itelligence NTT DATA Business Solutions

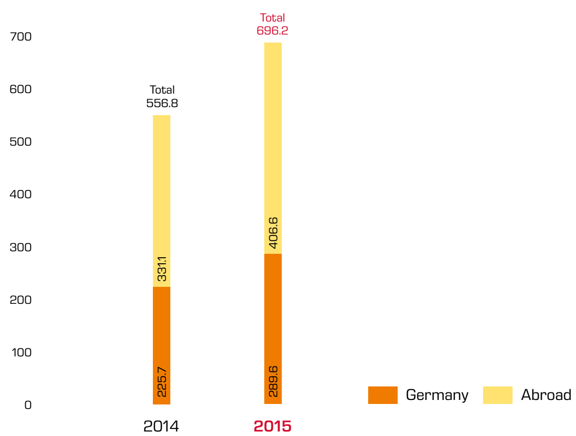
# DIGITAL TRANSFORMATION

# ITELLIGENCE KEY FIGURES

| MEUR | IFRS 2015 | IFRS 2014 | IFRS 2013 | IFRS 2012 |
|---|---|---|---|---|
| **Total revenues** | **696.2** | **556.8** | **457.1** | **407.1** |
| **Revenues by area:** | | | | |
| Consulting | 310.1 | 246.6 | 214.9 | 211.5 |
| Licenses | 69.4 | 56.9 | 56.9 | 38.3 |
| Application Management | 71.9 | 66.3 | 49.1 | 40.4 |
| Outsourcing & Services | 241.4 | 186.1 | 135.7 | 116.3 |
| Other | 3.4 | 0.9 | 0.5 | 0.6 |
| | | | | |
| **Revenues by segment:** | | | | |
| DACH (Germany/Austria/Switzerland) | 321.2 | 255.0 | 192.9 | 185.0 |
| Western Europe | 154.8 | 120.2 | 104.7 | 86.7 |
| Eastern Europe | 74.6 | 63.1 | 48.1 | 32.0 |
| USA | 130.8 | 107.0 | 100.5 | 92.6 |
| Asia | 10.7 | 7.0 | 7.1 | 7.0 |
| Other | 4.1 | 4.5 | 3.8 | 3.8 |
| | | | | |
| EBIT in MEUR | 36.0 | 22.8 | 22.2 | 19.2 |
| EBIT margin | 5.2% | 4.1% | 4.9% | 4.7% |
| EBITA in MEUR | 42.9 | 27.2 | 26.2 | 21.4 |
| EBITA margin | 6.2% | 4.9% | 5.7% | 5.2% |
| EBITDA in MEUR | 62.5 | 43.3 | 38.0 | 31.4% |
| EBITDA margin | 9.0% | 7.8% | 8.3% | 7.7% |
| | | | | |
| Earnings IFRS | 21.1 | 6.7 | 16.2 | 13.7 |
| Earnings per share | 0.63 | 0.11 | 0.48 | 0.44 |
| Cashflow per share | 0.50 | -0.04 | -0.08 | 0.17 |
| Return to sales | 3.0% | 1.2% | 3.5% | 3.4% |
| Cashflow in MEUR | 15.1 | -1.4 | -2.5 | 4.8 |
| Balance sheet total in MEUR | 459.3 | 397.2 | 333.2 | 306.8 |
| Equity in MEUR | 155.0 | 132.9 | 121.8 | 112.0 |
| Equity ratio | 33.7% | 33.5% | 36.6% | 36.5% |
| ROE (Return on equity) | 13.6% | 5.1% | 13.3% | 12.3% |
| ROA (Return on assets) | 5.8% | 3.9% | 4.4% | 4.5% |
| ROCE (Return on assets employed) | 8.6% | 5.6% | 6.4% | 6.4% |
| Investments in MEUR | 37.9 | 58.3 | 27.2 | 43.1 |
| | | | | |
| Employees as of December 31 | 4,702 | 4,140 | 3,078 | 2,765 |
| Average | 4,422 | 3,626 | 2,897 | 2,552 |
| – Germany | 2,040 | 1,861 | 1,121 | 1,088 |
| – Abroad | 2,662 | 2,279 | 1,957 | 1,677 |

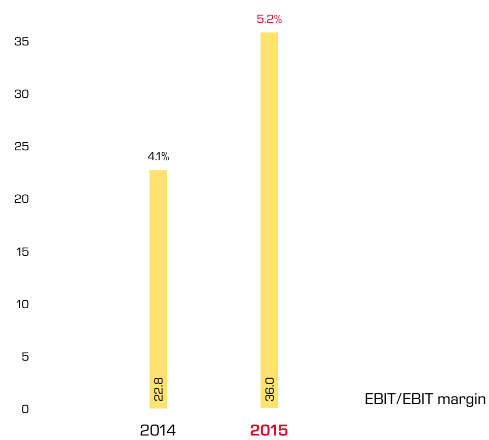
## REVENUE DEVELOPMENT

MEUR




## GROWTH IN EARNINGS

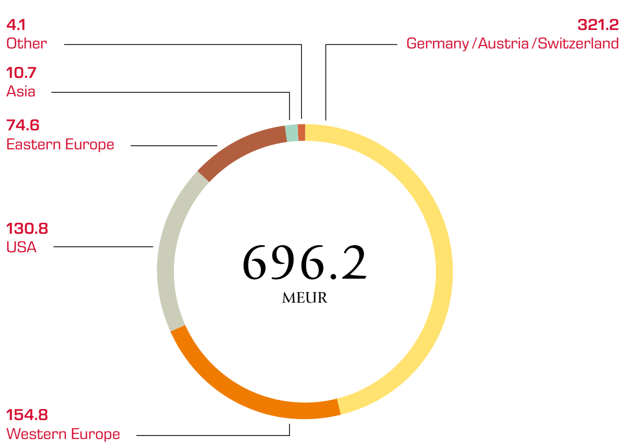
MEUR




## REVENUE DEVELOPMENT BY SEGMENT

MEUR

**2015**

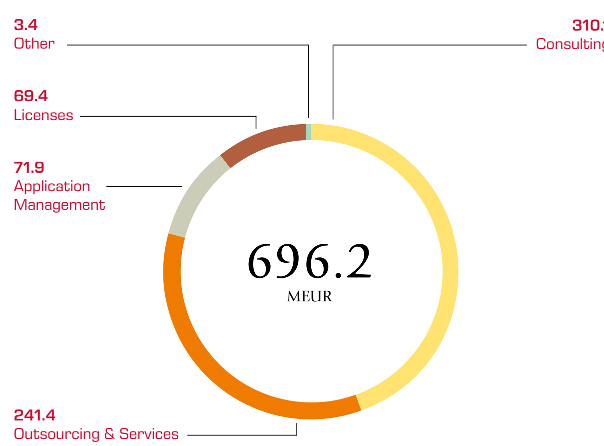



| Change | +25.0% |
|---|---|
| D/A/CH | +26.0% |
| Western Europe | +28.8% |
| USA | +22.2% |
| Eastern Europe | +18.2% |
| Asia | +52.9% |

## REVENUE DEVELOPMENT BY DIVISION

MEUR

**2015**




| Change | +25.0% |
|---|---|
| Consulting | +25.8% |
| Licenses | +22.0% |
| Application Management | +8.4% |
| Outsourcing & Serivces | +29.7% |

## DIGITAL TRANSFORMATION

itelligence NTT DATA Business Solutions

# ANNUAL REPORT 2015

Herbert Vogel, CEO

## APRIL 2016

# DEAR FRIENDS OF THE COMPANY,

itelligence and 2015 make for a fascinating combination. We can look back on a successful year from a business perspective: Around the world, we helped even more new and existing customers to place their company on a digital footing or further expand these foundations. We enjoyed continued growth in our traditional ERP growth, are managing even more systems in our data centers, and increased our license sales.

*Investment makes it possible.* — That is hardly surprising, one might say. After all, who should benefit from the digital transformation that is currently dominating our environment if not an IT service provider?  Of course, the market conditions are ideal: IT is a megatrend. As before, companies are using IT to improve their workflows and interactions. But now they are also aware that it can form the basis for new business models. IT has become a matter of strategy. Simply being in the IT business is far from enough. You have to understand the business and know what digitalization means for companies. The digital transformation is only just beginning. Now is the time for customers to turn to a consultant they can trust. Someone who knows their business, who will still be supporting them well down the line, and who will treat them fairly and as an equal. This trust, which cannot be expressed in figures alone, is something we have developed over many years. Because we have stayed true to ourselves with our focus on SAP and proximity to our customers.

In 2015, the digital transformation provided the impetus for a range of new topics. We saw how e-commerce, e-marketing and omni-channel strategies are catching on within the industry, while interest in business intelligence and analysis tools continues to grow apace. Companies are recognizing that new database platforms can help them to evaluate far greater volumes of information far more quickly. Irrespective of their source. *Innovation makes it possible.* — This is beneficial not only for marketing and sales, but especially for management teams, who can now control their company using the latest data.  This is not just our view, but the accepted consensus. “Previously, large data volumes and real-time processing were mutually exclusive,” explains Prof. Günther Schuh. “This technical contradiction has now been resolved.” We invited him to participate in an interview for this Annual Report in order to learn more about the digital transformation, especially in the manufacturing industry. Prof. Schuh confirms the keen interest in new technologies that we also observed in the past year. The midmarket is also curious. Data analysis is one aspect; the other is developments in sensor technology, robotics and artificial intelligence. Wherever you look, ideas are springing up, business models are emerging, and experiments are being conducted using new techniques.

