest paid | -1,825 | -1,261 |
| Taxes paid | -4,943 | -6,956 |
| Cash flows from operating activities | **15,539** | **21,689** |
| Investments in property, plant and equipment and IT software | -31,309 | -22,344 |
| Investment grants and subsidies received | 2,086 | 2,342 |
| Cash received from the disposal of property, plant and equipment and intangible assets | 353 | 64 |
| Payments for acquisitions (less cash and cash equivalents acquired) | -9,947 | -12,177 |
| Subsequent purchase price payments for investments made | -4,234 | -400 |
| Cash flows from investing activities | **-43,051** | **-32,515** |
| Cash received from capital increase | 36,734 | 0 |
| Dividends paid to non-controlling interests | -315 | -346 |
| Increase in long-term deposits | 92 | -73 |
| Dividend payments | -4,420 | -3,438 |
| Borrowing of current financial liabilities | 639 | 0 |
| Repayment of current financial liabilities | -1,830 | 0 |
| Borrowing of non-current financial liabilities | 10,986 | 27,273 |
| Repayment of non-current financial liabilities | -9,598 | -5,451 |
| Cash flows from financing activities | **32,288** | **17,965** |
| Increase/decrease in cash and cash equivalents | **4,776** | **7,139** |
| Effects from exchange rate differences | 227 | 521 |
| Cash and cash equivalents as of January 1 | 38,513 | 30,853 |
| Cash and cash equivalents as of December 31 | **43,516** | **38,513** |

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

## Consolidated Statement of Changes in Equity (IFRS)

| | | | | | Other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | **22,450** | -1,964 | -10,447 | **-12,411** | **56,088** | **5,106** | **61,194** |
| **Consolidated net profit 2011** | | | | **11,392** | | | | **11,392** | **1,427** | **12,819** |
| Foreign exchange differences | | | | | 668 | | 668 | 668 | 80 | 748 |
| **Total comprehensive income** | | | | **11,392** | 668 | | **668** | **12,060** | **1,507** | **13,567** |
| Dividend payments | | | | -3,438 | | | | -3,438 | -346 | -3,784 |
| Acquisition of non-controlling interests | | | | | | | | | 9,317 | 9,317 |
| Exercise of options | | | | | | 333 | 333 | 333 | -333 | 0 |
| Fair value for call and put options | | | | | | -12,317 | -12,317 | -12,317 | | -12,317 |
| **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 2012** | | | | **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 |
| **Dec. 31, 2012** | **30,014,838** | **30,015** | **52,768** | **38,315** | **-911** | **-26,398** | **-27,309** | **93,789** | **18,196** | **111,985** |

Changes in equity are discussed in notes (19) to (22).

# Notes to the Consolidated Financial Statements for Fiscal Year 2012

## A. General Information

itelligence AG was formed in May 2000 by a non-cash contribution in accordance with German law. The company has its registered office at Königsbreede 1,33605 Bielefeld, Germany. Under the merger agreement signed in May 2000, the principal shareholders of SVC AG, Schmidt Vogel Consulting, Bielefeld, and the shareholders of APCON AG, Hamburg, subscribed for approximately 45% and approximately 55% of the company's shares respectively.

As a leading international full-service provider for SAP, itelligence AG's services range from SAP consulting and licensing and application management services through to outsourcing and services and proprietary SAP industry solutions.

The company has a number of subsidiaries in Germany and foreign subsidiaries in the USA, Switzerland, Austria, Spain, the United Kingdom, the Czech Republic, Slovakia, the Netherlands, Belgium, Poland, Hungary, Russia, the Ukraine, Canada, France, Denmark, Norway, Sweden, Malaysia and China. The subsidiary in Brazil no longer has any active business operations.

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. Following the implementation of a public purchase offer in fiscal year 2012, NTT DATA EUROPE GmbH & Co. KG directly holds more than 95% of the share capital of itelligence AG, meaning that it is the majority shareholder within the meaning of section 327a (1) sentence 1 of the German Stock Corporation Act (AktG).

itelligence AG's consolidated financial statements as of December 31, 2012 are prepared and published in euro (EUR) for the fiscal year from January 1 to December 31, 2012. Within the financial statements, all figures have been rounded to thousands of euros (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 2, 2013. The Supervisory Board is responsible for examining the consolidated financial statements and declaring whether it approves them. The consolidated financial statements cannot be changed after this date. The consolidated financial statements were approved by the Supervisory Board on March 14, 2013.

## 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, 2012 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 year 2012 were taken into account. The following new standards to be applied in fiscal year 2012 had no significant effect on the presentation in the consolidated financial statements of itelligence AG:

| | |
|---|---|
| Amendments to IFRS 7 | Disclosures – Transfers of Financial Assets |
| Amendments to IAS 12 | Recovery of Underlying Assets |
| Amendments to IFRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |

The "New accounting standards" section contains information on the accounting provisions published by the IASB but not yet required to be applied in fiscal year 2012.

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, 2012 but not yet required to be applied have not been taken into consideration in the preparation of the financial statements:

| | |
|---|---|
| Amendments to IAS 1 | Presentation of Items of Other Comprehensive Income |
| IAS 19 (rev. 2011) | Employee Benefits |
| 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 IFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IFRS 13 | Fair Value Measurement |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |

### Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income

The amendment changes the presentation of other comprehensive income. In future, the items of other comprehensive income later reclassified to the income statement ("recycling") must be shown separately from the items of other comprehensive income never reclassified. If the items are reported gross, i.e. without netting effects of deferred taxes, deferred taxes are no longer reported as a total figure but must instead by assigned to the two groups of items.

The amendment is effective for the first time for fiscal years beginning on or after July 1, 2012 subject to its outstanding endorsement in EU law. The revised version of IAS 1 is not expected to have a significant effect on the future consolidated financial statements of itelligence AG.

### IAS 19 – Employee Benefits (revised 2011)

In addition to more extensive disclosure requirements for employee benefits, the revised standard means the following changes in particular:

There is currently an option as to how unexpected fluctuations in pension obligations, known as actuarial gains and losses, can be presented in the financial statements. These can be recognized (a) in profit or loss, (b) in other comprehensive income, or (c) after a delay using the corridor method. The revision of IAS 19 will abolish this option in favor of a more transparent and comparable presentation, meaning that only direct and full recognition in other comprehensive income will be permitted in future. Past service cost is now also required to be recognized in profit or loss in the year in which it is incurred.

In addition, the expected return on plan assets is currently calculated based on management expectations of portfolio development at the start of the accounting period. Under IAS 19 (revised 2011), only standardized interest on plan assets in the amount of the discount rate for pension obligations at the start of the period is permitted.

The expected administrative expenses for plan assets were previously reported in net interest income. In accordance with the revised standard, administrative expenses for plan assets must be reported as part of the remeasurement components in other comprehensive income, while other administrative expenses must be allocated to operating profit as incurred.

The amendments to IAS 19 will have the following cumulative effects. As the Company currently applies the corridor method, the change – applied to the circumstances as of December 31, 2012 – will result in an increase in pension provisions of KEUR 344. Finance expenses will increase by KEUR 25. On switching from the corridor method to the amended method, itelligence AG's income statement will be unaffected by actuarial gains and losses in future (e.g. due to interest rate fluctuations) as these will have to be recognized in other comprehensive income.

The revised definition of termination benefits will have an effect on accounting for top-up amounts granted in connection with partial retirement agreements. To date, these top-up amounts have been classified as termination benefits and corresponding provisions have been recognized for the full amount at the date on which a partial retirement agreement is concluded. The change in the definition of termination benefits means that top-up amounts no longer meet the criteria for the existence of termination benefits in accordance with IAS 19 (revised 2011). Instead, they are to be classified as other long-term employee benefits accumulated on a pro-rata basis over the respective period of service.

The revised definition of termination benefits means that top-up amounts granted in connection with partial retirement agreements now constitute other long-term employee benefits. The pro-rata accumulation of top-up amounts over the active period of service of the respective employees results in a provision that is KEUR 300 lower as of December 31, 2012 and a charge to the operating result of TEUR 123 in each of the subsequent years (2013 and 2014).

The amendment is effective for the first time for fiscal years beginning on or after January 1, 2013.

### 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 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 future. Proportionate consolidation will also no longer apply to joint ventures.

In future, potential voting rights and other derivative financial instruments must also be taken into account when determining whether an enterprise has a material influence and when calculating an investor's interest in the assets of an enterprise.

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 must be applied partially if an investment in an associate (or a joint venture) only partially meets the "held for sale" criterion.

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 und IFRS 7 – 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 regulations on disclosures in the notes in IFRS 7 were also expanded on together with these clarifications.

The amendment to IAS 32 is effective for the first time for fiscal years beginning on or after January 1, 2014.

The amendment to IFRS 7 is effective for the first time for fiscal years beginning on or after January 1, 2013. The amendments to IAS 32 and IFRS 7 are 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.

This new standard could affect the scope of the consolidated group, including for special-purpose entities.

The new standard is effective for the first time for fiscal years beginning on or after January 1, 2014. If it is found that an investment qualifies as a subsidiary differently according to IAS 27/SIC 12 and IFRS 10, IFRS 10 must be applied retrospectively. Early adoption is only permitted at the same time as IFRS 11, IFRS 12 and the 2011 amendments to IAS 27 and IAS 28. 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. Early adoption is only permitted at the same time as IFRS 10, IFRS 12 and the 2011 amendments to IAS 27 and IAS 28. 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.

### IFRS 13 – Fair Value Measurement

This standard provides uniform regulations for fair value measurement in IFRS financial statements. In future, fair value measurement as required in all other standards must be applied in line with the uniform regulations of IFRS 13; separate regulations also apply for IAS 17 and IFRS 2 only.

Fair value under IFRS 13 is defined as the exit price, i.e. the price that would be received to sell an asset or paid to transfer a liability. As currently applied for the fair value measurement of financial assets, there is a three-level hierarchy graded according to the dependence on observed market prices. New fair value measurement can result in different values as compared to current provisions.

The new standard is effective for the first time for fiscal years beginning on or after January 1, 2013. The revised version of IFRS 13 is not expected to have a significant effect on the future consolidated financial statements of itelligence AG.

### IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

This interpretation is intended to provide uniform regulations for accounting for stripping costs in the production phase of a surface mine. If income is expected to be generated from the further use of waste materials, the costs of stripping activity are to be accounted for as inventories in accordance with the principles of IAS 2. An intangible asset recognized together with the surface mine asset is also generated if access to ore is improved and the criteria defined in the interpretation are met. This asset is amortized over its expected useful life.

IFRIC 20 is effective for the first time for fiscal years beginning on or after January 1, 2013. The revised version of IFRIC 20 is not expected to have any effect on the 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 Eurovision Union:

| | |
|---|---|
| Improvements to IFRS 2009 - 2011 | |
| Amendments to IFRS 1 | Government Loans |
| IFRS 9 | Financial Instruments |
| Amendments to IFRS 9 and IFRS 7 | Mandatory Effective Date and Transition Disclosures |

| | |
|---|---|
| Amendments to IFRS 10, IFRS 11 and IFRS 12 | Transition Guidance |
| Amendments to IFRS 10, IFRS 12 and IAS 27 | Investment Entities |

### Improvements to IFRS 2009 - 2011

Amendments were made to five standards as part of the annual improvement project. Amending the formulation of individual IFRSs is intended to clarify the existing provisions. There are also amendments relating to accounting, recognition and measurement and disclosures in the notes. The standards affected are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2013 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.

### Amendments to IFRS 1 - Government Loans

This amendment relates to the accounting treatment of government loans at below-market interest rates by first-time IFRS adopters. The previous accounting treatment can be maintained for government loans existing at the transition date. As such, the provisions on measurement set out in IAS 20.10A in conjunction with IAS 39 only apply for government loans granted after the transition date.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2013 subject to their outstanding endorsement in EU law. The revised version of IFRS 1 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

### IFRS 9 – Financial Instruments

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

In 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 – as was previously the case – can be designated to the at fair value category (fair value option).