Many of them still only exist on paper or in the laboratory. However fascinating the new possibilities may be, most of them have not yet translated into reality. For example, only ten percent of all data is currently being put to good use. The other 90 percent ends up in archives. Companies are currently working to establish the infrastructure they need to take advantage of this treasure trove of information in the future. This is where itelligence offers the right solutions. Our consulting expertise, industry solutions and service range are helping our customers around the world to find the right approach to their digital transformation. Now and in the future. This Annual Report features numerous examples. After all, the outstanding development we have enjoyed in the past fiscal year can be put down to the many customers who have said: *itelligence makes it possible.* — Thank you.

Yours,

# DIGITAL TRANSFORMATION

The “Internet of Things” will shake many companies to their very foundations. A flood of networked data will force managers to turn new ideas for products, production and processes into reality. The boundaries between physical and digital entities are disappearing. Technical feasibility and, above all, sound business models will prove decisive.

At first, the World Wide Web on top of the Internet was just an idea in the head of research scientist Tim Berners-Lee: "Vague, but exciting" was the response of his then boss at CERN in 1989. Berners-Lee wanted to create an environment that would make it easier for scientists and academics to exchange data. Since then, the idea has become established across the board, and that original research network and the Internet itself has grown into a global system in which billions of "things" are connected with one another – the "Internet of Things" (IoT). The status quo, 27 years on: "Vague, but much more exciting."

### *Vague, but much more exciting.*

The complete digitalization of the world is taking place at a rapid speed. According to forecasts by the IT research and consulting firm Gartner, there are currently around 6.4 billion networked objects in circulation – 30 percent more than in 2015. Every day, 5.5 million new things are added to the global network, with the figure set to reach 20.8 billion by 2020. Meanwhile, the World Economic Forum (WEF) estimates that over 50 billion devices will be networked by the same date. All in all, this means that there will soon be a huge number of digital entities – and a huge amount of data. The full extent of the change only becomes clear when the definition is extended to become an "Internet of Anything" that includes other facets of networking as well as the devices themselves: at any time, in every context, in every place, across every network, in every organization, and in every service.

One particularly interesting thing about this development is that it is taking place more or less simultaneously across every economy. And a successful digital business model can be immediately rolled out to all other countries. However, there are some differences in terms of the regional approach to the phenomenon: While the focus in Germany is more on "Industry 4.0", the fourth industrial revolution, it is consumer services that are at the heart of the movement in the United Kingdom. "Many UK companies that I talk to are looking closely at how best to harness digitalization to improve experiences," reports Andy Steer, Chief Technology Officer (CTO) of itelligence Business Solutions (UK). "Broadly speaking, the aim is to increase proximity to customers, suppliers and employees and improve the services provided."

If you possess a digital wallet and the right app and find yourself in the mood for a Caramel Light Frappuccino, your smartphone can communicate your choice as soon as you walk through the door – and pay for your coffee automatically. According to Steer, British consumers are becoming increasingly comfortable with, and in some cases reliant on, new services based on the IoT. This in turn creates a problem: "More and more employees expect the same level of experience within their employers systems," explains the itelligence CTO. "As a result, many of our customers are in the process of initiating projects aimed at making their SAP environment easier to operate for their users which in turn strengthens the relationship between users and applications." The most successful recent internal project in this area at itelligence UK was the roll-out of the SAP solution Concur for travel and expense management. "Employees can use their smartphone to photograph bills and upload them to the cloud, where expense reports are generated automatically."

### *The digital transformation is omnipresent in managers' minds, and Central Europe cannot be said to be missing the boat.*

In Germany, too, companies are having to come to terms with new conventions – but the country's economic history means the focus is more on industry, product development and production. Dr. Andreas Pauls, Executive Vice President at itelligence Germany, can understand his compatriots' "engineering-oriented approach" to Industry 4.0 – after all, he is a mechanical engineer in his own right. "But I also think it is exciting to integrate sensors into products so that more services can be offered and sold to customers." Pauls points to the example of a new itelligence customer that supplies cooling units to supermarkets, where room sensors can be used to optimize energy consumption. "The company does not sell the unit itself, but rather the cooled volume with optimized electricity costs."

According to Pauls, many customers nowadays are coming up with ideas that are no longer subject to the constraints of the available technology. “The digital transformation is omnipresent in managers’ minds, and Central Europe cannot be said to be missing the boat.” The itelligence manager adds that there are sufficient affordable sensors to generate data from every device. And current technology like SAP HANA Cloud Platform can be used to combine raw data with information, transactions and processes so that it can be integrated into the ERP system and used to initiate transactions. “But the most important question in relation to digitalization is: What am I supposed to do with it?” It is difficult to define a new business model and redesign workflows, as Pauls notes: “As an entrepreneur, to what extent am I prepared to pursue technical feasibility at a commercial level?”

*Think about law firms in New York City and the exorbitant real estate prices there. If their conference rooms are not in use, they are wasting money.*

In the USA, too, companies are not blindly chasing the prospect of digitalization – as Johann Heydenrych, Senior Vice President SAP Solutions at itelligence North America, reports: “Some companies have launched projects, others have developed ideas, and we also have some stragglers who are waiting to see what happens and letting others lead the way in terms of testing.” At the same time, Rick Cobb, Senior Vice President itelligence North America, adds that there is currently a huge buzz around the IoT in the USA. “Think about law firms in New York City and the exorbitant real estate prices there. If their conference rooms are not in use, they are wasting money.” IoT technologies allow law firms to measure how long each room is being used, how often and by how many employees. The data obtained can be used to decide how to use the room more economically.

In addition to specific applications, discussions with US managers tend to focus on two key terms: networking and big data. “Comprehensive interconnectivity opens up the opportunity of recording huge volumes of data that can be used to perform statistical analyses, guide behavior in a particular direction or influence purchasing patterns,” explains SAP

Rick Cobb

Johann Heydenrych

Dr. Andreas Pauls

Andy Steer

expert Heydenrych. The sensor in a refrigerated truck warns the driver; the supermarket app informs the customer about a food recall; the baseball team steps up the sale of merchandise at the stadium and improves fan loyalty. This also means increasing revenues, profitability and customer satisfaction, "because the data provides a better understanding of customer behavior."

itelligence manager Cobb argues that digitalization also pays off in the background: "It enables more precise decision-making for procurement, production planning and the supply of goods, leading to increasingly accurate forecasts, more efficient warehousing and improved security." Data is collected via SAP HANA and analyzed using state-of-the-art tools to an extent that would have been inconceivable just a few years ago. For example, a soap dispenser can use a sensor to scan the ID tags of hospital staff in order to detect who washed their hands and for how long before entering the emergency room. SAP expert Heydenrych also concludes that digital companies can learn something new and optimize their workflows every day: "The technical part comes from external providers with experience and references, but what matters most is their business model for the digital transformation."

*It enables more precise decision-making for procurement, production planning and the supply of goods, leading to increasingly accurate forecasts, more efficient warehousing and improved security.*

How will income be generated in the future, how can customers be attracted and retained, how can rapid change be planned and implemented? After all, the pace of change in society has increased, and business models are no exception to this rule: The "average age" of companies listed in the S&P 500 index in the USA has fallen from 61 years (1958) to 25 years (1980) to its current level of less than 18 years. It is increasingly common for companies to go bust, be taken over, or be superseded by the competition and forced out of the market. According to the IT research and consulting firm Gartner, by 2020 more than half of all new business processes and systems will contain an element of the Internet of Things.

"If I want to change how we think and work, I need to bring together the various functions of a company – the silos – so that we can draw up a digital map together," says Andreas Pauls. This could start in marketing, for example, and extend through sales and production into logistics and the staff departments. Generally speaking, the initial aim of this cross-functional cooperation is to achieve gradual change: "A huge leap forward is something of a rarity, and nobody wants to be seen as instigating a palace coup." The development also has consequences for IT suppliers, as Pauls explains: "Small and smart cloud projects in particular are generally operated by marketing or sales rather than the IT organization." The "PwC 2015 Global Digital IQ Survey" confirms this trend: 68 percent of investments in digital technologies took place outside traditional IT departments.

Accordingly, itelligence UK CTO Andy Steer describes the new role of the CIO as a "balancing act". If they place too much importance in the traditional areas, then business functions would find their own solutions – but if they focus on the business side too much, they might end up ignoring the traditional requirements, with the organization suffering as a result. "Finding the right balance is the biggest challenge of digitalization for IT officers." Successful IT departments need to change so that, on the one hand, they can remain a reliable and consistent supplier of central services for their organization, making sure that production runs smoothly, networks are online and the lights stay on. "And on the other hand, IT departments need to become much more flexible, agile, and closely connected to the business itself so that they can respond more quickly to changing market conditions."

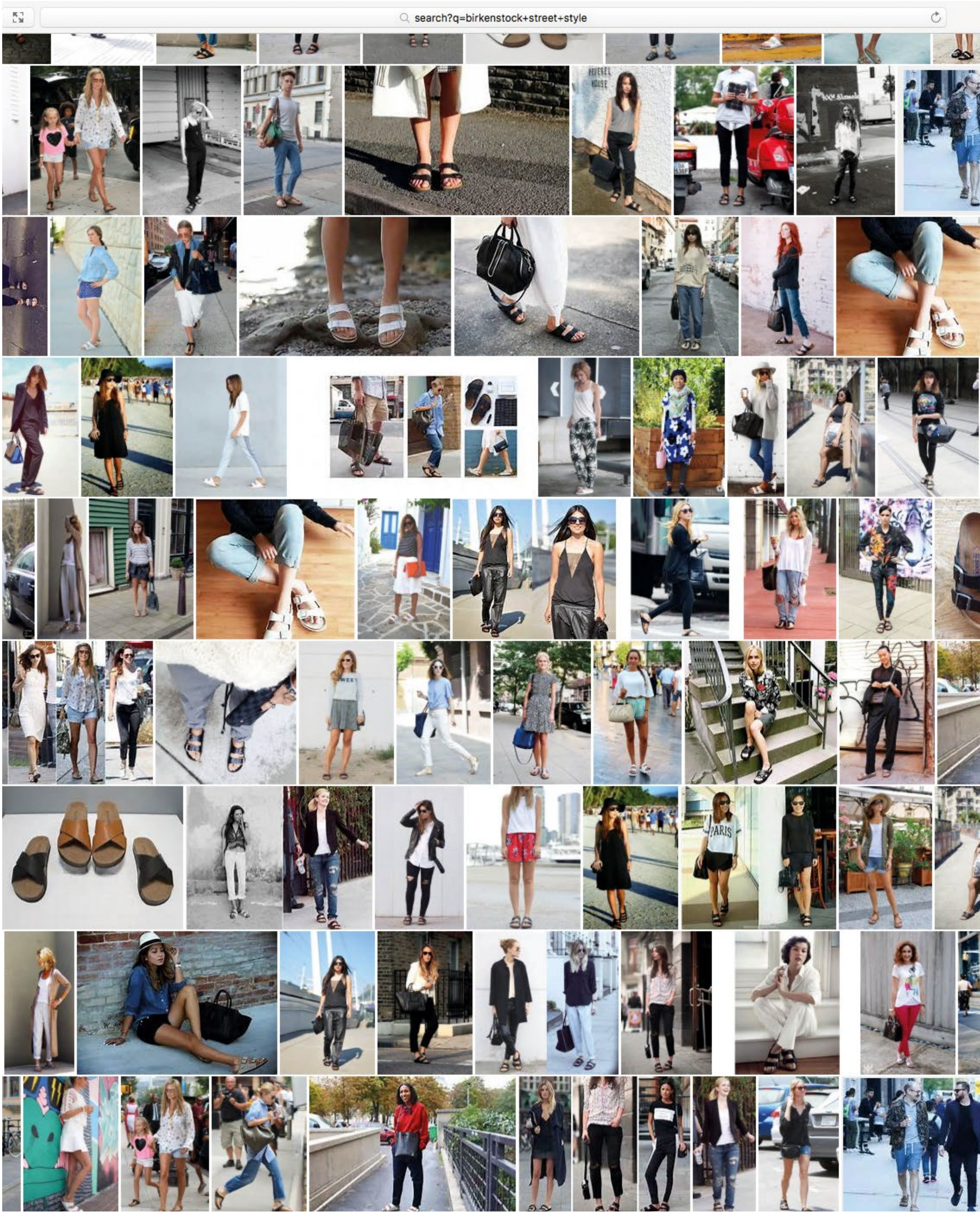
After all, the digital players that are currently on the offensive have no interest in silos, established rules, inherited systems and archaic processes. They solve problems that traditional companies have ignored – or failed to recognize in the first place. There are numerous examples, the most prominent being the taxi service Uber. It is around seven years old, owns no vehicles and employs no drivers. And yet the New York Times says the company is worth over 60 billion dollars to investors. Similarly, the accommodation platform Airbnb is valued at around 24 billion dollars despite not owning a single building or bed. Lending Club, Alibaba and Facebook are based on the same phenomenon: In a digital world, there is a difference between owning assets and using assets. Vast, scalable platforms can be established without the need for any material goods. What matters are the business ideas, employee expertise, the digital solution, and the seed capital.

The boundaries between industrial sectors are also dissolving: IT corporations are developing self-driving cars, automakers are designing mobility concepts and offering financing, while banks are closing branches and distributing apps. Suddenly, software is everywhere. Gartner talks about the "algorithmic economy" and the emerging "age of the algorithm". For Johann Heydenrych, itelligence's SVP SAP Solutions in the USA, one thing is clear: "As a service provider, our role is to take responsibility for our customers' IT infrastructure so they can concentrate fully on their business transformation." This also requires pronounced "thought leadership" in order to illustrate the trends and challenges within the customer's industry and make suitable recommendations for action in the respective situation.

*As a service provider, our role is to take responsibility for our customers' IT infrastructure so they can concentrate fully on their business transformation.*

But for all the euphoria, there are obstacles standing in the way of digitalization's rapid breakthrough. According to analysts from Saugatuck Technology, the necessary business models and corporate culture to support the change process are not being developed. Progress is also being slowed by a basic lack of willingness for any kind of change within organizations. Only once these barriers are overcome can the success factors of technology, talent and funding start to take effect. In any case, German itelligence manager Pauls argues that it is not necessary for every company to implement the digital transformation right here and now: "Any decision on the exact timing must always be consciously made on a case-by-case basis – but it would be negligible not to at least address the Internet of Things already."

By 2020, the economy will already have made considerable steps forward, according to SAP specialist Johann Heydenrych. "The IoT represents the base line, after which we can discuss the specific forms of digitalization for industries and individual segments." Smart health, smart home, smart retail – all based on smart heuristics that can work their way through a mountain of data and draw the right conclusions. The itelligence UK CTO Andy Steer also sees a future that is largely shaped by specific solutions: "Subjects like mass personalization, close customer relationships and personal networks are interesting because they can make people's lives and work easier." For example, when a factory can recognize stock levels and re-order materials without a human having to think about the process at all. "In this way, IT will increasingly develop towards ambient computing, becoming a part of people's environment and receding into the background over time," says Steer. No matter how the digital transformation progresses, one thing is for sure: Even after 2020, someone will have to make sure that IT runs in the background – as efficiently, flexibly and innovatively as possible. ■


search?q=birkenstock+street+style

# *»Comfort for all«*

Birkenstock has been making shoes for two and a half centuries. It has grown steadily during that time. Since the transition to the new generation of management was completed in late 2012, the traditional family-owned company has seen a veritable stampede of customers. For three years in a row, Birkenstock has been more or less sold out – despite doubling its production capacities in the space of just eighteen months. And there is no end in sight for this growth.

Birkenstock invented the "footbed". It forms the basis of every model of shoe. The anatomically shaped footbed, made from a flexible cork-latex mix, mirrors the natural imprint of a foot in the sand and ensures unrivaled comfort. No wonder, then, that all of the itelligence employees involved in the project have ended up wearing Birkenstock sandals around the office. Their task is to introduce SAP-ERP at the shoe manufacturer. In the process, they have experienced growth, challenges and, not the least, the future in their purest forms.

Growth: Since the project began in 2014, Birkenstock's production and sales volumes have more than doubled. Challenges: 2013 saw the completion of the company's evolution from a traditional group of 38 individual companies into a global corporation. Many parts of the group naturally still worked in different ways, so uniform processes were needed. A range of different systems and standalone solutions had to be transferred to a shared platform, while the complex master data had to be comprehensively reorganized.

And the future: The project laid the foundations for the factory of the future. The integrated infrastructure ensures that processes can be digitalized and the IT systems are integrated right down to machine level.

Birkenstock, formed in 1774, is not only one of the world's most successful shoe brands, but one of the best-known German brands, period. Its products can be found in more than 90 countries worldwide. Birkenstock has seven locations in Germany, which is also where its products are manufactured. The company has separate sales companies in the USA, Brazil, Hong Kong and Spain. Its workforce now numbers more than 3,000, making Birkenstock the biggest employer in

The footbed and fashion have long been comfortable bedfellows, as a search for the terms "Birkenstock" and "street style" clearly demonstrates.

the German shoe industry. One in every four employees in the industry works for Birkenstock.

Birkenstock has bucked the trend in the shoe industry. Demand for the company's high-quality products is growing across all sales channels and markets, with particularly strong development in Asia and the Americas. Tens of thousands of photos on social networks bear testimony to the company's satisfied customers.

For the company's production location of Germany and its global divisions, this means further growth in manufacturing capacity, bundling strengths and positioning for the future. Accordingly, Birkenstock decided to harmonize, automate and integrate its workflows, restructure its organization and invest in state-of-the-art IT systems. At the heart of this strategy is the central SAP software, the uniform enterprise software which went live for around 800 employees in June 2015.

Most of the tasks are already complete. Various SAP modules are now supporting the reorganized processes in Germany. As the fashion industry follows its own rules, Birkenstock has opted for the right ERP solution in SAP, which is designed to deal with the large number of product combinations resulting from the various sizes and colors. Or the seasonal fluctuations that vary by region.

Now Birkenstock can keep pace with its own growth: Up to 80,000 boxes leave the fully automated central warehouse Vettelschoß every day. Now that production and operations are stable, the next phase involves the roll-out at Birkenstock's foreign companies. The project has laid the foundations for the shoe manufacturer's digital transformation – or, to quote Waliuollah Ali, Head of the Consumer Products Industry segment at itelligence: "With its SAP implementation, Birkenstock has reached the next level of technical innovation and is optimally prepared for all future requirements."