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 future into the liability's credit risk, which is recognized in other comprehensive income, and the remainder, which is recognized in profit or loss.

IFRS 9 is effective for the first time for fiscal years beginning on or after January 1, 2015 subject to its outstanding endorsement in EU law. 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.

### Amendments to IFRS 9 and IFRS 7 - Mandatory Effective Date and Transition Disclosures

The amendments mean that it is not 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.

In the same way as IFRS 9, these amendments are effective for the first time for fiscal years beginning on or after January 1, 2015 subject to their outstanding endorsement in EU law. 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 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 subject to their outstanding endorsement in EU law. If the amendments to IFRS 10, IFRS 11 and IFRS 12 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 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 subject to their outstanding endorsement in EU law. If the amendments to IFRS 10, IFRS 12 and IAS 27 are endorsed by the EU in their present form, they are not expected to affect 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, 2012, 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, 2012:

| Fully consolidated companies | Equity interest in % | Equity KEUR | Profit/ loss for the year KEUR |
|---|---|---|---|
| itelligence Services GmbH, Bielefeld/Germany | 100 | 305 | 9,391[1] |
| itelligence International Business Service Holding GmbH, Bielefeld/Germany | 100 | 841 | -10[1] |
| itelligence Outsourcing & Services GmbH, Bautzen/Germany | 100 | 1,226 | 10,773[1] |
| itelligence AG, Regensdorf/Switzerland | 100 | 2,832 | 1,195 |
| itelligence Business Solutions GmbH, Vienna/Austria | 100 | -2,669 | 206 |
| itelligence Business Solutions (UK) Ltd., Ascot/UK | 100 | 11,371 | 965 |
| Recruit Company GmbH, Munich/Germany (previously 1. Beteiligungs GmbH) | 74,9 | 233 | 84 |
| itelligence Hungary Kft., Budapest/Hungary | 100 | 1,609 | 326 |
| itelligence Inc., Cincinnati/USA | 100 | 17,657 | 2,221 |
| itelligence International, Kiev/Ukraine | 100 | -431 | -124 |
| itelligence Ltd., Moscow/Russia | 100 | -678 | -185 |
| itelligence Ltda.S.A., Sao Paolo/Brazil | 100 | -1,180 | 99 |
| itelligence s.r.o, Bratislava/Slovakia | 100 | 132 | -6 |
| itelligence a.s., Brno/Czech Republic | 76 | 1,789 | 310 |
| itelligence SP.Z.o.o., Warsaw/Poland | 100 | 5,301 | 507 |
| itelligence VC-Holding GmbH, Frankfurt am Main/Germany | 100 | -133 | 27 |
| Servicios informaticos itelligence S.A., Barcelona/Spain | 100 | 3,712 | -30 |
| ITC Information Technology Consulting Gesellschaft für Netzwerkmanagement und Systemintegration mbH, Detmold/Germany | 56 | 591 | 237 |
| itelligence Outsourcing MSC Sdn. Bhd., Cyberjaya/Malaysia | 100 | 36 | 79 |
| itelligence Asia Holding Ltd., Hong Kong | 100 | 474 | 82 |
| itelligence Consulting Shanghai Ltd., Shanghai/China | 100 | -83 | -368 |
| itelligence BeNeLux Holding B.V., Eindhoven/Netherlands | 75 | 740 | -342 |
| itelligence Business Solutions s.p.r.l., Brussels/Belgium | 75 | -569 | -257 |
| itelligence B.V., Eindhoven/Netherlands | 75 | 2,674 | 723 |
| 2B BBIT Deutschland GmbH, Cologne/Germany | 75 | -70 | 77 |
| itelligence France SAS, Paris/France | 51 | 1,000 | 434 |
| itelligence Canada Ltd., Montreal/Canada | 51 | 529 | 269 |
| itelligence a/s Denmark, Horsens/Denmark | 60 | 3,443 | 1,518 |
| itelligence 1500 a/s Denmark, Horsens/Denmark | 60 | -1,404 | -201 |
| itelligence a/s Norway, Oslo/Norway | 79,6 | 529 | 200 |
| itelligence Sdn. Bhd. Malaysia, Bangsar/Malaysia | 60 | 106 | -186 |
| itelligence AB, Stockholm/Sweden | 60 | 31 | 25 |
| Elsys Bilgi Sistemleri Group Turkey, Istanbul/Turkey | 60 | 2,635 | 563 |
| Intelart Bilgi Sistemleri Ltd. Sti. Turkey, Istanbul/Turkey | 60 | 4 | 16 |
| itelligence Business Solutions Canada Inc., Canada (currently in formation) | 100 | 0 | 0 |

[1] Profit/loss for the year before profit transfer/loss absorption

| Investments | Equity interest in % | Equity KEUR | Profit/ loss for the year KEUR |
|---|---|---|---|
| BfL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn/Germany | less than 1 | 13,924 | 3,531 |
| TBV ProVital Lemgo GmbH & Co. KG, Lemgo/Germany | 10.1 | -796 | -921 |

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 Blueprint Management System Ltd.**
The itelligence Group acquired 100% of the shares of the British company Blueprint Management Systems Ltd., London, by way of a purchase agreement dated July 2, 2012. The preliminary purchase price was GBP 3.6 million or MEUR 4.2. Formed in 1993, Blueprint Management System Ltd. has 60 employees and is a renowned provider of Business Analytics solutions.

Purchase price allocation resulted in preliminary non-deductible total goodwill of KEUR 3,668, which will be tested for impairment once a year and whenever there are indications of impairment. The goodwill capitalized as a result of the acquisition is assigned to the Western Europe segment and corresponds to the non-separable customer relationships and staff. As not all of the information required for measurement was available at the reporting date, detailed purchase price allocation will take place in fiscal year 2013.

Acquisition-related costs in the amount of KEUR 87 were recognized in other operating expenses. Since first-time consolidation on July 1, 2012, pro-rata profits of KEUR 3 and revenues of KEUR 2,489 have been reported. If the annual financial statements of Blueprint Management System Ltd. had been included in consolidation on January 1, 2012, the profit for the period would have amounted to KEUR 397 and revenues would have amounted to KEUR 8,911.

Effective October 1, 2012, Blueprint Management System Ltd. was merged with itelligence Business Solutions (UK).

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 | | | |
| Property, plant and equipment | 279,759 | | 279,759 |
| | **279,759** | | **279,759** |
| Current assets | | | |
| Trade receivables | 2,290,456 | | 2,290,456 |
| Other current assets | 84,947 | | 84,947 |
| Cash and cash equivalents | 700,250 | | 700,250 |
| Prepaid expenses | 1,402,194 | | 1,402,194 |
| | **4,477,847** | | **4,477,847** |
| Current liabilities | | | |
| Trade payables | 902,177 | | 902,177 |
| Financial liabilities | 6,326 | | 6,326 |
| Other current provisions | 48,421 | | 48,421 |
| Other current liabilities | 902,022 | | 902,022 |
| Deferred income | 2,396,653 | | 2,396,653 |
| | **4,255,599** | | **4,255,599** |
| Net assets | **502,007** | | **502,007** |
| of which non-controlling interests | | | 0 |
| Net assets acquired | | | **502,077** |
| Goodwill from the acquisition of Blueprint | | | 3,668,152 |
| Purchase price | | | 4,170,159 |
| of which cash | | | 4,170,159 |
| Cash and cash equivalents acquired | | | 700,250 |
| Actual cash outflow for the acquisition | | | **3,469,909** |

**Acquisition of majority interest in Elsys Bilgi Sistemleri A.S. and Intelart Bilgi Sistemleri A.S**
The itelligence Group acquired 60% of the shares of the Turkish SAP consulting companies Elsys Bilgi Sistemleri A.S. and Intelart Bilgi Sistemleri A.S. by way of a purchase agreement dated July 6, 2012. The acquisition was subject to the approval of the Turkish competition authorities; approval was granted on August 31, 2012. The preliminary cash purchase price was TRY 17.7 million or MEUR 7.9. An earn-out agreement was also concluded on the basis of target attainment for profitability for 2012. A liability of MEUR 0.8 was recognized to this extent as of December 31, 2012, and the amount in question cannot exceed MEUR 1.2.

The companies were formed in 2000 and have around 180 employees. The service range offered by Elsys and Intelart covers the full lifecycle of an SAP solution, including license sales, consulting, maintenance, and application management services.

The remaining 40% of the shares of Elsys Bilgi Sistemleri A.S. and Intelart Bilgi Sistemleri A.S. may be acquired over the coming years by way of put and call options. Purchase price allocation resulted in preliminary non-deductible total goodwill of KEUR 12,164, which will be tested for impairment once a year and whenever there are indications of impairment. In accordance with IFRS 3, the minority interests were measured at fair value (full goodwill method). 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.

As not all of the information required for measurement was available at the reporting date, detailed purchase price allocation will take place in fiscal year 2013.

Acquisition-related costs in the amount of KEUR 801 were recognized in other operating expenses. First-time consolidation took place on September 1, 2012, meaning that the company contributed profits of KEUR 567 and revenues of KEUR 5,166 on a pro-rata basis for four months. If the annual financial statements of Elsys Bilgi Sistemleri A.S. and Intelart Bilgi Sistemleri A.S. had been included in consolidation on January 1, 2012, the profit for the period would have amounted to KEUR 628 and revenues would have amounted to KEUR 12,543.

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 | 3,435 | | 3,435 |
| Property, plant and equipment | 160,634 | | 160,634 |
| Deferred tax assets | 177,160 | | 177,160 |
| | **341,230** | | **341,230** |
| Current assets | | | |
| Trade receivables | 1,597,776 | | 1,597,776 |
| Other current assets | 254,685 | | 254,685 |
| Cash and cash equivalents | 1,374,117 | | 1,374,117 |
| Prepaid expenses | 51,356 | | 51,356 |
| | **3,277,933** | | **3,277,933** |
| Non-current liabilities | | | |
| Non-current provisions | 119,863 | | 119,863 |
| | **119,863** | | **119,863** |
| Current liabilities | | | |
| Trade payables | 764,987 | | 764,987 |
| Other current liabilities | 514,997 | | 514,997 |
| Deferred income | 12,020 | | 12,020 |
| | **1,292,004** | | **1,292,004** |
| Net assets | **2,207,296** | | **2,207,296** |
| of which non-controlling interests | | | -882,919 |
| Net assets acquired | | | **1,324,378** |
| | | | |
| Goodwill from the acquisition of the Group | | | 12,164,201 |
| of which non-controlling interests | | | (4,865,681) |
| | | | |
| Purchase price | | | 8,622,898 |
| of which cash | | | 7,851,177 |
| Cash and cash equivalents acquired | | | 1,374,117 |
| Actual cash outflow for the acquisition | | | **6,477,060** |

Please see notes 7 and 23 for information on accounting for the put and call options for the remaining shares.

**Acquisition of other shares**

The equity interest in itelligence Benelux Holding BV was increased by 10%. itelligence's interest in the company therefore increased from 65% as of December 31, 2011 to 75% as of June 30, 2012.

itelligence AG also acquired a further 10% of the shares of SAPCON a.s., Brno. itelligence's interest in the company therefore increased from 66% as of December 31, 2011 to 76% as of June 30, 2012.

itelligence 1500 a/s Denmark, Horsens, acquired further shares in itelligence a/s Norway, Oslo, meaning that the Group's equity interest increased from 40% as of December 31, 2011 to 47.8% as of November 30, 2012.

The itelligence Group acquired a further 45% of the shares of the US-based consulting firm RPF Solutions, LLC ahead of schedule, meaning that its equity interest increased from 55% as of December 31, 2011 to 100% as of October 31, 2012. The company was subsequently merged into itelligence Inc., Cincinnati/USA. The merger was performed at carrying amounts and is the result of a step consolidation by the Group.