Today, data flows throughout the entire company without any system discontinuities. Systematic sales planning takes into account the strategic objectives as well as past experience, meaning it can be precisely calibrated to the requirements of the different regions and seasons. This enables the efficient and transparent management of the active procurement, production and logistics processes. The management has access to current reports in the SAP system at all times and can use this uniform data set to allow it to respond more quickly and flexibly to new market requirements and the company's significantly quicker product development cycles. From retailers and online stores to individuals, customers can be sure that they will receive the right products at the right time – coupled with service that is as comfortable as Birkenstock's legendary footbed. ■

Sandals really can look this good. For example, in this classic model from Birkenstock's spring collection for 2016.


CANYON
SCHWALBE
DT SWISS
ROCKET RON

# *An IT supertrail*

An "SAP tour" at Canyon. – The manufacturer of high-end bicycles was faced with a dual challenge: To build a new, state-of-the-art factory while introducing an innovative ERP system. The two are closely related. SAP will connect operating processes and link them to the new Canyon Factory. A tour with easy and difficult stages, some paths that are clearly signposted and others that are not, with rough and smooth stretches along the way – a veritable IT supertrail, in other words.

The motivation to undertake this tour was driven by the rapid growth Canyon has enjoyed in recent years. Since 2001, the company has concentrated on manufacturing mountain bikes, racing bikes and triathlon bikes.

The successful brand is characterized by its high quality, innovative design, strong customer focus and fair pricing. All of the bicycles are made in Koblenz and subjected to strict final testing before they are delivered. As Canyon sells its bicycles only directly via its online store and its showroom in Koblenz, it saves on distribution costs. These savings are passed on to the customer.

The success enjoyed by the Koblenz-based manufacturer shows that its strategy is the right one: Canyon has long grown beyond the German market, with branches and sales companies throughout Europe and in Japan, South Korea and, most recently, Australia.

The company's growing size was accompanied by growing complexity, while production had reached its limits. Canyon decided to respond by extensively digitalizing its processes and installing an SAP system. The objectives: To improve integration within the organization, to manage the company's continued growth while maintaining a high level of quality, to improve customer service. And to ensure that the company is fit for the future.

The tour was ready to begin.

First came the preparations. Just like a cycle race, no SAP project can start without the right planning. The team: Not just IT experts, but people familiar with the company and its workflows who could support the entire tour or individual stages.

Canyon employees on the assembly line in Koblenz.

When to begin? A project can start as soon as the data is in good shape. If it needs to be set up for SAP, some groundwork is necessary. What expertise is required and when? The main thing is ensuring the right combination of IT, process and business expertise in the various teams.

The road network for SAP implementation is provided by a company's processes. The individual divisions and departments form the nodes of the network. The aim is to support and connect all of the processes using the SAP infrastructure. It is not a competition, but rather the result of the combined efforts of all the teams. And the project plan for the new ERP takes shape like the route map of a bike course. The teams start from different points. For example, one team might begin on the "Factory" stage, while another tackles the "Accounting" or "Human Resources" stages.

The route travels over hill and dale. Like every SAP implementation, the tour consists of familiar and unknown elements. Some sections still have to be properly charted. Gradually, though, the teams from itelligence and Canyon establish the systems between the various nodes, installing the SAP modules for finance and accounting, logistics, order processing and human resources.

Some teams conquer routes that pass through various different areas of the company: For example, from the receipt of an order at the call center through to the moment when the bicycle is delivered to the loading ramp at the factory. Sometimes they concentrate on specific areas instead – short stages, so to speak. This may mean developing software for printing barcodes, for instance, or ensuring that the results of quality inspections in production find their way into the SAP system.

Tests are performed, decisions to change direction are taken, employees are trained. Almost two years after the initial decision to enter the race, the first big stage is over: SAP goes live and the Canyon Factory begins production.

This is immediately followed by the second major stage: The organization, manufacturing and systems must be perfectly attuned. After all, the construction of the new factory involves a fundamental shift in production for the Koblenz-based company. There will be no more platforms on which all the parts of a bicycle are transported across the shop floor. They are being replaced by conveyor belts with different stations at which the bicycles are assembled piece by piece.

Above all, the difficulty of the second stage lies in ensuring that the right parts are available at the right time, that customer services have all of the information at their disposal, and that data can be quickly compared across the various systems. This last section requires yet more stamina and patience on the part of the teams. The new production can only be ramped up gradually. This is a typical scenario for this stage, and there is little the whole team can do but keep calm and carry on riding.

Over time, the new systems increasingly engage with each other as they should and the new production processes begin running smoothly. Canyon is still en route, but the final destination of its grand tour is firmly in sight. And it is already clear that all the hard work is paying off. The Koblenz-based company is well-equipped for the future, or to put it another way: The plans for the next tour can begin. ■

With the right IT concept,
a company's online store can play a
part in supporting the sales pitch.


Canyon | SPECTRAL | Spect...
CANYON Bike Outlet - Bik...
Canyon Forum
Canyon Spamfilter
Canyon Mitarbeiter Po...
DU HAST EINE FRAGE? DANN KONTAKTIERE EINFACH UNSER SERVICE TEAM. IM LIVE CHAT SIND WIR FÜR DICH ERREICHBAR.
CHAT
CANYON
MTB
ROAD
TRIATHLON
GRAVITY
URBAN
FITNESS
ACCESSORIES
FACTORY OUTLET
SPECTRAL CF 9.0 SL
SPECTRAL CF 9.0
IN DEN WARENKORB
3.999 €
100,42 €
KAUFBERATUNG
SERVICE & SUPPORT
CANYON ERLEBEN
ÜBER UNS
IMPRINT & LEGAL

# *From traditional to modern*

Meggle was formed more than 125 years ago. The company's history is characterized by a tradition of growth with continuous innovation in terms of products and production techniques. The implementation of group-wide ERP represents another milestone for the traditional company.

Although Meggle from Wasserburg, the headquarters and main location for the SAP implementation, is a single company, the differences between its divisions and the requirements of manufacturing fresh products on the one hand and dried milk products on the other mean it can seem like at least two companies in one. Meggle is well known for its fresh products. The group's brands range from butter and specialty butter products, especially Meggle herb butter, to milk, cheese, cream, yogurt products, and filled baguettes. The second pillar of Meggle's business is less widely known, but all the more successful: Manufacturing dried milk products, such as excipients for the international pharmaceutical industry and additives for food production. This clear division between the group's main activities played a central role in the implementation of the SAP system. "In actuality, we treated the project as if it involved two companies," says Ulrich Meyer, Team Manager Process Consulting at itelligence. Companies with their own production, sales, warehousing and distribution. Meggle sells its fresh dairy products to customers such as food retailers and large consumers such as restaurants and hotels, while the pharmaceutical, food, and animal feed industries are the target group for its dried products. Two versions of Meggle, one instance of SAP ERP on HANA. A joint system spanning both divisions was implemented not least because Meggle wanted to harmonize its group-wide workflows with the new system: the SAP industry solution it.consumer. It is preconfigured for the specific processes involved in food production.

Meggle had made careful preparations for what was probably the largest IT project in its history: The company's management decided to implement SAP in 2011, as the software from Walldorf appeared to be the best fit for its corporate and IT strategy. Before the final call was made, itelligence's process consultants analyzed the company's workflows and prepared a feasibility study and a list of specifications. This formed the basis for the final decision in 2012. The next steps were to add the necessary SAP expertise to the IT team and set up the future project organization. The green light came in January 2013.

The company from southern Germany has around 2,500 employees and generates revenue in the region of one billion euros. Founded in 1887 by the grandfather of the current Chairman of the Supervisory Board, Josef Anton Meggle, as a small cheese dairy, the company is now one of the best-known manufacturers of dairy products in Europe and beyond. Its brand-name products are sold in North and South America and Asia, and Meggle established its first foreign subsidiary in Japan as long ago as 1977. After Eastern Europe opened up in 1990, Meggle established its second subsidiary in Prague, followed by production sites in Bosnia & Herzegovina, Croatia, Serbia, Bulgaria, Albania, and Slovakia. Today, the company has representative and sales offices in almost every corner of the world. Meggle's dried products division, the Business Group Excipients & Technology, was formed in 1950 and plays an important role in its international success. Although high-growth, this line of business is extremely complex and requires a high degree of research intensity and innovation. In very simple terms, Meggle produces various substances – powders and granulates – that are used by the pharmaceutical industry, the food industry, or cosmetic and detergent manufacturers, depending on their function. For example, one popular product in the pharmaceutical industry is Meggle pharmaceutical lactose. Lactose (milk sugar) has a neutral effect on the human body and with active pharmaceutical ingredients, making it the ideal carrier for many drugs. Meggle derives lactose from whey, a by-product of cheese.

The SAP implementation was prompted by more than just the company's size and the differences between its two divisions. A large part of the efforts were also owing to this specific production. Meggle works with three target groups that are subject to different regulations: The pharmaceutical industry, the food industry, and the animal feed industry. Deliveries to the respective customers are based on the quality of the substances, and this cannot be assessed until the end of the production process. "There is no direct correlation between the quality of a raw material and the quality of the substance produced," Meyer explains. "But SAP does not provide for this scenario." A special solution had to be – and was – found so that scheduling and delivery can take place only after production and quality assurance is complete, with this information then being processed in the systems.

"A further complication was the fact that production cannot be shut down," Meyer adds. After all, Meggle works with fresh milk or whey. Both have to be processed as soon as they are delivered. The machines run 24 hours a day, seven days a week, 52 weeks a year. Stopping them to test systems, migrate data, and switch software would have been all but inconceivable. "The longest interruption possible was for just a few hours," Meyer says. This increased the complexity of project implementation, go-live preparation and the go-live itself, as well as support in the stabilization phase. The new system went live in November 2015, more than two years after the green light was originally given. From the supply of the raw materials to the delivery of the finished products, the system supports workflow management and controlling throughout the entire process. What used to be manual is now automated. What used to be transported on paper is now communicated from one area to the next by the system, and what used to be overlooked or noticed too late can now be viewed at the touch of a button.

itelligence developed more than a hundred interfaces for the integration of the various IT systems alone: SAP had to be connected to production controlling, distributors' warehouse management systems and external warehouses, the truck weighbridge, the human resources system, the sales CRM systems, and more. At its peak, around 60 itelligence employees and more than 100 Meggle employees were involved in the project. With this milestone, Meggle has taken an important step towards its digital transformation and laid the foundations for continued growth. For two divisions – and one company. ■

In addition to its well-known consumer products, Meggle's business activities extend from services for large consumers and ingredients for the food and animal feed industries through to lactose products for the pharmaceutical sector.

# *A clear-cut approach*

Silverline stands for design and quality in the field of range hoods. The company's products and innovations have received multiple awards. The management team believes that IT can open up new growth opportunities for the market. In close cooperation with itelligence, it is doing everything to make Silverline fit for the future.

The words describing a perfect range hood are "quiet, efficient, and energy-saving". The design should also be elegant and the hood should be easy to operate. As a prominent Turkish manufacturer, Silverline fulfills these requirements: Every year, the company produces 1.3 million range hoods for the global market. And it is not only the sales volume that positions Silverline as the leading manufacturer in Turkey. High technical standards combined with a passion for design make the company exceptional. For more than 20 years, Silverline products have been manufactured using state-of-the-art methods and high-quality materials. The product range is regularly expanded to include new models. Today, the company produces more than 300 different range hood models for every taste, purpose, and budget.

To reinforce its success in the market, Silverline decided to introduce SAP ERP on a group-wide basis. Implementation began in 2012 in close cooperation with itelligence – and things went almost perfect. "We kept to our schedule, stayed within our budget, and met all of our targets," says Şule Üstündağ, itelligence Project Manager. In less than one year the system had been centralized, processes had been harmonized and the key indicators had become clearly visible. Silverline places great value in a clear-cut approach. As a supplier of kitchen manufacturers with a complex and sophisticated product range, the company operates in a challenging environment. A quick and clear overview of the business situation can be decisive. In order to steer the company in the short term and ensure it remains reliably managed in the long term, the management team in Turkey was eager to establish modern reporting and evaluation tools.

Accordingly, ERP implementation was followed by the introduction of the SAP BO, BI and BW analytics tools. The management can now get a far quicker and more accurate view of the key financial performance indicators, order backlogs, inventories, production capacity utilization and the progress of the business in countries individually. Silverline seeks to ensure a consistently clear overview of the current situation by using state-of-the-art technology. For example, mobile applications have been implemented to support sales. Sales employees in the field now use such applications to plan their routes and can view the latest data in the central system when they are with a customer. This ensures that they have the complete product catalog at their fingertips, allowing them to provide immediate information on product availability and delivery times.

The data also goes in the other direction: As soon as a seller gets a contract signed using an end-user device, the central ERP is informed and the key figures are updated. This clear-cut approach means that Silverline can make more precise plans and respond more quickly. The consequent improvement in reliability ultimately creates benefits for customers and business partners as well. As Fatih Irak, Head of Industry Sales at itelligence, emphasizes, Silverline project is more than a one-time improvement. "The long-term and strategic cooperation between Silverline and itelligence will continue to prove how IT can change the infrastructure and operational landscape of the company, creating added value for all stakeholders."

IT will continue to gradually improve Silverline's workflows and give the company greater scope to keep on producing high-quality range hoods. With advanced technologies, innovative operating concepts and supremely easy assembly, Silverline will remain on the path it has adopted – accompanied by new SAP software and the itelligence team. ■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# *Exploit technology at a fast pace*

Irish retail company Smyths Toys is the largest specialist toy retailer in Ireland and the United Kingdom, winning Toy Retailer of the Year in 2015. Smyths believes technology will enable future growth and aspires to have the best IT systems in the industry. Its transformation program focusing on a central SAP platform is well underway. Smyths is a specialist toy retailer with 86 superstores in the Republic of Ireland, Northern Ireland, England, Scotland, and Wales. The family company has been on a rapid growth path ever since its formation in 1986, with more new stores set to be opened in 2016. Over the last two years Smyths has entered into a strategic partnership with itelligence to transform its IT systems. A key challenge facing this specialist toy retailer that had to be taken into account is the seasonal nature of its business.

A key focus for Smyths in 2015 was improving SAP usability via several innovative Fiori apps. The business objective was to harness the power of SAP as well as deliver a fast and friendly system that eliminated the need for Excel. Combining SAP and non-SAP data and using Smyths business language has greatly improved usability and changed the business perception of SAP. This was accompanied by several development projects to improve merchandizing systems such as price labeling, inventory management, and backdoor scanning in the stores. Reengineering cut the time required for automated replenishment in half, allowing more accurate replenishment to the stores. This reduction in time also included the addition of ten new stores and a new distribution warehouse. As part of the business transformation program, the time taken to process sales transactions at peak business was reduced from four to five hours delay in 2014 to under two seconds in 2015, enabling near real-time viewing of sales and stock.

A new price labeling app went operational in mid-2015 in all stores, delivering greater pricing accuracy with a significant reduction in the level of discounting at the cash register. Smyths always aims to be price competitive, which can result in high numbers of price changes. Automating this process and utilizing in-store hand-held scan guns and mobile printers reduced labor and improved pricing accuracy for customers. To support the successful growth of online sales, reduce fulfillment costs, and deal with peak business days such as Black Friday, Smyths has invested in a state-of-the-art automated web fulfillment solution that is due to go live in early April 2016. As a competitive edge, Smyths replenishes stock in outer carton, with P2L (Pick 2 Light) flow racking and automated box erecting/dispatch machines. A new replenishment Fiori app was developed to exploit Smyths' web fulfillment center and general warehouses and is designed to reduce stock outs on the web with potential continuous replenishment.

Backdoor scanning for stores went live in spring 2016 with the aim of improving stock accuracy and reducing manual tasks. All pallets from all Smyths warehouses now include a barcoded manifest that hand-held scan guns in stores can scan for an automatic goods receipt. Stock can be either received immediately or delayed until midnight. Part of the solution is the option of identifying pre-order stock. Smyths also plans to include the identification of low stock products. The conclusion: Smyths Toys' ability to exploit technology at a fast pace has been a critical success factor. ■

exponentialknowledge

Digitalization, Industry 4.0 and the Internet of Things – barely 20 years after the breakthrough of the World Wide Web, the paradigm of the fourth industrial revolution is establishing itself in business and society. Industrial production will also benefit from big data and the networking of everything. Prof. Günther Schuh from RWTH Aachen explains why digitalization is nothing new in industry – and why it still means everything will change.

*Prof. Schuh, digitalization is currently on everyone's lips on account of its disruptive potential. An app can already be used to substitute a traditional business model. How do things look in mechanical engineering?*

Prof. Günther Schuh To be honest, I cannot think of a single machine tool from the past 25 years that was not digitalized. The digital enhancement of all components used in production technology has been a matter of course for machine tool manufacturers for some time now. As such, we do not use the Americanized term 'digitalization', but rather make an active distinction between the third and fourth industrial revolutions. Digitalization was the third phase, while the fourth describes the Internet-based, large-scale, broad-based and, above all, extremely rapid networking of digitally enhanced devices that we are seeing at present.

*What makes a device digitally enhanced?*

Prof. Günther Schuh All kinds of things. A device must be fitted with a sensor for its environment and status. It also needs to have a certain intelligence to process the data from the sensor, as well as actuators for sound, light and movement. In Industry 4.0, this takes place in a direct, broad-based interaction with other devices in a network. One very simple example is human beings. After all, we are also a kind of digitally enhanced device – thanks to the most remarkable cyber-physical systems imaginable: our handheld devices.

*Is that not just an old concept in new clothing? After all, the first successful Personal Digital Assistant, the Palm Pilot, was launched 20 years ago.*

Prof. Günther Schuh The main difference with Industry 4.0 is huge data volumes coupled with real-time processing. Until now, big data and real time were mutually exclusive. Now we are seeing the resolution of this technical contradiction. For all the talk about the Internet of Things, the real basis is provided by the broadband network, which will get another boost from the imminent arrival of 5G technology.

*What do you consider to be the greatest benefit of the fourth industrial revolution?*

Prof. Günther Schuh One key driver is improved productivity, both personally and organizationally. For example, if I have to be physically present at a meeting, I enjoy the opportunity to work on my iPad unobtrusively. As a broad estimate, the productivity of the average research scientist has increased fivefold over the past 20 years. Today, I can support and coordinate far more projects than was the case when I first became a professor. And if our aim is to create a seamlessly digital industrial value-added process that can be used across company boundaries, this represents an unprecedented leap in productivity in its own right. This is another reason why I am absolutely convinced that what we are currently experiencing is a true revolution.