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

**Companies formed**
itelligence AB, Stockholm, Sweden, was formed on September 4, 2012.

itelligence Business Solutions Canada Inc., Toronto, Canada, was formed on December 10, 2012.

**Other changes in the consolidated group**
Effective January 1, 2012, Contemporary Plc., Ascot was merged with itelligence Business Solutions (UK).

TOP SAP Inc. and itelligence Outsourcing Inc., Cincinnati, USA, were also merged into itelligence Inc., Cincinnati, USA, effective January 1, 2012.

Effective July 1, 2012, SAPCON a. s., Brno, was merged into itelligence s. r. o. Czech Republic.

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 substantive 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 minority 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 at the reporting date.

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 = | 2012 | 2011 | Dec. 31, 2012 | Dec. 31, 2011 |
| USA | USD | 1.2849 | 1.3904 | 1.3194 | 1.2939 |
| Switzerland | CHF | 1.2053 | 1.2318 | 1.2072 | 1.2156 |
| UK | GBP | 0.8108 | 0.8675 | 0.8161 | 0.8353 |
| Poland | PLN | 4.1826 | 4.1085 | 4.0740 | 4.4580 |
| Czech Republic | CZK 100 | 25.1419 | 24.5817 | 25.1510 | 25.787 |
| Denmark | DKK 100 | 7.4438 | 7.4507 | 7.4610 | 7.4342 |
| Hungary | HUF 1,000 | 289.137 | 278.55 | 292.300 | 314.58 |

## 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 on the reporting date 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 cash flows of the asset or cash-generating unit and the choice of an appropriate discounting rate to calculate the present value of these cash flows. Long-term earnings forecasts based on general economic conditions and industry developments must be made to estimate future cash flows.

Key judgments are required to measure the deferred tax assets and liabilities of the Group (note 14). 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 16) 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. Acquisition-related costs must be 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 cash flows 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 cash flow (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 other 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 financial 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 enterprise:* 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. Changes in fair value are reported in profit or loss under net finance costs.

### Fair value measurement hierarchy

Under IFRS 7, financial instruments measured at fair value are classified in line with the following three-stage measurement hierarchy:

- Level I: financial instruments with a fair value calculated on the basis of quoted prices for identical financial instruments on active markets.
- Level II: financial instruments for which there are no quoted prices for identical financial instruments on active markets and whose fair value is calculated using measurement methods. These measurement methods include comparisons with quoted prices for similar financial instruments on active markets, comparisons with listed prices for identical or similar financial instruments on inactive markets and the use of measurement models in which all material input data – if possible – is based on observable market data.
- Level III: financial instruments measured using measurement methods for which there is insufficient observable market data for input values and for which these input values have a not insignificant effect on fair value. These measurements are naturally more subject to management estimates. The estimates and assumptions used are based on past data and other factors, such as projections and expectations or forecasts of future events that seem appropriate under the circumstances. The possible fair values that can be calculated at a later date may differ from the estimated fair values.

### 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 dependants' pensions.

Actuarial gains and losses are recognized as income or expense as soon as they exceed the corridor defined in IAS 19.92. Any excess is distributed over the expected average remaining working life of the participants in the plan.

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. The present value of the top-up amounts is recognized as a provision in full on conclusion of the individual agreement and reversed over the full partial retirement period.
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 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 balance sheet 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 (application-based services to support IT organizations)
- Outsourcing & Services (hosting and servicing for SAP software)

### Statement of cash flows

The statement of cash flows 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 cash flows are shown in the statement of cash flows. 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 netted against the corresponding amounts received from investment subsidies and grants provided. In accordance with IAS 7, a distinction is made between cash flows 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 which 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:

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| DACH | 185,084 | 163,552 |
| USA | 92,726 | 81,923 |
| Western Europe | 86,590 | 66,529 |
| Eastern Europe | 31,864 | 22,170 |
| Asia | 7,036 | 4,104 |
| Other | 3,808 | 4,082 |
| | **407,108** | 342,360 |

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Consulting | 211,394 | 191,021 |
| Licenses | 38,414 | 37,493 |
| Application Management | 40,208 | 23,338 |
| Outsourcing & Services | 116,469 | 89,596 |
| Other | 623 | 912 |
| | **407,108** | **342,360** |

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 6,013 were recognized in accordance with the percentage of completion method. Costs of KEUR 4,510 were incurred for these unbilled services. In total, a margin of KEUR 1,503 was generated.

No revenues of more than 10% were generated with any single customer in fiscal years 2012 and 2011.

## 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:

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Purchased merchandise and services | 108,537 | 91,163 |
| Staff costs | 155,468 | 126,185 |
| Depreciation/amortization | 9,440 | 7,652 |
| Other expenses | 31,905 | 28,197 |
| | **305,350** | **253,197** |

## 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:

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Staff costs | 33,008 | 29,301 |
| Depreciation/amortization | 154 | 121 |
| Other expenses | 11,543 | 10,095 |
| | **44,705** | **39,517** |

## 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:

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Staff costs | 24,892 | 21,331 |
| Depreciation/amortization | 1,953 | 1,361 |
| Other expenses | 9,493 | 5,622 |
| | **36,338** | **28,314** |

## 5 / Other operating income

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Income from investment grants and subsidies | 1,388 | 1,424 |
| Government grants for partial retirement | 63 | 222 |
| Income from exchange differences | 574 | 453 |
| | **2,025** | **2,099** |

## 6 / Other operating expenses

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Bad debt allowances on receivables | 1,015 | 672 |
| Acquisition costs in accordance with IFRS 3 (rev. 2008) | 966 | 1,014 |
| Cost of asset disposals | 8 | 14 |
| Expenses from exchange rate differences and consolidation | 885 | 485 |
| | **2,874** | **2,185** |

## 7 / Measurement of derivatives and exercise of options

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Income from the measurement of options | 3,203 | 2,474 |
| Income from the exercise of options | 327 | 152 |
| Expenses from the measurement of options | -1,288 | -580 |
| Expenses from the exercise of options | -61 | 0 |
| Income from derivatives | 296 | 51 |
| Expenses from derivatives | -194 | -74 |
| | **2,283** | **2,023** |

The income of KEUR 3,203 (previous year: KEUR 2,474) from the measurement of options includes measurement corrections of other liabilities as of the end of the fiscal year for the put and call options in connection with the acquisitions performed. The put and call options can be exercised at fair value on the basis of future EBIT development. Some of the revenue and earnings targets for the acquired companies were not met in fiscal year 2012, leading to the adjustment of the forecasts for subsequent years as part of the regular planning process in October/November 2012. The fair value reviews conducted on the basis of the adjusted forecasts as of December 31, 2012 resulted in valuation adjustments for the discounted liabilities recognized. Expenses for exceeding planning of KEUR 1,288 (previous year: KEUR 580) were incurred in this context.

Income of KEUR 327 (previous year: KEUR 152) and expenses of KEUR 61 (previous year: KEUR 0) 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 year 2012, resulting in income of KEUR 178 (previous year: KEUR 26) and expenses of KEUR 194 (previous year: KEUR 74). Furthermore, income of KEUR 118 was generated in connection with the measurement of an embedded derivative as of the end of the year (previous year: income of KEUR 25).

### 8 / Finance income/expenses

| | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Interest income | 267 | 225 |
| Interest expenses | -2,130 | -3,194 |
| | **-1,863** | **-2,969** |

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 / Tax expenses

Tax expenses are composed as follows:

| | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Current taxes | | |
| Income taxes within Germany | -1,440 | -3,324 |
| Income taxes outside Germany | -1,489 | -2,474 |
| | **-2,929** | **-5,798** |
| Deferred taxes: | | |
| Germany | -528 | -5 |
| Abroad | -2,138 | -830 |
| | **-2,666** | **-835** |
| **Total tax expenses** | **-5,595** | **-6,633** |

Current taxes are calculated on the basis of current tax rates. A combined tax rate of 31.07% (previous year: 30.61%) 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 15.24%. The slight change in the combined tax rate is due to the increase in the average corporate income tax rate. Current taxes include prior-period income taxes of KEUR +29 (previous year: KEUR -277).

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 31.07% (previous year: 31.07%) was assumed for Germany and a rate of between 16.5% and 38.2% (previous year: between 16.5% and 37%) was assumed for other countries.

The following table contains a reconciliation of expected and reported tax expense. Applying the income tax rates applicable in Germany to consolidated earnings before income taxes would have resulted in the following tax expenses:

| | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Earnings before income taxes | **19,316** | **19,452** |
| Expected income taxes<br>(31.07%; previous year: 30.61%) | -6,001 | -5,954 |
| Tax loss carryforwards not utilized<br>and written down | -284 | -319 |
| Utilization of unrecognized<br>loss carryforwards | 804 | 671 |
| Difference to foreign tax rates<br>and change in tax rates | 256 | 38 |
| Differences due to non-deductible expenses | -93 | -586 |
| Backpayment and reimbursement of taxes<br>for previous years | 29 | -277 |
| Other differences | -306 | -206 |
| **Reported income tax expense** | **-5,595** | **-6,633** |

### 10 / Earnings per share

**Basic earnings**

| | | 2012 | 2011 |
|---|---|---|---|
| Net profit after non-controlling interests | KEUR | 12,331 | 11,392 |
| Weighted average number of ordinary shares | No. | 27,740,987 | 24,557,595 |
| **Earnings per share (basic)** | EUR | **0.44** | **0.46** |

## I. Statement of Financial Position Disclosures

### 11 / Intangible assets

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 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** |

Development of intangible assets as of December 31, 2011:

| Cost | IT software KEUR | Orders on hand and customer relationships KEUR | Goodwill KEUR | Intangible assets KEUR |
|---|---|---|---|---|
| **January 1, 2011** | **6,521** | **1,775** | **44,388** | **52,684** |
| Exchange differences | -40 | 24 | 630 | 614 |
| Additions | 2,117 | 0 | 0 | 2,117 |
| Additions due to business combinations | 1 | 1,571 | 25,769 | 27,341 |
| Reclassifications | 312 | 0 | 0 | 312 |
| Disposals | -56 | 0 | 0 | -56 |
| **December 31, 2011** | **8,855** | **3,370** | **70,787** | **83,012** |

| Cumulative amortization | IT software KEUR | Orders on hand and customer relationships KEUR | Goodwill KEUR | Intangible assets KEUR |
|---|---|---|---|---|
| **January 1, 2011** | **-4,507** | **-760** | **-7,853** | **-13,120** |
| Exchange differences | 45 | -15 | -61 | -31 |
| Additions (scheduled amortization) | -1,257 | -872 | 0 | -2,129 |
| Reclassifications | 0 | 0 | 0 | 0 |
| Disposals | 35 | 0 | 0 | 35 |
| **December 31, 2011** | **-5,684** | **-1,647** | **-7,914** | **-15,245** |
| Carrying amounts at December 31, 2011 | **3,171** | **1,723** | **62,873** | **67,767** |

Cost for IT software includes internally generated intangible assets in connection with an SAP system changeover in the amount of KEUR 282, the cumulative amortization for which amounts to KEUR 157 (carrying amount as of December 31, 2012: KEUR 125). 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 year 2012, orders on hand and customer relationships increased by a total of KEUR 48 (previous year: KEUR 1,571) as a result of company acquisitions. KEUR 619 (previous year: KEUR 872) 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. Minority interests in goodwill were also capitalized in line with the new regulations of IFRS 3 (2008). As a result of its acquisitions, the Group received goodwill of KEUR 15,832 (previous year: KEUR 25,769) in fiscal year 2012. At the same time, goodwill was reduced by KEUR 2,614 as a result of a subsequent purchase price adjustment.

itelligence constantly tests goodwill for impairment using the DCF method (fair value in use). The cash flows used in DCF measurement are based on current business plans 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. If the actual figures differ from the significant assumptions made, this could lead to the recognition of impairment losses in future. The terminal growth rate of 1% (previous year: 1%) does not exceed the long-term growth rates of the industry in which the cash-generating units operate. Average capital costs of 9.86% (previous year: 9.9%) were used to discount cash flows for the US region, 9.62% (previous year: 9.18%) for the DACH region, 10.32% (previous year: 9.37%) for the Western Europe region and 13.93% (previous year: 13.02%) for the Eastern Europe region.