*And yet we often read that industry, and SMEs in particular, are failing to read the signs and are in danger of missing the boat. Is that a fair accusation?*

Prof. Günther Schuh No, I don't think so. The topic is undergoing an intensive and critical examination, but I have not observed any particular reluctance. If there is reluctance, then it is more at a technical level, with companies not quite knowing where to begin. This is why system providers and we at the university need to intensify our efforts when it comes to clarifying, explaining and analyzing.

*How have the manufacturing industries prepared for Industry 4.0?*

Prof. Günther Schuh They cannot be expected to switch from 3.0 to 4.0 at a single stroke, not least since there are still some deficits from Industry 2.0 that need to be resolved. In industrial production as broadly defined by Taylor's 'American Scientific Management', specialists prepare an ideal work plan that is put into practice by well-trained workers. But if you look more closely, you will see that only around ten percent of work plans are up-to-date, complete and largely accurate. Why is this the case? Because it is far too difficult to maintain and update work plans on a regular basis with reasonable cost and effort.

*What is the actual reason for this?*

Prof. Günther Schuh The cost and effort are so high because our systems are not sufficiently integrated and interconnected. I cannot make the knowledge I possess available at the specific point at which it is required. The aim is to regulate a process chain in the best sense of system control by comparing the actual readings with the targets and taking action in the event of any deviations. This is a simple technique that does not even involve cybernetics. But if your plans are incomplete, such regulation is impossible.

*Comprehensive software systems specializing in production planning and control have been available for some time now. To what extent is the current situation attributable to deficits in the existing PPS and ERP environments?*

Prof. Günther Schuh Around ten years ago, we demanded that all software suppliers provide these functions. SAP and many others quickly responded, and now we have the capacity to map the entire process in our software – from the geoposition and status of the workpiece after every machining step right through to the transition times between machines, which it was not even possible to plan back then. However, very few companies currently have this information in their actual plan, and without a target plan it is impossible to make the necessary comparisons anyway. This is the biggest problem: There is no systematic learning in production. The only reason we learn today is because we have good employees who notice errors and take action to remedy them. If the loop closed automatically, this would mean permanently learning in the course of my day-to-day business.

*What is your advice for managers who want to take the first step?*
Prof. Günther Schuh Companies must establish a digital shadow of their physical processes that is as complete as possible. This is the only way to apply the supply chain, the industrial approach to work, to the entire process chain. This is why 'Industry 4.0' is a good term – even if it means filling gaps and implementing the things we wanted to achieve with Industry 2.0 and to digitize with Industry 3.0, but were unable to do so on account of the complex structures involved.

*If the programs have been available for years, where do you think the problem lies?*
Prof. Günther Schuh We are substantially underinvested compared with the available standard software. This applies to all company sizes and not just the midmarket. Here in Aachen, we have established a Demonstration Factory for Industry 4.0. Not too many of our own developments have been installed to date, but the Demonstration Factory is superior to many real businesses because we have the latest versions of the leading software systems and everything is integrated. This means that I can create the aforementioned digital shadow without having to wait for new software to be developed. Unfortunately, senior management often still has a limited understanding of the productivity gains that can be achieved with the main available applications and strong expertise in data structures.

*How would Production 4.0 look in an ideal world, and what are the benefits compared with the status quo?*
Prof. Günther Schuh On the Internet, you can order almost anything at the touch of a button – but this imaginary button is yet to find its way into the world of industry. This might be a simple matter for a customer with a single-step value chain, but there are 14 steps in the value chain of a car. At the same time, it needs to be possible for us to see the status of an order at the touch of a button. We are currently chasing the answer – in terms of logistics and production technology, with worklists and loops. Errors happen all the time in order fulfillment, and we often fail to notice them because we are not working with the data. In product development, too, there is no magic button to show the development status of a project. This is why our industrial working environment continuously involves waiting for statuses to be compared.

Prof. Günther Schuh is the Chair of Production Systems and Managing Director of the Machine Tools Laboratory (WZL) at RWTH Aachen, Director of the Research Institute for Rationalization (Forschungsinstitut für Rationalisierung e.V.) at RWTH Aachen, and Head of Technology Management at the Fraunhofer Institute for Production Technology (IPT) in Aachen.

His research and teaching focuses on the areas of innovation management (product development, complexity and versions), technology management (early detection, evaluation, due diligence and knowledge management), and production management (site selection, factory planning, order fulfillment, production planning, ERP, SCM, and MES). For the native of Cologne, toolmaking is "the supreme discipline of production technology", which itself is the supreme discipline of industry.

*How does the Internet of Things help?*

Prof. Günther Schuh Our corporations also need agile 'start-up garages', where the core team is always in the same place and can work together with few constraints. For the electric car we developed, the StreetScooter, we designed a highly iterative process based on software development in Scrum with sprints and loops. The principal hypothesis was that this can only succeed if an Industry 4.0 environment is largely realized. It requires PLM software as a backbone, as the cornerstone of a company's information is the bill of materials. We clustered various different applications around this. Our StreetScooter was developed with a total budget of less than 50 million euros, in half the usual development time and at a tenth of the usual development cost. In a traditional infrastructure, this would not be possible for less than half a billion euros.

*Where does the potential of Industry 4.0 come from and how can it be harnessed in production?*

Prof. Günther Schuh The keys are integrated networking and the volume of data involved. In all digital shadows, I can search for patterns and compare them with hypotheses in order to identify potential for improvement. With a data set from the PPS or SCM and special evaluation software, I can obtain an X-ray-style diagnosis in just a few hours – a process that would previously have taken weeks. Patterns can even be identified without a hypothesis. Small data analytics programs can sift through the data and search for significances. And in the third stage, they can forecast what will happen in the near future. Reliable forecasts mean controlled production. In future, they will respond to variances in advance and design solution scenarios in order to be prepared for problems. Today, we are just pretending that we have everything under control.

*Predictive maintenance is often cited as a perfect example of how much companies and customers can save. What other concepts are there?*

Prof. Günther Schuh The changes and opportunities are far more dramatic: Industry 4.0 will be the first time most companies even realize that they have essentially been selling knowledge all the time, just not directly but as part of a machine. Companies from Silicon Valley are now showing us how to generate profit directly from knowledge. Industry will need to evolve its business models, and this will lead to massive disruption.

*Can you shed some more light on the aspect of knowledge in industrial production?*

Prof. Günther Schuh We live in a knowledge-based society where what increasingly matters is turning a technological advantage directly into money and making knowledge grow exponentially. There are 120 different manufacturing technologies, and technical depth is a considerable advantage in every segment. If this is accelerated by digitalization, this will result in the fundamental "scientification" of technology. Suddenly, I will be able to identify cause-and-effect relationships as if they were laws of nature, because everything can be evaluated empirically. In the ideal scenario, almost every technology company would have its own business segment with significant direct income from data, data processing and knowledge generation.

*Familiar knowledge-based digital business models include the taxi service Uber and the accommodation portal Airbnb. What examples are there in the area of mechanical engineering?*

Prof. Günther Schuh A company that regularly evaluates the overall efficiency of its assembly systems digitally can identify the smallest variations and inefficiencies and develop a control loop. For example, a printing press manufacturer provides its customers with regular suggestions for improvement on the basis of these evaluations. First and foremost, this represents a logical additional service for its own products – but one day it might also offer this service for printing presses from other manufacturers. This represents an attack on the competition, but also a strategy for fighting off new players that could insert themselves between the manufacturer and its existing customers. After all, newcomers have no scruples about attacking companies directly, because they generally come from different industries – the data is all that is needed.

*Many companies find it difficult to question their established business and implement change. What can they do?*

Prof. Günther Schuh Even established players are now taking a keen interest in the disruption. But it is very difficult to destroy your own business. Tesla will not lose any business with combustion engines, making it easier for them to innovate. The big challenge is self-analysis and identifying weaknesses in the value chain that need improvement. Silicon Valley has developed this culture over a number of decades – a systematic approach to identifying what the customer actually wants, what the customer would want, and how to successfully design services in line with the 'Highlander principle': There can be only one. All companies urgently need to practice searching for actively radical business innovations, and Industry 4.0 is the only way to fend off the digital competition. What they require is managers who can think in terms of an overall business model – and, of course, the funds to acquire the necessary skills and expertise. ■

## EXPONENTIAL KNOWLEDGE

"Toolmaking is one of our central research areas," says Prof. Günther Schuh from RWTH Aachen. The overriding aim is to produce sheet metal parts as precisely and affordably as possible. "Using a three-ton tool in a 200-ton press is the ultimate art." The journey passes from the geometry of the component and the development of the tool through to the first big try-out. "Then the tooling foreman comes and analyzes the pressure marks and flow patterns," Schuh explains. "It is extremely rare for a complex tool to work perfectly first time." Multiple optimization loops take place before this "supreme discipline" of toolmaking achieves the desired result.

Professor Schuh's team has developed a smartphone app that can photograph the tool from every angle and mark individual points. "Most of the input screens have preinstalled templates, which is why we call the program the '90-second app'. SMEs with only one or two toolmaking experts can now send the images the experts from other companies for their comments," says Schuh. "In just 15 minutes so much valuable feedback is obtained that the optimization of the tool takes a fraction of the time and the loops." Once the process is established, this networking means exponential growth in the already substantial expertise of the individuals involved. The key is to use digital aids to bring together the existing process participants via new interfaces.

# DIGITAL TRANSFORMATION


Norbert Rotter and Herbert Vogel visit the CITEC (Cluster of Excellence Center in Cognitive Interactive Technology) in Bielefeld.

Digitalization is the dominant topic in the world of business and IT. The IT industry is enjoying a veritable boom. SAP is ideally positioned with its new technologies, a fact that is also reflected in itelligence's figures: 2015 was a record year with double-digit growth across the board. An interview about business, change, challenges and opportunities.

*Mr. Vogel, Mr. Rotter: The records have fallen once again. itelligence closed the year with revenue growth of 25 percent. Is this thanks to the megatrend of digitalization?*

Herbert Vogel We are certainly being carried along by the wave of digitalization. This has provided impetus for numerous topics and discussions, as well as leading to concrete demand. Our success in the past fiscal year shows that SAP is focusing on the right technologies. Generally speaking, we can see that the discussion around digitalization as the fourth industrial revolution has prompted a clear shift in awareness among companies: IT is now at the heart of their strategic considerations. The progress made in the private sector is one reason for this.

*Can you give an example?*

Herbert Vogel Take shipment tracking, for instance. It has long been possible to submit and track private orders online. This desire for increased transparency and comfort is now finding its way into the business world. For example, the industry is now talking about – and implementing – tracking tools in its own production processes as well as for external shipments. This can be put down to the digitalization trend as well as the increased use of IT in products.

Norbert Rotter itelligence is benefiting from this trend because we addressed the consequences of digitalization at a early stage. After all, who should be able to position themselves to benefit if not an IT company? Today, interest in IT extends across all company sizes and industries. For example, we are seeing strong demand for data analysis and business intelligence solutions. Marketing and sales managers in particular want to be able to capture more data – whether on product use or their reception on social media. They want to be able to analyze this information – which is available in huge quantities, some of it structured, some unstructured – more quickly in order to improve their business or even move into new areas.

*A new technology wave and everything is fine?*

Herbert Vogel A new technology wave and everything is fine providing you have positioned yourself correctly. And we have. We have stayed true to our focus on SAP and we are reaping the rewards. A few years ago, SAP adopted the right approach with the development of HANA as a database platform, and now as the basis for applications. We accompanied them on this path, and this is being endorsed by our customers, who want more transparency, quicker analysis and user-friendly interfaces. This is where the new technologies come in. The new technology wave will leave winners and losers in its wake. I am confident that itelligence will be among the winners. Because of our successful cooperation with SAP, our extensive experience and the fact that we are continuously developing – always with a view to what the customer wants.

Norbert Rotter The particularly strong results in the past fiscal year are undoubtedly due to the growth in IT investment to a large extent. The economic conditions were favorable and SAP HANA and the cloud products from Walldorf are extremely well positioned in the market. However, purchase decisions are ultimately driven by customer expectations. Our business performance shows that our customers trust us and SAP to offer them the right solutions.

*How is this reflected in the figures?*

Norbert Rotter Our extremely strong growth in fiscal year 2015 was achieved across the entire company and itelligence outperformed the market once again. Revenues increased by 25.0 percent to MEUR 696.2. Almost all divisions recorded double-digit growth. Consulting was the strongest performer once again, standing out with growth of almost 25.8 percent. License revenues enjoyed encouraging growth of 22.0 percent. This forms the basis for additional maintenance business, one of the key pillars of our business model. Indeed, Outsourcing & Services, which includes maintenance business, increased its revenues by an impressive 29.7 percent.

*Is this revenue growth also the reason for the higher level of profitability?*

Norbert Rotter Our EBIT has remained largely unchanged for the past three years. This is why it was extremely important for us to achieve significant earnings growth. And we succeeded: EBIT increased by almost 58 percent in the past fiscal year, from MEUR 22.8 to MEUR 36.0, with the EBIT margin rising from 4.1 percent in the previous year to 5.2 percent. We are extremely proud of these figures. The digitalization boom alone would not have been enough to turn around our earnings performance, so adopted a strict approach to cost management in the past year, including fewer fixed-price offers in our projects. But the substantial improvement in employee utilization within our projects also played its part in our improved profitability.

*Are there regional variations or is the whole world seeing a high level of IT investment right now?*

Herbert Vogel We recorded growth of 26 percent in our core DACH region. There was substantial revenue growth in Western Europe (28.8 percent), Eastern Europe (18.2 percent) and the USA (22.2 percent). Asia expanded its business by 52.9 percent; at MEUR 10.7, however, it still accounts for an extremely small share of total revenues. We had an outstanding year in the United Kingdom, the Nordic region and Turkey. Malaysia and its data center also enjoyed a successful year.

Norbert Rotter Our development in France is also interesting. After all, the country is Germany's most important trading partner. The acquisition of the SAP business of Artaud, Courthéoux & Associés (ACA) makes itelligence one of the top SAP resellers in France, and my view is that the market still has a great deal of potential. The same is true for Turkey, which is now home to our second-largest national subsidiary after Germany. Turkey is a strong market in its own right, and also serves as our gateway to the Middle East. This region is becoming increasingly interesting for SAP service providers, and our established presence in Turkey gives us a strong stating point for entering the market.

*itelligence is growing every year in terms of revenues, income and employees. In the latter case, the workforce has expanded to almost 5,000. How are you managing this growth?*

Norbert Rotter We are working continuously to adjust our processes, integrate new companies and employees, and establish teams. At the same time, we have to keep ensuring that our business is focused on the market while evaluating new technologies and topics. In other words, we are permanently focused on establishing the right competencies and on management and leadership issues. Like many companies, for example, we are also considering how best to approach the interplay between different generations. After all, the representatives of Generation Y are now reaching positions in which they are taking on more responsibility.

*Does this mean the older generations have had their day?*

Herbert Vogel Quite the opposite. We are pleased to say that we appoint lots of employees with extensive professional experience. In contrast to the dot-com boom 15 years ago, our customers expressly want to work with experienced consultants. Back then, it was already a problem if your project manager was older than 30. It was seen as inconceivable that people of that age might be able to think innovatively. Now the situation has reversed completely. Companies have a lot of – by no means exclusively positive – experience with IT projects and appreciate the expertise, the calm and the overview our employees provide.

*Another buzzword in the IT sector is Industry 4.0., or digitalization in the production environment. Was this another case of hype over substance in 2015, or has it already become a reality?*

Herbert Vogel First, it should be noted that Industry 4.0 is a term that is only used in Germany. The Internet of Things (IoT) is the more commonly used phrase. This describes the linking of products, machines and services, with sensor technology, the Internet and corresponding applications being used to exchange data between these elements. And this is certainly a reality. We are seeing companies link their production data using ERP, building platforms for smart production facilities, or testing robotics technologies. German industry in particular is taking a keen interest in the use of IT in factories. We are also noticing this change in terms of the points of contact at our customers. For a long time, we talked to CFOs. Now our dialog is often with the head of sales or production instead, as the new opportunities offered by Industry 4.0 mean they are also having to intensively address the topic of IT.

*Does itelligence have the necessary expertise to meet the new requirements?*

Herbert Vogel We have employees with the necessary knowledge, but we also need to expand our expertise in new areas. We have demonstrated our ability to do this in the past. The demands of our skills have always evolved over time: At first, computer scientists were required, then business administration skills became more important as people started thinking more in terms of processes. We have now reached a phase in which more engineers and IT architects are required. An engineer can see the potential in a factory, while an architect can draw up the IT landscape for the years ahead. We undoubtedly also need to bring more research expertise into the company. And in addition to establishing new skills, we also need to ensure that itelligence as a whole adapts to this new situation. We are not IT mechanics but IT architects.

*What do companies expect to gain from the use of new technologies?*

Norbert Rotter Customers today expect three main drivers from the use of IT: Acceleration, transparency, and a competitive edge. Acceleration results from the automation of actions, the more rapid transfer of information and improved data processing. Transparency arises from standardization and integrated workflows, as well as the ability to analyze large data volumes rapidly. And companies that are not already starting to address new technologies, areas of application and potential new business models risk being left behind by the competition.

*Digitalization also involves risks. Company networks can be hacked, sensitive data stolen or operations brought to a standstill. Will this risk dampen the momentum of the current trend?*

Norbert Rotter IT security is certainly an important topic, as is data protection. These points should not be neglected, and it may well be the case that security measures are delaying some developments slightly. But I am confident that the trend will continue. We always need to protect systems as well as possible, and we take this into account from the start of each and every project. But we also need to be aware that there is no such thing as absolute protection.

*Is that enough for customers?*

Norbert Rotter Our hosting success shows that they are happy to rely on us and our solutions. Many of them would rather have their systems hosted in a professionally managed environment with the latest security standards than have to establish their own infrastructure and keep it up-to-date. Cloud business is also gaining momentum in Germany. For a long time, security concerns posed a major barrier in this area. But we are now seeing more orders for Business ByDesign, and customers are increasingly showing an interest in SuccessFactors and Ariba.

*How do things look with regard to SAP's overall product range? You say that SAP has adopted the right strategy. What does that mean more specifically?*

Herbert Vogel Cloud technology and services and big data are two major trends that are shaping the market. Both have triggered a lasting change on the market and are driving digitalization in tandem with developments such as high-speed connections and falling hardware prices. In my opinion – and the figures back this up – SAP found the right answers for cloud technology just in time, while SAP HANA has, if anything, made a vital contribution to accelerating the big data trend. Broadly speaking, SAP has taken three major technological steps: The in-memory database, the new platform, and the modern graphical user interface. This gives companies everything they need to process and analyze large data volumes, manage various devices and communicate with machines.