As in previous years, impairment testing for 2012 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<br>KEUR | DACH<br>KEUR | Western Europe<br>KEUR | Eastern Europe<br>KEUR | Asia<br>KEUR | Total<br>KEUR |
|---|---|---|---|---|---|---|
| **As of December 31, 2010** | **13,230** | **2,539** | **16,881** | **3,885** | **0** | **36,535** |
| Additions | 0 | 0 | 25,769 | 0 | 0 | 25,769 |
| Exchange rate differences | 416 | 0 | 391 | -238 | 0 | 569 |
| **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** |

## 12 / Property, plant and equipment

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 | 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** |

Development of property, plant and equipment as of December 31, 2011:

| | Land, buildings and leasehold improvements | Assets under development | IT hardware | Operating and office equipment | Property, plant and equipment |
|---|---|---|---|---|---|
| Cost | KEUR | KEUR | KEUR | KEUR | KEUR |
| **January 1, 2011** | **18,552** | **402** | **35,515** | **8,273** | **62,742** |
| Exchange differences | -324 | -3 | 150 | -370 | -547 |
| Additions | 1,833 | 10,291 | 7,326 | 2,100 | 21,550 |
| Additions due to business combinations | 42 | 0 | 484 | 70 | 596 |
| Reclassifications | -14 | -313 | 17 | -2 | -312 |
| Disposals | -29 | 0 | -404 | -567 | -1,000 |
| **December 31, 2011** | **20,060** | **10,377** | **43,088** | **9,504** | **83,029** |

| | Land, buildings and leasehold improvements | Assets under development | IT hardware | Operating and office equipment | Property, plant and equipment |
|---|---|---|---|---|---|
| Cumulative depreciation | KEUR | KEUR | KEUR | KEUR | KEUR |
| **January 1, 2011** | **-3,805** | **0** | **-24,252** | **-5,462** | **-33,519** |
| Exchange differences | 102 | 0 | -109 | 226 | 219 |
| Additions | -958 | 0 | -5,687 | -1,266 | -7,911 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| Disposals | 8 | 0 | 416 | 516 | 940 |
| **December 31, 2011** | **-4,653** | **0** | **-29,632** | **-5,986** | **-40,271** |
| Carrying amounts at December 31, 2011 | **15,407** | **10,377** | **13,456** | **3,518** | **42,758** |

The additions to cost for assets under development include capitalized interest of KEUR 315 (previous year: KEUR 177) in the current fiscal year based on interest rates of between 2.4% and 5.0%.

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

## 13 / Other financial assets

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Term deposits | 1,678 | 1,770 |
| Security deposits | 407 | 253 |
| Loans to employees | 520 | 538 |
| Partial retirement receivables | 182 | 242 |
| Other investments | 15 | 201 |
| Other financial receivables | 45 | 76 |
| | **2,847** | 3,080 |

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

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Other non-current financial assets | 1,966 | 2.294 |
| Other current financial assets | 881 | 786 |
| Other financial assets | **2.847** | **3,080** |

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 0.25% and 0.9% (previous year: between 0.75% and 1.5%) and serve as security for guarantees in the amount of KEUR 45 (previous year: KEUR 45).

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. Valuation allowances of KEUR 186 were recognized in the fiscal year under review (previous year: KEUR 19).

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

## 14 / Trade receivables

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Trade receivables | 97,397 | 84,848 |
| Trade receivables from shareholders | 1,475 | 929 |
| Receivables from unbilled services (POC) | 6,013 | 5,079 |
| | 104,885 | 90,856 |
| Bad debt allowances | -3,042 | -3,371 |
| | **101,843** | **87,485** |

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Non-current trade receivables | 1,501 | 1,879 |
| Current trade receivables | 100,342 | 85,606 |
| Trade receivables | **101,843** | **87,485** |

Specific valuation allowances developed as follows:

| | KEUR |
|---|---|
| **January 1, 2011** | **3,825** |
| Exchange differences | -15 |
| Reversal | -951 |
| Utilization | -462 |
| Addition | 974 |
| **December 31, 2011** | **3,371** |
| Exchange differences | 52 |
| Reversal | -765 |
| Utilization | -1,541 |
| Addition | 1,925 |
| December 31, 2012 | **3,042** |

The reported amount of receivables from unbilled services of KEUR 6,013 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 429 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, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Investment grant for data center | 1,032 | 1,515 |
| Other non-financial receivables | 895 | 638 |
| | **1,927** | **2,153** |

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

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Other non-current non-financial assets | 125 | 869 |
| Other current non-financial assets | 1,802 | 1,284 |
| Other non-financial assets | **1,927** | **2,153** |

## 16 / Deferred tax assets and deferred tax liabilities

Deferred taxes are composed as follows:

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Deferred tax assets: | | |
| Receivables | 135 | 128 |
| Tax loss carryforwards | 2,046 | 1,582 |
| Other provisions and liabilities | 994 | 1,770 |
| Intangible assets and property, plant and equipment | 966 | 792 |
| Netted against deferred tax liabilities | -1,444 | -2,077 |
| | **2,697** | **2,195** |
| Deferred tax liabilities: | | |
| Adjustment for percentage of completion method | 2,583 | 1,950 |
| Receivables | 740 | 656 |
| Provisions and liabilities | 321 | 364 |
| General warranty provision | 191 | 174 |
| Intangible assets and property, plant and equipment | 5,812 | 4,145 |
| Netted against deferred tax assets | -1,444 | -2,077 |
| | **8,203** | **5,212** |

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 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 2012 relate to loss carryforwards of KEUR 7,650 (previous year: KEUR 5,409) that were measured at the future tax rate. A tax rate of 31.07% (previous year: 31.07%) was assumed for Germany and a rate of between 19% and 30% (previous year: between 25% and 34%) 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 2,653 (previous year: KEUR 2,639). As the possibility of realizing this potential over the next few years is not considered to be sufficiently certain at present, these potential tax savings are not currently recognized as assets. 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 | 640 | Non-forfeitable |
| Spain | 694 | After 15 years |
| Austria | 697 | Non-forfeitable |
| Netherlands | 214 | After 9 years |
| Belgium | 130 | Non-forfeitable |
| Other | 278 | |
| | **2,653** | |

## 17 / Cash and cash equivalents

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Current account balances and cash in hand | 43,516 | 38,513 |
| | **43,516** | **38,513** |

Current account balances bear interest at rates of between 0.0% and 0.25%.

## 18 / Prepaid expenses

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Advanced payments for servicing work | 3,307 | 4,518 |
| Insurance | 2,910 | 2,085 |
| Other | 2,892 | 2,127 |
| | **9,109** | **8,730** |

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**
With the approval of the Supervisory Board, the Management Board resolved to partially utilize the Authorized Capital 2010 to increase the share capital by up to EUR 5,457,243, from EUR 24,557,595.00 to up to EUR 30,014,838.00, by issuing no-par value bearer shares with a proportionate interest in the share capital of EUR 1.00 in exchange for cash contributions.

The shareholders of itelligence AG had exercised all 5,457,243 subscription rights by the end of the subscription period on May 18, 2012.

The share capital amounted to EUR 30,014,838 with effect from May 30, 2012 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 year 2012.

Authorized capital changed as follows in fiscal year 2012:

| | EUR |
|---|---|
| Authorized capital at January 1, 2012 | 12,278,797 |
| Exercise | -5,457,243 |
| Authorized capital at December 31, 2012 | **6,821,554** |

**Contingent capital**
There was no contingent capital as of December 31, 2012.

The aim of the Group is to maintain a strong capital base in order to ensure the confidence of investors, 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 year 2012 was 36.5% (previous year: 26.7%).

## 20 / Capital reserves

The capital reserves contain the premiums from the shares issued less the external costs directly attributable to the equity transaction. Transaction costs in the amount of KEUR 148 were incurred in connection with the capital increase in fiscal year 2012. These transaction costs, less the associated income tax benefits, were recognized as a deduction from capital reserves in the amount of KEUR 46.

Capital reserves changed as follows in fiscal year 2012:

| | KEUR |
|---|---|
| Capital reserves at January 1, 2012 | 21,491 |
| Premiums from capital increase | 31,379 |
| Transaction costs from capital increase | -102 |
| Capital reserves at December 31, 2012 | **52,768** |

## 21 / Net accumulated profit

| | KEUR |
|---|---|
| **Net accumulated profit at January 1, 2011** | **22,450** |
| Dividend payments | -3,438 |
| Consolidated net profit | 11,392 |
| **Net accumulated profit at December 31, 2011** | **30,404** |
| Dividend payments | -4,420 |
| Consolidated net profit | 12,331 |
| Net accumulated profit at December 31, 2012 | **38,315** |

The Annual General Meeting on May 31, 2012 resolved the distribution of a dividend in the amount of EUR 0.18 per share entitled to dividends (EUR 4,420,367.10). The dividend was paid immediately after the end of the Annual General Meeting on June 1, 2012.

Through its dividend policy, itelligence AG wishes to allow its shareholders to participate directly in the company's earnings. However, a core premise of this is that sufficient financial leeway is always maintained for further business development and additional growth through acquisitions.

The Management Board and Supervisory Board will propose to the Annual General Meeting the distribution of a dividend of EUR 0.06 per share from the unappropriated surplus of itelligence AG. In accordance with the German Stock Corporation Act (AktG), the dividend distributable to shareholders is based on the unappropriated surplus reported in the annual financial statements of itelligence AG in accordance with the German Commercial Code (HGB). As of the reporting date of December 31, 2012, 30,014,838 shares (previous year: 24,557,595) bear dividend rights, corresponding to a distribution of MEUR 2.0. The dividend will be paid on May 23, 2013 subject to the approval of the Annual General Meeting. There are no additional income tax consequences from the distribution.

## 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, 2011** | **-12,411** |
| Fair value for call and put options | -12,317 |
| Exercise of options | 333 |
| Currency translation | 668 |
| **As of December 31, 2011** | **-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** |

## 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, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Liabilities from put options | 22,069 | 21,567 |
| Liabilities from financial derivatives | 713 | 1,010 |
| Loans from shareholders | 41,644 | 40,754 |
| Amounts due to banks | 10,050 | 9,412 |
| Other loans | 3,678 | 3,531 |
| | **78,155** | **76,274** |

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

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Non-current financial liabilities | 64,524 | 63,838 |
| Current financial liabilities | 13,631 | 12,436 |
| | **78,155** | **76,274** |

Non-current financial liabilities are broken down as follows:

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Liabilities from put options | **19,277** | **19,597** |
| Liabilities from financial derivatives | **607** | **1,010** |
| Amounts due to shareholders | 41,644 | 40,754 |
| – of which current | -6,086 | -5,467 |
| | **35,558** | **35,287** |
| Amounts due to banks | | |
| – to banks in Germany | 3,379 | 4,143 |
| – to banks outside Germany | 6,671 | 5,269 |
| – of which current | -3,299 | -3,675 |
| | **6,751** | **5,737** |
| From other loans | | |
| – from other loans in Germany | 650 | 1,379 |
| – from other loans outside Germany | 3,029 | 2,152 |
| – of which current | -1,348 | -1,324 |
| | **2,331** | **2,207** |
| | **64,524** | **63,838** |

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

| | Total | Remaining term of between 1 and 5 years | Remaining term of more than 5 years |
|---|---|---|---|
| | KEUR | KEUR | KEUR |
| Liabilities from put options | 19,277 | 19,277 | 0 |
| (previous year) | (19,597) | (19,597) | (0) |
| Liabilities from financial derivatives | 607 | 395 | 212 |
| (previous year) | (1,010) | (287) | (723) |
| Amounts due to shareholders | 35,558 | 20,593 | 14,965 |
| (previous year) | (35,287) | (19,505) | (15,782) |
| Amounts due to banks | 6,751 | 6,751 | 0 |
| (previous year) | (5,737) | (5,570) | (167) |
| From other loans | 2,331 | 2,331 | 0 |
| (previous year) | (2,207) | (2,207) | (0) |
| **December 31, 2012** | **64,524** | **49,347** | **15,177** |
| **December 31, 2011** | **(63,838)** | **(47,166)** | **(16,672)** |

As part of the acquisition of shares in itelligence BeNeLux B.V. SAPCON a.s., Adelante SAS, 2C change as 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 3.08% or 2.75% (previous year: 2.31%).

A change in the forecast future EBIT development of +/- 10% would result in a the recognition in profit or loss of a change in reported liabilities of KEUR 2,207.

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 530.

The discounted values for the put and call options in connection with the acquisitions performed are as follows as of December 31, 2012:

| | Total KEUR | of which current KEUR | of which non-current KEUR |
|---|---|---|---|
| Liabilities from put and call options for 2C change | 11,533 | 1,810 | 9,723 |
| (previous year) | (14,604) | (510) | (14,094) |
| Liabilities from put and call options for Benelux | 552 | 257 | 295 |
| (previous year) | (1,058) | (190) | (868) |
| Liabilities from put and call options for SAPCON | 410 | 154 | 256 |
| (previous year) | (635) | (112) | (523) |
| Liabilities from put and call options for Adelante | 2,909 | 571 | 2,338 |
| (previous year) | (1,594) | (0) | (1,594) |
| Liabilities from put and call options for RPF Solutions | 0 | 0 | 0 |
| (previous year) | (3,676) | (1,158) | (2,518) |
| Liabilities from put and call options for Turkey | 6,665 | 0 | 6,665 |
| (previous year) | (0) | (0) | (0) |
| December 31, 2012 | **22,069** | **2,792** | **19,277** |
| **December 31, 2011** | **(21,567)** | **(1,970)** | **(19,597)** |

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 | 5,298 | 798 | 4,500 |
| (previous year) | | (6,054) | (804) | (5,250) |
| Loan from Jul. 15, 2010/10-year term | 3.055 | 8,923 | 1,223 | 7,700 |
| (previous year) | | (10,039) | (1,239) | (8,800) |
| Loan from Jun. 13, 2011/10-year term | 3.715 | 11,935 | 1,535 | 10,400 |
| (previous year) | | (13,264) | (1,564) | (11,700) |
| Loan from Jun. 30, 2011/5-year term | 3.084 | 2,437 | 637 | 1,800 |
| (previous year) | | (3,046) | (646) | (2,400) |
| Loan from Dec. 15, 2011/5-year term | 2.3597 | 2,402 | 602 | 1,800 |
| (previous year) | | (3,003) | (603) | (2,400) |
| Loan from Jul. 15, 2011/10-year term | 3.514 | 4,813 | 603 | 4,210 |
| (previous year) | | (5,348) | (611) | (4,737) |
| Loan from Jan. 31, 2012/10-year term | 2.2161 | 5,836 | 688 | 5,148 |
| (previous year) | | (0) | (0) | (0) |
| December 31, 2012 | | **41,644** | **6,086** | **35,558** |
| **December 31, 2011** | | **(40,754)** | **(5,467)** | **(35,287)** |

The non-current amounts due to banks abroad as of December 31, 2012 essentially relate to loans for the expansion of data center capacity and improvements to a new office building in the USA. The interest rates range from 2.17% to 7.08%. The loans are due in monthly installments until 2017. 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 5,631 (previous year: KEUR 2,913).

Within Germany, development loans for investments in the data center in Bautzen with a volume of KEUR 3,378 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. The loans are repayment-free for two and seven years respectively. Specific inventories of itelligence OS have been assigned. The secured inventories had a carrying amount of KEUR 890 as of the end of the reporting period (previous year: KEUR 1,197). The long-term deposits in the amount of KEUR 1,547 (previous year: KEUR 1,685) 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:

| | 2012 | 2011 |
|---|---|---|
| | KEUR | KEUR |
| Germany | | |
| Credit facilities available as of December 31 | 5,000 | 5,000 |
| Utilization through loans | 0 | 0 |
| Utilization through guarantees | -430 | -566 |
| **Unutilized credit facilities** | **4,570** | **4,434** |
| Abroad | | |
| Credit facilities available as of December 31 | 8,923 | 6,855 |
| Utilization through loans | -1,036 | -2,118 |
| Utilization through guarantees | -115 | -114 |
| **Unutilized credit facilities** | **7,772** | **4,623** |

| | |
|---|---|
| Average interest rate | 2.07% – 6.25%; 2.25% – 7.0% |

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, 2012 KEUR | Dec. 31, 2011 KEUR |
|---|---|---|
| Bank overdrafts outside Germany | 1,036 | 2,118 |
| Loans from shareholders | 6,086 | 5,467 |
| Liabilities from financial derivatives | 106 | 0 |
| Liabilities from put options | 2,792 | 1,970 |
| Current portion of non-current financial liabilities | | |
| – to banks in Germany | 931 | 765 |
| – to banks outside Germany | 1,332 | 792 |
| – from other loans in Germany | 241 | 695 |
| – from other loans outside Germany | 1,107 | 629 |
| | **13,631** | **12,436** |

The financial liabilities as of December 31, 2012 were raised 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 year 2012:

| | Jan.1, 2012 KEUR | Currency KEUR | Utilization KEUR | Reversal KEUR | Addition KEUR | Dec. 31, 2012 KEUR | of which non-current KEUR |
|---|---|---|---|---|---|---|---|
| Provisions for potential losses | 1,691 | -2 | -767 | -544 | 321 | 699 | |
| Credit notes to be issued | 94 | | -54 | -40 | 63 | 63 | |
| Severance payments | 13 | | | | 8 | 21 | |
| Warranties | 569 | 3 | -195 | | 420 | 797 | |
| Court costs | 110 | | -40 | | 134 | 204 | |
| Partial retirement | 415 | | -115 | | | 300 | 177 |
| Miscellaneous other provisions | 578 | -7 | -384 | -34 | 385 | 538 | |
| | **3,470** | **-6** | **-1,555** | **-618** | **1,331** | **2,622** | **177** |

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 21 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, 2012, provisions of KEUR 300 were recognized on the basis of partial retirement commitments for 13 employees. The discount rate was 1.43% (previous year: 3.38%).

### 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 and are as follows:

| | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Service cost | 59 | 65 |
| Interest expenses | 76 | 69 |
| Past service cost | 492 | 0 |
| Amortization of actuarial losses | 16 | 27 |
| Expected return on plan assets | -58 | -51 |
| **Net pension expenses** | **585** | **110** |

| Changes in plan assets: | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Projected value as of January 1 | 1,220 | 1,069 |
| Contributions added | 121 | 121 |
| Expected return on plan assets | 58 | 51 |
| Expected value of plan assets as of December 31 | 1,399 | 1,241 |
| Actuarial gains (+)/losses (-) | 7 | -21 |
| **Value of plan assets as of December 31** | **1,406** | **1,220** |
| Current return on plan assets | 64 | 30 |

Development of pension obligations (DBO):

| | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Dynamic pension obligations as of January 1 | 1,585 | 1,620 |
| Acquired service benefits | 59 | 65 |
| Interest expense for claims already acquired | 76 | 69 |
| Past service cost | 492 | 0 |
| Actuarial gains (-)/losses (+) | 2 | -169 |
| **Dynamic pension obligations as of December 31** | **2,214** | **1,585** |

The changes in pension provisions and the assumptions applied in determining pension provisions are shown in the following table:

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Dynamic pension obligations (DBO) | 2,214 | 1,585 |
| Actuarial losses not yet amortized | -343 | -364 |
| Cash surrender value of the employer's pension liability insurance policy | -1,406 | -1,220 |
| **Pension provisions** | **465** | **1** |
| | | |
| Assumptions: | | |
| Interest rate | 3.36% | 4.81% |
| Expected return on plan assets | 3.5% | 4.5% |
| Pension increases | 2.0% | 2.0% |

The expected return on plan assets was derived on the basis of actual past returns and the current interest rate for a risk-free investment with the same term.

The table below shows the historical changes over the past five years:

| | 2012 KEUR | 2011 KEUR | 2010 KEUR | 2009 KEUR | 2008 KEUR |
|---|---|---|---|---|---|
| Defined benefit obligation | 1,871 | 1,221 | 1,081 | 983 | 903 |
| Cash surrender value of the employer's pension liability insurance policy | -1,406 | -1,220 | -1,069 | -926 | -790 |
| **Financing status** | **465** | **1** | **12** | **57** | **113** |

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 121 to plan assets in 2013.

Staff costs for the fiscal year include expenses for defined contribution pension plans of KEUR 16,962 (previous year: KEUR 14,907). The expenses incurred at the German Group companies (employer contributions to statutory German pension insurance) amount to KEUR 5,129 (previous year: KEUR 4,430).

## 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 319 (converted) were approved and paid to the Czech subsidiary SAPCON a.s. The subsidies are grants linked to the main condition that the company retains the new jobs created in fiscal year 2012. 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 4,812 (previous year: KEUR 4,278). Current assets in the amount of KEUR 907 (previous year: KEUR 646) and non-current assets of KEUR 125 (previous year: KEUR 869) were recognized for subsidies not yet received. In the year under review, other operating income was recognized in the amount of KEUR 1,388 (previous year: KEUR 1,424). Amounts are generally recognized in profit or loss over the useful life of the subsidized assets.

## 27 / Other non-financial liabilities

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Bonuses and salaries | 20,488 | 23,072 |
| Advance payments received | 8,639 | 8,377 |
| Sales tax | 6,354 | 5,417 |
| Wage and church taxes | 2,291 | 2,290 |
| Social security | 2,619 | 2,033 |
| Accrued vacation | 6,088 | 5,293 |
| Services yet to be rendered | 5,242 | 3,133 |
| Legal, consulting and audit costs | 512 | 468 |
| Purchase price obligations | 1,863 | 1,831 |
| Employer's liability insurance | 325 | 281 |
| Supervisory Board remuneration | 213 | 222 |
| Levy in lieu of employing the severely disabled | 138 | 106 |
| Restoration obligations | 187 | 150 |
| Other | 2,360 | 1,361 |
| **Other non-financial liabilities** | **57,319** | **54,034** |

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

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Other non-current non-financial liabilities | 1,021 | 365 |
| Other current non-financial liabilities | 56,298 | 53,669 |
| **Other non-financial liabilities** | **57,319** | **54,034** |

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. This consists of cash remuneration based on the company's share price (virtual stock options). After the conclusion of the Annual General Meeting, a situation is simulated in which the company invests 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 is paid the amount arising from the increase in value of the notionally 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 year 2012, the majority shareholder submitted a voluntary public purchase offer to the other shareholders of itelligence AG. The majority shareholder held 98% of the shares as of December 31, 2012. The change in the shareholder structure means that further fluctuations in the listed share price are highly unlikely. As such, the Company is assuming volatility of just 5% for the future.

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 970 under "Bonuses and salaries" and "Supervisory Board remuneration". Three tranches were measured as of the end of the reporting period (7/2009, 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 | Fair value Dec. 31, 2012 | Increase in value | Supervisory Board virtual shares | Management Board virtual shares | Management virtual shares | Virtual shares (total) | Fair value Dec. 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | | | | | EUR |
| Tranche 7 | 4.088 | 7.658 | 3.570 | 10,396 | 70,000 | 36,693 | 117,089 | 414,685 |
| Tranche 8 | 5.604 | 10.896 | 5.292 | 7,584 | 80,000 | 26,767 | 114,351 | 403,428 |
| Tranche 9 | 6.674 | 10.736 | 4.062 | 6,368 | 80,000 | 25,472 | 111,840 | 151,431 |

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, 2009 | 32,500 | 152,293 | 114,706 | 299,499 |
| Allocation of tranche 7 | 10,396 | 70,000 | 36,693 | 117,089 |
| Payment | -13,061 | -12,293 | -46,097 | -71,451 |
| 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** |

The total expenses recorded in the period under review amounted to KEUR 44 for the Supervisory Board, KEUR 479 for the Management Board and KEUR 123 for the management team.

## 28 / Trade payables

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| | KEUR | KEUR |
| Trade payables to third parties | 23,728 | 28,789 |
| Trade payables to shareholders | 434 | 177 |
| Trade payables from outstanding invoices | 5,486 | 3,551 |
| | **29,648** | **32,517** |

## 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 and other non-derivative financial assets are mainly of a short-term nature. It is therefore assumed that their fair values are approximately their carrying amounts.

Other non-derivative financial assets contain investments in unlisted companies, which are measured at amortized cost.

Trade payables predominantly have short remaining terms. As these liabilities are mainly of a short-term nature, it is assumed that their carrying amounts as of the end of the reporting period are approximately their fair value.

Non-current and current financial liabilities 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. Financial liabilities from finance leases are carried at the lower of the present value of minimum lease payments and fair value. They are written down in line with the repayment portion of the lease installments. The fair value of fixed-rate loans is calculated using available market prices or by discounting cash flows with the market interest rates in effect at December 31.

The following table shows the carrying amounts and fair values of all categories of financial assets and liabilities:

| Dec. 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 | | | | | | | | |
| – Other non-derivative 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 |

| Dec. 31, 2011 | 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 | - | - | - | 38,513 | - | 38,513 | 38,513 |
| Trade receivables | 14 | - | - | - | 87,485 | - | 87,485 | 87,485 |
| Other financial assets | | | | | | | | |
| – Other non-derivative financial assets | 13 | - | 201 | 298 | 2,581 | - | 3,080 | 3,080 |
| Financial assets | | **-** | **201** | **298** | **128,579** | **-** | **129,078** | **129,078** |
| Trade payables | 28 | - | - | - | - | -32,517 | -32,517 | -32,517 |
| Financial liabilities | | | | | | | | |
| – Loans | 23 | - | - | - | - | -53,697 | -53,697 | -53,697 |
| – Derivative financial instruments | 23 | -22,577 | - | - | - | - | -22,577 | -22,577 |
| Financial liabilities | | **-22,577** | **-** | **-** | **-** | **-86,214** | **-108,791** | **-108,791** |

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).

| Dec. 31, 2012 | Held-for-trading derivative financial assets KEUR | Held-for-trading financial liabilities KEUR | Total Dec. 31, 2012 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 |

| Dec. 31, 2011 | Held-for-trading derivative financial assets KEUR | Held-for-trading financial liabilities KEUR | Total Dec. 31, 2011 KEUR |
|---|---|---|---|
| **Total** | 0 | -22,577 | -22,577 |
| of which level I | 0 | -0 | 0 |
| of which level II | 0 | -1,010 | -1,010 |
| of which level III | 0 | -21,567 | -21,567 |

The impact on earnings is shown in note (7).

### 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 5,245 in fiscal year 2012 (previous year: KEUR 4,584).

The maturities of future, other financial obligations as of December 31, 2012 are as follows:

| | KEUR |
|---|---|
| Due within one year | 12,111 |
| Due between one and five years | 19,368 |
| Due after five years | 10,339 |
| | **41,818** |

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 which can be exercised at fair value from December 31, 2018.

The company has contingent liabilities from guarantees in the amount of KEUR 507 (previous year: KEUR 643). Guarantees can be secured by pledging term deposits or credit facilities. Utilization is not currently expected. Returning the guarantees would result in additional scope in terms of liquidity.

### 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, 2012 and the previous year:

| | 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 activitiesfrom 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** |

| | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR | Group 2011 KEUR |
|---|---|---|---|---|---|---|---|
| Segment revenues | 82,676 | 167,308 | 68,498 | 22,899 | 4,251 | 4,082 | 349,714 |
| Intersegment trade | -753 | -3,756 | -1,969 | -729 | -147 | 0 | -7,354 |
| **External segment revenues** | **81,923** | **163,552** | **66,529** | **22,170** | **4,104** | **4,082** | **342,360** |
| EBITDA | 7,889 | 15,899 | 4,256 | 1,742 | 182 | 436 | 30,404 |
| Depreciation and amortization | -1,538 | -5,845 | -1,060 | -1,220 | -329 | -38 | -10,030 |
| **EBIT** | **6,351** | **10,054** | **3,196** | **522** | **-147** | **398** | **20,374** |
| Investment income | 0 | -17 | 0 | 45 | 0 | 0 | 28 |
| Measurement of derivatives and exercise of options | -384 | -208 | 2,520 | 95 | 0 | 0 | 2,023 |
| Exchange rate differences from finan-cing activitiesfrom financing activities | 0 | -1 | 5 | 0 | -8 | 0 | -4 |
| Interest income | 12 | 176 | 13 | 20 | 0 | 4 | 225 |
| Interest expenses | -288 | -2,662 | -163 | -81 | 0 | 0 | -3,194 |
| **Earnings before tax** | **5,691** | **7,342** | **5,571** | **601** | **-155** | **402** | **19,452** |
| **Income taxes** | **-2,173** | **-3,567** | **-458** | **-340** | **30** | **-125** | **-6,633** |
| **Consolidated net profit** | **3,518** | **3,775** | **5,113** | **261** | **-125** | **277** | **12,819** |

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 KEUR | DACH KEUR | Western Europe KEUR | Eastern Europe KEUR | Asia KEUR | Other KEUR | Group 2012 KEUR |
|---|---|---|---|---|---|---|---|
| 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 |
| | | | | | | | Group 2011 |
| Investments in property, plant and equipment and intangible assets | 8,729 | 12,416 | 1,298 | 1,558 | 969 | 32 | 25,002 |
| Depreciation and amortization | -1,538 | -5,845 | -1,060 | -1,220 | -329 | -38 | -10,030 |

The information for the divisions relating to revenues is as follows:

| | Consulting KEUR | Licenses KEUR | Application Management KEUR | Outsourcing & Services KEUR | Other (unallocated) KEUR | Group 2012 KEUR |
|---|---|---|---|---|---|---|
| Segment revenues | 211,394 | 38,414 | 40,208 | 116,469 | 623 | 407,108 |
| | | | | | | Group 2011 |
| | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR |
| Segment revenues | 191,021 | 37,493 | 23,338 | 89,596 | 912 | 342,360 |

## 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 of the Annual General Meeting of itelligence AG on the squeeze-out is expected to take place at the next Annual General Meeting of itelligence AG, which is currently scheduled for 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 108,537 in fiscal year 2012 (previous year: KEUR 91,163). Of this figure, KEUR 41,312 related to the cost of purchased services (previous year: KEUR 37,376).

**b) Staff costs**
Staff costs calculated using the nature of expense method totaled KEUR 213,368 in fiscal year 2012 (previous year: KEUR 176,817).

**c) Number of employees**
In fiscal year 2012, the itelligence Group employed an average of 2,552 persons (previous year: 2,119). Of this figure, an average of 312 were employed in administration, 199 in sales, 1,403 in consulting and 638 in outsourcing and services. The Group had a total of 2,765 employees as of December 31, 2012.

### 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, 2012) |
| --- | --- |
| Herbert Vogel<br>CEO | Member of the Supervisory Board of Cayago AG<br>Member of the Advisory Board of TBV ProVital Lemgo GmbH & Co. KG |
| Norbert Rotter<br>CFO | |

| Aufsichtsrat | Sonstige Mandate: |
| --- | --- |
| Dr. Lutz Mellinger<br>Chairman until December 31, 2012<br>Divisional Manager, Deutsche Bank, retired | Chairman of the Supervisory Board of Quantum Immobilien Kapitalanlagegesellschaft mbH<br>Chairman of the Supervisory Board of Quantum Immobilien AG<br>Member of the Supervisory Board of Prime Office AG |
| Fritz Fleischmann<br>Chairman since January 1, 2013<br>Senior Managing Director Central Europe, Adobe Systems GmbH, retired | |
| Dr. Stephan Kremeyer<br>Deputy Chairman<br>Employee representative SAP consultant | |
| Dr. Britta Lenzmann<br>Employee representative<br>SAP sales | |
| Kazuhiro Nishihata<br>Executive Vice President, Managing Director, Global Business, NTT DATA Corporation, Tokyo, Japan | |
| Akiyoshi Nishijima<br>Deputy Head of Fourth Enterprise Sector, Head of Global Business Integration Division Enterprise IT Services Company, NTT DATA Corporation, Tokyo, Japan | Member of the Supervisory Board of NTT DATA Deutschland GmbH |
| Prof. Heiner Schumacher<br>since January 1, 2013<br>Retired auditor | Member of the shareholders' advisory board of SOS Kinderdörfer Global Partner GmbH |

### e) Remuneration of the Management Board and the Supervisory Board

itelligence's remuneration report is prepared in accordance with the recommendations of the German Corporate Governance Code and contains the disclosures prescribed by the German Commercial

Code (HGB) and the International Financial Reporting Standards (IFRS). The remuneration report was prepared in accordance with the provisions of German Accounting Standard No. 17 (GAS 17).

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 2012:

| Herbert Vogel (CEO) | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Non-performance-related (fixed) remuneration | 400 | 400 |
| Performance-related (variable) current remuneration (current year) | 280 | 399 |
| Fair value of share-based remuneration on the grant date | 38 | 65 |
| Payment difference for (variable) current remuneration (previous year) | 2 | 77 |
| **Total remuneration for the year** | **720** | 941 |

| Norbert Rotter (CFO) | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Non-performance-related (fixed) remuneration | 200 | 200 |
| Performance-related (variable) current remuneration (current year) | 187 | 266 |
| Fair value of share-based remuneration on the grant date | 38 | 65 |
| Payment difference for (variable) current remuneration (previous year) | 1 | 47 |
| **Total remuneration for the year** | **426** | 578 |

The total remuneration paid to the members of the Management Board for fiscal year 2012 was KEUR 1,146 (previous year: KEUR 1,519).

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.

- The amount of the variable short-term remuneration depends on the achievement of certain targets based on the company's performance and personal targets. The members of the Management Board receive remuneration based on the Group's revenue and earnings (EBIT) development. Various quantitative and qualitative targets are also agreed depending on the respective area of responsibility. The variable short-term remuneration is measured on the basis of the degree to which targets have been achieved and will be paid after itelligence's Annual General Meeting in May 2013. As the basic activities triggering the entitlement to the remuneration were performed in fiscal year 2012, this is disclosed in the remuneration report for 2012. 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.

- Part of the variable remuneration is 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 regular notional issue of itelligence shares is 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 is calculated. If this comparison of the average price at the issue date and the average price after the end of this three-year period shows an increase in the company's share price, the respective Management Board member is paid an amount equivalent to the increase in the value of the notional 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 on 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.

- 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 7,388 for the CEO (from January 1, 2013: EUR 10,000) and EUR 4,000 for the CFO (from January 1, 2013: EUR 4,500). The pension commitment also includes a widow's pension amounting to 60% 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 fiscal year 2012, the sixth tranche of the share-based remuneration with long-term incentive effect, which has a term from January 1, 2009 to December 31, 2011, was paid out to the CEO in the amount of KEUR 100.9 and the CFO in the amount of KEUR 75.7. The average Xetra closing price of itelligence's shares for the period from January to December 2011 was EUR 6.674. The tranche was measured at the average Xetra closing price for 2008, which was EUR 4.152. This increase in value was multiplied by the number of notional shares acquired. The resulting expense was recognized during the term of the tranche from 2009 to 2011.

After the end of the Annual General Meeting on May 31, 2012, a ninth tranche with a term from January 1, 2012 to December 31, 2014 was issued for the members of the Management Board. The basis of future measurement is the average Xetra closing price for 2011, which was EUR 6.674.

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, 2012 CEO EUR | Proportionate fair value Dec. 31, 2012 CFO EUR | Expenses for stock options 2012 EUR |
|---|---|---|---|---|---|---|
| Tranche 7 | 40,000 | 30,000 | 1.798 | 142,800 | 107,100 | 127,587 |
| Tranche 8 | 40,000 | 40,000 | 1.614 | 141,120 | 141,120 | 242,640 |
| Tranche 9 | 40,000 | 40,000 | 0.94 | 54,160 | 54,160 | 108,320 |

No loans were granted to members of the Management Board in fiscal years 2012 and 2011. There were also no similar benefits. 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, limited in any case to two years (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 1,157, for which total expenses of KEUR 463 were incurred in 2012. The financing status developed as follows:

| Herbert Vogel | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Defined benefit obligation | 1,032 | 679 |
| Cash surrender value of the employer's pension liability insurance policy | -843 | -726 |
| **Financing status** | **189** | **-47** |

| Norbert Rotter | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Defined benefit obligation | 125 | 60 |
| Cash surrender value of the employer's pension liability insurance policy | -82 | -47 |
| **Financing status** | **43** | **13** |

The Company has pension obligations to former members of executive bodies in the amount of KEUR 713, for which expenses of KEUR 18 were incurred in 2012. The financing status developed as follows:

| | 2012 KEUR | 2011 KEUR |
|---|---|---|
| Defined benefit obligation | 713 | 483 |
| Cash surrender value of the employer's pension liability insurance policy | -481 | -448 |
| **Financing status** | **232** | **35** |

**Remuneration of the Supervisory Board**
The following table provides a breakdown of the remuneration of the Supervisory Board for fiscal year 2012 and the previous year:

| | 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* (Chairman since January 1, 2013) | 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 function for the entire fiscal year.

| | Fixed remuneration component | Committee remuneration | Attendance fees | Correction of attendance fees for 2010 | Variable remuneration component: earnings per share 2011 | Fair value of share-based remuneration on the grant date | 2011 Total remuneration |
|---|---|---|---|---|---|---|---|
| | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR |
| Dr. Lutz Mellinger (Chairman) | 45.0 | 37.5 | 7.0 | -3.0 | 13.8 | 4.3 | 104.6 |
| Dr. Stephan Kremeyer (Deputy Chairman) | 22.5 | 5.0 | 5.0 | 0.0 | 6.9 | 2.2 | 41.6 |
| Friedrich Fleischmann | 15.0 | 27.5 | 7.0 | -3.0 | 4.6 | 1.4 | 52.5 |
| Dr. Britta Lenzmann | 15.0 | 12.5 | 7.0 | -2.0 | 4.6 | 1.4 | 38.5 |
| Kazuhiro Nishihata | 15.0 | 0.0 | 4.0 | 0.0 | 4.6 | 1.4 | 25.0 |
| Akiyoshi Nishijima | 15.0 | 0.0 | 4.0 | 0.0 | 4.6 | 1.4 | 25.0 |
| | **127.5** | **82.5** | **34.0** | **-8.0** | **39.1** | **12.1** | **287.2** |

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 May 27, 2010 introduced new provisions for the remuneration of the activities of the members of the Supervisory Board from fiscal year 2010. In accordance with this provision, Supervisory Board members receive remuneration consisting of one fixed and one variable component as well as the reimbursement of their expenses. The amount of the variable remuneration is geared towards the company's short-term and long-term performance.

(1) Each member of the Supervisory Board receives fixed annual remuneration of KEUR 15. 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. The fixed remuneration and the attendance fees are payable at the end of each fiscal year.

(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. The additional remuneration described in sentence 1 is payable annually at the end of each fiscal year.

(3) The remuneration of each Supervisory Board member increases by EUR 100 for each EUR 0.01 of consolidated earnings per share, providing that the company generates positive earnings per share. The Chairman of the Supervisory Board receives three times the amount of the performance-related remuneration described in paragraph (3) sentence 1, while the Deputy Chairman receives one and a half times this amount. Consolidated earnings per share are calculated by dividing the consolidated net profit reported in itelligence's consolidated financial statements for the respective fiscal year by the weighted average number of shares outstanding. The performance-related remuneration described in paragraph (3) is payable on the first working day after the Annual General Meeting at which the consolidated financial statements for the respective fiscal year are presented. As the basic activities triggering the entitlement to the remuneration were performed in fiscal year 2012, this is disclosed in the remuneration report for 2012.

(4) Members of the Supervisory Board also receive performance-related remuneration geared towards the company's long-term success. After the end of the Annual General Meeting, a situation is simulated whereby the company invests 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 is EUR 15,000, while the notional investment amount for the Deputy Chairman is 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 is calculated. If this comparison of the average price in accordance with sentence 2 and the average price in accordance with sentence 4 shows an increase in the company's share price, the respective Supervisory Board member is paid an amount equivalent to the increase in the value of the notional shares acquired in accordance with sentence 2. This performance-related remuneration is 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.

(5) Supervisory Board members not in office for the entire three-year period receive the remuneration described in paragraphs (1) to (4) on a pro rata basis.

In fiscal year 2012, the sixth tranche of the share-based remuneration with long-term incentive effect, which has a term from January 1, 2009 to December 31, 2011, was paid out to the members of the Supervisory Board in the amount of:

KEUR 9.1 to the Chairman
KEUR 4.6 to the Deputy Chairman
KEUR 3.0 to each member

KEUR 1.4 was paid to former members of the Supervisory Board.

The average Xetra closing price of itelligence's shares for the period from January to December 2011 was EUR 6.674. The tranche was measured at the average Xetra closing price for 2008, which was EUR 4.152. This increase in value was multiplied by the number of notional shares acquired. The resulting expense was recognized during the term of the tranche from 2009 to 2011.

After the end of the Annual General Meeting on May 31, 2012, a ninth tranche with a term from January 1, 2012 to December 31, 2014 was issued for the members of the Supervisory Board. The basis of future measurement is the average Xetra closing price for 2011, which was EUR 6.674.

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 7 | 3,669 | 1,834 | 4,893 | 10,396 | 1.798 |
| 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, 2012 Chairman | Proportionate fair value Dec. 31, 2012 Deputy Chairman | Proportionate fair value Dec. 31, 2012 Members | Proportionate fair value Dec. 31, 2012 (total) | Expenses for stock options 2012 |
|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR |
| Tranche 7 | 11,438 | 6,550 | 15,803 | 33,791 | 15,625 |
| Tranche 8 | 9,443 | 4,721 | 12,592 | 26,756 | 23,002 |
| Tranche 9 | 3,043 | 1,522 | 4,057 | 8,622 | 8,622 |

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) Declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the AktG**

The Management Board and Supervisory Board issued the declaration required in accordance with section 161 of the AktG stating that the recommendations of the German Corporate Governance Code Government Commission published in the official section of the electronic Bundesanzeiger (German Federal Gazette) by the Federal Ministry of Justice were complied with and specifying which recommendations are not currently implemented. The declaration was also made permanently available to the shareholders of itelligence AG on the company's homepage.

**g) 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 | Total | of which current | of which non-current |
|---|---|---|---|---|
| | % | KEUR | KEUR | KEUR |
| Loan from Oct. 1, 2009/10-year term | 3.596 | 5,298 | 798 | 4,500 |
| (previous year) | | (6,054) | (804) | (5,250) |
| Loan from Jul. 15, 2010/10-year term | 3,055 | 8,923 | 1,223 | 7,700 |
| (previous year) | | (10,039) | (1,239) | (8,800) |
| Loan from Jun. 13, 2011/10-year term | 3.715 | 11,935 | 1,535 | 10,400 |
| (previous year) | | (13,264) | (1,564) | (11,700) |
| Loan from Jun. 30, 2011/5-year term | 3.084 | 2,437 | 637 | 1,800 |
| (previous year) | | (3,046) | (646) | (2,400) |
| Loan from Dec. 15, 2011/5-year term | 2.3597 | 2,402 | 602 | 1,800 |
| (previous year) | | (3,003) | (603) | (2,400) |
| Loan from Jul. 15, 2011/10-year term | 3.514 | 4,813 | 603 | 4,210 |
| (previous year) | | (5,348) | (611) | (4,737) |
| Loan from Jan. 31, 2012/10-year term | 2.2161 | 5,836 | 688 | 5,148 |
| (previous year) | | (0) | (0) | (0) |
| December 31, 2012 | | **41,644** | **6,086** | **35,558** |
| December 31, 2011 | | (40,754) | (5,467) | (35,287) |

The interest rates are standard market interest rates.

In fiscal year 2012, 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:

| | KEUR |
|---|---|
| Income | |
| Consulting | 3,000 |
| Licenses | 124 |
| Application Management | 713 |
| Outsourcing & Services | 3,383 |
| Other | 214 |
| | **7,434** |
| | |
| Expenses | |
| Consulting | 2,511 |
| Other | 269 |
| Interest expense | 1,399 |
| | **4,179** |

The negotiated prices are standard market prices for third parties.

**h) 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 not falling 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 cash flows, 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 and future interest income from the discounting of non-current receivables in particular are 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 1,036 as of December 31, 2012 and KEUR 2,118 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 amortized cost of KEUR 1,883.

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 cash flows. The same applies to the measurement of put-call options. Fluctuations in capital costs on the capital markets may 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. itelligence limits this risk by assessing its partners primarily on the basis of external ratings. All finance agreements are concluded with banks of good credit standing. 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 3,042 (previous year: KEUR 3,371). 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.

The maturity structure of current trade receivables as of December 31, 2012 is as follows:

| Total KEUR | Up to 20 days | Up to 40 days | Up to 80 days | Up to 100 days | More than 100 days |
|---|---|---|---|---|---|
| 97,371 | 71,124 | 11,242 | 5,702 | 2,234 | 7,069 |
| 100 % | 73.0 % | 11.5 % | 5.9 % | 2.3 % | 7.3 % |
| of which impaired | | | | | |
| 3,042 | 0 | 0 | 0 | 0 | 3,042 |

Current trade receivables that are not past due and the remaining portfolio of receivables that are past due but not written down relate to customers with a good credit rating and are not considered to be impaired.

### 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 | > 5 years | Total |
|---|---|---|---|---|
| Financial liabilities | 13,631 | 49,347 | 15,177 | 78,155 |
| Trade payables | 29,648 | | | 29,648 |
| Other non-financial liabilities | 57,637 | 1,021 | | 58,658 |
| Interest payments | 1,976 | 4,269 | 1,036 | 7,281 |
| Cash flows from financial liabilities as of December 31, 2012 | **102,892** | **54,637** | **16,213** | **173,742** |

Working capital, which is the net current assets of an entity (current assets less current liabilities), amounted to KEUR 42,891 at year-end (previous year: KEUR 23,925 ). 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, 2012, the Group had cash and cash equivalents of KEUR 43,516 (previous year: KEUR 38,513), consisting of current account balances and cash in hand of KEUR 43,516 (previous year: KEUR 38,513). Liquidity reserves bear interest at rates of between 0.00% and 0.25%.

itelligence has also agreed credit facilities with its key relationship banks in order to ensure the supply of liquidity.

### i) Auditor's fees and services

At the Annual General Meeting on May 31, 2012, the shareholders of itelligence AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor of the separate and consolidated financial statements of itelligence AG for fiscal year 2012.

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 of the HGB:

| | 2012<br>KEUR | 2011<br>KEUR |
|---|---|---|
| Fees for audits of financial statements by KPMG AG | 161 | 204 |
| Fees for tax advisory services | 59 | 89 |
| Fees for other assurance services | 0 | 37 |
| Fees for other services | 0 | 0 |
| | **220** | **330** |

### j) 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

With effect from January 16, 2013, the itelligence Group acquired the business operations of Software AG in the areas of SAP consulting, licensing and 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; itelligence will take over the majority of Software AG's workforce of around 80 employees. The parties have agreed not to disclose the purchase price.

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

Bielefeld, March 14, 2013

**Herbert Vogel**
CEO

**Norbert Rotter**
CFO

## Statement of Changes in Consolidated Non-current Assets in Fiscal Year 2012

| | Cost | | | | | |
|---|---|---|---|---|---|---|
| | Jan. 1, 2012 | Currency translation | Additions | Re-classifications | Disposals | Dec. 31, 2012 |
| | | KEUR | KEUR | KEUR | KEUR | KEUR |
| Intangible assets | | | | | | |
| IT software | 8,855 | 80 | 1,382 | 79 | -769 | 9,627 |
| Orders on hand | 3,370 | 32 | 48 | 0 | 6 | 3,456 |
| Goodwill | 70,787 | 257 | 13,218 | 0 | 0 | 84,262 |
| | **83,012** | **369** | **14,648** | **79** | **-763** | **97,345** |
| Property, plant and equipment | | | | | | |
| Land, buildings and leasehold improvements | 20,060 | 232 | 2,339 | 14,221 | -298 | 36,554 |
| Assets under development | 10,377 | -70 | 11,541 | -21,707 | -59 | 82 |
| IT hardware | 43,088 | 60 | 10,701 | 7,399 | -2,183 | 59,065 |
| Operating and office equipment | 9,504 | 409 | 3,960 | 8 | -602 | 13,279 |
| | **83,029** | **631** | **28,541** | **-79** | **-3,142** | **108,980** |
| Other non-current financial assets | | | | | | |
| Other investments | 220 | 0 | 0 | 0 | 0 | 220 |
| | **166,261** | **1,000** | **43,189** | **0** | **-3,905** | **206,545** |

| Cumulative depreciation/amortization | | | | | Carrying amounts | |
|---|---|---|---|---|---|---|
| Jan. 01, 2012 | Currency translation | Depreciation and amortization in the fiscal year | Disposals | Dec. 31, 2012 | Dec. 31, 2012 | Dec. 31, 2011 |
| KEUR | KEUR | KEUR | KEUR | KEUR | KEUR | KEUR |
| -5,684 | -63 | -1,495 | 735 | -6,507 | 3,120 | 3,171 |
| -1,647 | -25 | -619 | 0 | -2,291 | 1,165 | 1,723 |
| -7,914 | 37 | 0 | 0 | -7,877 | 76,385 | 62,873 |
| **-15,245** | **-51** | **-2,114** | **735** | **-16,675** | **80,670** | **67,767** |
| -4,653 | -94 | -1,329 | 219 | -5,857 | 30,697 | 15,407 |
| 0 | 0 | 0 | 0 | 0 | 82 | 10,377 |
| -29,632 | -36 | -6,910 | 2,130 | -34,448 | 24,617 | 13,456 |
| -5,986 | -240 | -1,816 | 462 | -7,580 | 5,699 | 3,518 |
| **-40,271** | **-370** | **-10,055** | **2,811** | **-47,885** | **61,095** | **42,758** |
| -19 | 0 | -186 | 0 | -205 | 15 | 201 |
| **-55,535** | **-421** | **-12,355** | **3,546** | **-64,765** | **141,780** | **110,726** |

## Responsibility Statement by itelligence AG's Management Board

*To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Management Report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.*

Bielefeld, March 14, 2013
itelligence AG, Bielefeld

**Herbert Vogel**
CEO

**Norbert Rotter**
CFO

## 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 cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2012 to December 31, 2012. 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.

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bielefeld, March 14, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Hunke | Lo Conte |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

Separate Financial Statements 2012 →

## Income statement for the period from January 1 to December 31, 2012 (German Commercial Code)

| EUR | | 2012 | | 2011 |
|---|---|---|---|---|
| 1. Revenues | | 120,149,228.95 | | 111,476,605.88 |
| 2. Increase in work in progress and merchandise | | 9,760,731.36 | | 5,126,063.42 |
| 3. Other operating income | | 12,036,387.34 | | 11,881,044.47 |
| 4. Cost of materials | | | | |
| a) Cost of purchased merchandise | -10,369,213.11 | | -14,122,929.22 | |
| b) Cost of purchased services | -51,571,932.20 | -61,941,145.31 | -39,213,883.85 | -53,336,813.07 |
| 5. Staff costs | | | | |
| a) Wages and salaries | -58,803,883.47 | | -51,104,361.44 | |
| b) Social security, post-employment and other employee benefit costs – of which in respect of old-age pensions EUR -423,484.82 (previous year: EUR -91,496.18) | -8,391,611.43 | -67,195,494.90 | -6,885,416.71 | -57,989,778.15 |
| 6. Depreciation, amortization and write-downs | | | | |
| a) Amortization and write-downs of intangible assets and deprecation and write-downs of tangible assets | -1,400,643.10 | | -1,195,115.88 | |
| b) Write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation | -1,419,309.10 | -2,819,952.20 | -1,330,363.00 | -2,525,478.88 |
| 7. Other operating expenses | | -26,891,709.88 | | -23,086,903.52 |
| 8. Income from long-term equity investments – of which in respect of affiliated companies EUR 1,061,789.66 (previous year: EUR 2,459,236.98) | | 1,062,556.60 | | 2,460,003.92 |
| 9. Income from profit and loss transfer agreements | | 20,154,138.12 | | 16,692,472.38 |
| 10. Other interest and similar income – of which in respect of affiliated companies EUR 1,691,689.30 (previous year: EUR 1,047,163.28) | | 1,871,486.95 | | 1,151,234.09 |
| 11. Write-downs of long-term financial assets | | -1,418,285.27 | | -886,714.73 |
| 12. Interest and similar expenses – of which in respect of affiliated companies EUR -1,401,008.62 (previous year: EUR -960,837.15) | | -1,554,409.57 | | -1,232,836.41 |
| 13. Result from ordinary activities | | **3,213,532.19** | | **9,728,899.40** |
| 14. Income taxes | | -1,251,164.15 | | -3,199,145.19 |
| 15. Other taxes | | 0.00 | | -11,225.79 |
| 16. Net profit for the period | | **1,962,368.04** | | **6,518,528.42** |
| 17. Retained profits carried forward | | 12,402,996.10 | | 9,322,530.98 |
| 18. Dividend payment | | -4,420,367.10 | | -3,438,063.30 |
| 19. Net retained profits | | **9,944,997.04** | | **12,402,996.10** |

# Balance sheet as of December 31, 2012 (German Commercial Code)

| **Assets** EUR | | Dec. 31, 2012 | | Dec. 31, 2011 |
|---|---|---|---|---|
| A. Fixed assets | | | | |
| **I. Intangible assets** | | | | |
| Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets | | 538,532.00 | | 521,063.00 |
| **II. Tangible assets** | | | | |
| 1. Land, land rights and buildings including buildings on third-party land | 7,080,537.00 | | 7,281,013.00 | |
| 2. Technical equipment and machinery | 305,559.00 | | 379,141.00 | |
| 3. Other assets, operating and office equipment | 2,573,922.00 | 9,960,018.00 | 2,536,292.00 | 10,196,446.00 |
| **III. Long-term financial assets** | | | | |
| 1. Investments in affiliated companies | 61,959,347.55 | | 48,732,027.16 | |
| 2. Loans to affiliated companies | 19,224,891.95 | | 13,228,980.94 | |
| 3. Equity investments | 10,225.84 | 81,194,465.34 | 196,511.11 | 62,157,519.21 |
| | | **91,693,015.34** | | **72,875,028.21** |
| B. Current assets | | | | |
| **I. Inventories** | | | | |
| 1. Work in progress | 33,484,637.38 | | 23,723,906.02 | |
| 2. Merchandise | 0.00 | 33,484,637.38 | 479,295.00 | 24,203,201.02 |
| **II. Receivables and other assets** | | | | |
| 1. Trade receivables – thereof with a residual term of more than one year EUR 1,501,492.83 (previous year: EUR 1,714,788.11) | 20,920,614.47 | | 21,575,387.10 | |
| 2. Receivables from affiliated companies – thereof with a residual term of more than one year EUR 476,636.78 (previous year: EUR 3,473,000.00) | 29,297,778.73 | | 23,725,113.40 | |
| 3. Other assets – thereof with a residual term of year EUR 274,691.25 (previous year: EUR 270,519.00) | 1,442,536.39 | 51,660,929.59 | 656,586.23 | 45,957,086.73 |
| **III. Cash in hand, bank balances and checks** | | 18,190,250.61 | | 9,447,312.96 |
| | | **103,335,817.58** | | **79,607,600.71** |
| C. Prepaid expenses | | 1,138,381.58 | | 631,010.00 |
| | | **196,167,214.50** | | **153,113,638.92** |

| Equity and liabilities EUR | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| A. Equity | | |
| I. Issued capital | 30,014,838.00 | 24,557,595.00 |
| II. Capital reserves | 45,880,856.84 | 14,501,709.59 |
| III. Net accumulated profit | 9,944,997.04 | 12,402,996.10 |
| | **85,840,691.88** | **51,462,300.69** |
| B. Provisions | | |
| 1. Provisions for pensions and similar obligations | 598,860.00 | 274,728.00 |
| 2. Tax provisions | 1,725,541.08 | 2,128,273.19 |
| 3. Other provisions | 15,739,901.53 | 15,443,032.12 |
| | **18,064,302.61** | **17,846,033.31** |
| C. Liabilities | | |
| 1. Advance payments received | 37,058,977.51 | 24,676,369.47 |
| – thereof with a remaining term of less than one year EUR 37,058,977.51 (previous year: EUR 24,676,369.47) | | |
| 2. Trade payables | 8,673,563.92 | 12,616,543.07 |
| – thereof with a remaining term of less than one year EUR 8,673,563.92 (previous year: EUR 12,616,543.07) | | |
| 3. Liabilities to affiliated companies | 42,757,209.37 | 41,546,012.20 |
| – thereof with a remaining term of less than one year EUR 7,199,469.67 (previous year: EUR 6,259,312.20) | | |
| 4. Other liabilities | 3,536,369.53 | 4,716,753.18 |
| – thereof with a remaining term of less than one year EUR 3,529,833.53 (previous year: EUR 4,712,028.18) | | |
| – thereof relating to taxes EUR 2,438,682.18 (previous year: EUR 2,599,678.11) | | |
| – thereof relating to social security EUR 19,037.88 (previous year: EUR 3,213.93) | | |
| | **92,026,120.33** | **83,555,677.92** |
| D. Deferred income | 236,099.68 | 249,627.00 |
| | **196,167,214.50** | **153,113,638.92** |

## Financial Calendar 2013

**March 21, 2013**
Publication of the annual report 2012

**April 24, 2013**
Publication of the interim report 1/2013

**May 23, 2013**
Annual General Meeting 2013 in Bielefeld

**July 24, 2013**
Publication of the interim report 2/2013

**October 23, 2013**
Publication of the interim report 3/2013

## Service & Imprint

**Contact partners**


**Investor Relations**
Katrin Schlegel, Head of Investor Relations
Phone +49 (0)5 21/9 14 48 106
Fax +49 (0)5 21/9 14 45 201
E-Mail katrin.schlegel@itelligence.de

**Public Relations**
Silvia Dicke, Press Spokesperson
Phone +49 (0)5 21/9 14 48 107
Fax +49 (0)5 21/9 14 45 201
E-Mail silvia.dicke@itelligence.de

**Company Address**
itelligence AG
Königsbreede 1, 33605 Bielefeld
Phone +49 (0)5 21/9 14 48 0
Fax +49 (0)5 21/9 14 45 100
www.itelligence.de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**Lars Monshausen** (Cover)
**Rüdiger Nehmzow** (Page 2, 4–5, 8–9, 26)
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**corbis** (Page 18)

ITELLIGENCE AG

KÖNIGSBREEDE 1  33605 BIELEFELD  PHONE +49 (0)5 21/9 14 48 0  FAX +49 (0)5 21/9 14 45 100  WWW.ITELLIGENCE.DE  DIALOG@ITELLIGENCE.DE