*You say that SAP has found the answers. Does this mean things are now coming to a halt when it comes to new technologies?*
Herbert Vogel Quite the opposite. In our industry, there is never a moment's rest. And there is no need to worry about SAP. With its initiatives, it has laid the foundations for further innovation. HANA has now been expanded into a platform for the entire Business Suite. With S/4HANA, the SAP is rewriting the manual when it comes to business software – all of it available in the cloud, of course. The new ERP runs a lot quicker, with significantly faster data throughput and analysis speed. At the same time, the interface has been dramatically simplified and is also available for mobile devices. Alongside SAP S/4HANA, the cloud portfolio is growing: Business ByDesign is a complete cloud-based ERP, SAP SuccessFactors provides a complete cloud solution for all HR processes, and the Ariba procurement solution gives our customers the option of supporting their procurement processes using a cloud solution.

Herbert Vogel, CEO

*How important is SAP business for the NTT DATA Group as a whole?*
Herbert Vogel The status of SAP business has risen considerably. We have global responsibility for SAP within the Group and account for the majority of global SAP business as previously. itelligence could almost be said to have helped establish a new mindset. Just as I am confident that SAP will continue to gain momentum, I am quite certain that our business will attract significantly greater attention in the upper echelons of our parent group. As such, itelligence is undoubtedly setting an example as the only NTT unit with a clear SAP strategy at present.

Norbert Rotter, CFO

*If itelligence is responsible for NTT's global SAP business, will this not also lead to a change in its traditional focus on the midmarket?*
Norbert Rotter We will continue to focus on the midmarket and on SAP. However, our growth and the cooperation with NTT DATA means we have become more visible and more attractive for larger companies. This is allowing us to extend our scope to include the "extended midmarket". In future, we want to do more business with companies in the 500 million to 10 billion euro category.

*What is your outlook for the current fiscal year? Will the digitalization wave keep the market moving?*
Norbert Rotter That is what we expect to happen. What we have seen so far is just the beginning. It has to be said that many companies are still far removed from what they could achieve with state-of-the-art technology. Since the onset of the financial crisis in 2008, companies have been reluctant when it comes to investing in IT, but the backlog is now resolving itself. This is why we are still seeing a lot of traditional projects, like ERP implementations and long overdue overhauls. The midmarket in particular is home to many companies that have still not digitalized their processes. We will start by helping them to lay the groundwork for digitalization. But we will also see a growing number of innovative projects based on new technologies and infrastructure. As such, we expect growth to remain strong and are forecasting double-digit revenue growth in 2016. This will be achieved organically, but also through additional acquisitions as applicable.
Herbert Vogel We have started the new year with a very healthy pipeline. Orders have been concluded across all segments: Hosting, AMS, Consulting and the cooperation with our fellow NTT subsidiaries will continue to enjoy positive development. If we conclude one or two acquisitions, this will certainly put us in a position to achieve revenues well in excess of MEUR 720.

*Mr. Vogel, you will retire on June 30, 2016, bringing to an end more than 27 years in itelligence's management team. What are your plans for the future?*
Herbert Vogel My plans include continuing to look after our customers to an even greater degree. At the same time, I will actively participate in the supervisory boards of other NTT DATA Group subsidiaries. Naturally, I will also continue with my voluntary activities in sport and at the University of Bielefeld.

*Mr. Rotter, congratulations on your new position. Although you have managed the company alongside Mr. Vogel for the past eight years, as CEO you will be faced with new tasks and challenges. What are your intentions?*
Norbert Rotter The most important thing for itelligence and its customers is continuity. The change in the management team will not change the company's strategy. Anything else would be a strange decision, considering that Herbert Vogel and I developed itelligence's Strategy 2020 together. There will inevitably be a process of transition, but I expect this to go smoothly. It will take some time to fully familiarize myself with my new responsibilities, of course, but this is a significant and wonderful challenge that I am looking forward to. ■

# REPORT OF THE SUPERVISORY BOARD

## LADIES AND GENTLEMEN, DEAR FRIENDS OF THE COMPANY,

itelligence AG can look back on a successful fiscal year 2015. As in the previous years, we achieved further revenue growth, thereby again generating the highest revenue volume in the Company's history. itelligence AG's earnings development was particularly encouraging – earnings before interest and taxes (EBIT) increased by almost 60 percent to MEUR 36.0, meaning the EBIT margin improved to 5.2 percent. This was one of the main goals for the past fiscal year. In light of current market developments, we can be extremely satisfied with our performance. Our aim for the coming years is to generate further revenue and earnings growth.

In the year under review, the Supervisory Board performed the tasks allocated to it by law, the Articles of Association and its Rules of Procedure. It regularly advised and monitored the Management Board in its management activities and 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.

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 reporting by the Management Board met the requirements of the Supervisory Board in full. Above and beyond this, 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. No conflicts of interest arose within the Management Board or the Supervisory Board in the year under review.

Friedrich Fleischmann, Chairman of the Supervisory Board

The Supervisory Board held a total of six meetings in fiscal year 2015. All of 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, Supervisory Board members were connected by video or telephone. Members unable to attend submitted their votes on resolutions in writing.

The Supervisory Board meetings regularly discussed the Company's economic position and development, the financial and liquidity situation, planned investments, the risk situation and risk management, and corporate planning and strategy.

In addition, the meetings in the past fiscal year focused on the following topics and resolutions in particular:

1. Approval and adoption of the single-entity and consolidated financial statements for 2014
2. Commissioning of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for fiscal year 2015
3. Budget definition and budget review for 2015
4. Investments and planned acquisitions
5. The acquisitions in France, the United Kingdom, the Czech Republic, and Sweden
6. Integration process for the acquired companies
7. Organizational structures within the Group
8. Monitoring of the risk early recognition system established by the Management Board
9. Management Board matters

In fiscal year 2015, the Audit Committee met on March 25, June 9 and December 9. At these meetings, the Audit Committee intensively discussed the audit of the single-entity and consolidated financial statements, new accounting provisions and their future inclusion in the audit of the Company, and matters relating to the planning process, risk management and the compliance management system.

The Personnel Committee met on March 25, June 9, September 29 and December 9, 2015, to discuss employee development, the recruitment process and developments in the management structure.

In addition, the Strategy Committee met on December 9, 2015. The meeting primarily addressed the expansion strategy, the Company's strategic focus within the NTT DATA group, and the strategic development of the SAP partnership.

The Annual General Meeting on March 26, 2015, resolved in particular on the appropriation of the unappropriated surplus and the approval of the actions of the members of the Management Board and the Supervisory Board.

In addition, the Extraordinary General Meeting on August 20, 2015 elected two new Supervisory Board members, the terms of office of the previous members Kazahiro Nishihata and Akijoshi Nishijima having ended as a result of them stepping down from the Supervisory Board. The Extraordinary General Meeting elected Koji Ito, Senior Vice President and Managing Director Global Business of NTT DATA Corporation, Tokyo, and Tadashi Uhira, Director and Chairman of NTT DATA EMEA Ltd., London, as new members of the Supervisory Board. The new members were elected until the end of the Annual General Meeting in 2018.

The Supervisory Board would like to express its heartfelt gratitude to Kazahiro Nishihata and Akijoshi Nishijima for their work as members of the Supervisory Board of itelligence AG and their commitment to the Company.

As in the previous years, 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 in fiscal year 2015. The Management Board 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. On December 10, 2015, the Management Board and the Supervisory Board jointly submitted an updated declaration of compliance in accordance with section 161 of the German Stock Corporation Act and made this available on the Company's website.

The Annual General Meeting on March 26, 2015, elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditor of the single-entity and consolidated financial statements for fiscal year 2015. Prior to the proposal for election, KPMG had declared to the Supervisory Board that there were no circumstances that could compromise its independence as an auditor. KPMG examined the single-entity financial statements of itelligence AG, the consolidated financial statements and the management reports of itelligence AG and the itelligence Group in detail. As stated in its unqualified audit opinion, this examination did not give rise to any objections. The dependent company report prepared by the Management Board was also audited and issued with an unqualified audit opinion by the auditor. The audit opinion is worded as follows:

"Following the completion of our audit in accordance with professional standards, we confirm that

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

At its meeting on March 16, 2016, the Audit Committee discussed the single-entity and consolidated financial statements for 2015 and the management reports with the Management Board and the auditors. The relevant documents, including the audit reports, were provided to all of 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 17, 2016, 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 were discussed in detail by the Supervisory Board 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, 2015, meaning that the annual financial statements of itelligence AG have been adopted. Following its own examination, the Supervisory Board also approved the Management Board's proposal on the appropriation of net profit. Based on its own careful examination of the dependent company report and the audit report, the Supervisory Board did not raise any objections to the declaration by the Management Board at the end of the dependent company report and approved the findings of the audit by KPMG.

The Supervisory Board will continue to actively support itelligence AG's strategic focus and course of business in the future, thereby making a contribution towards the continued positive development of the itelligence Group in close cooperation with the Management Board. The Supervisory Board would like to expressly thank the employees and the members of the Management Board for their high level of personal commitment and performance in fiscal year 2015. They have made a major contribution to another extremely successful year of business for itelligence.

Bielefeld, March 17, 2016
For the Supervisory Board

Friedrich Fleischmann
Chairman

# CORPORATE GOVERNANCE REPORT 2015

The Management Board and the Supervisory Board of itelligence AG attach great importance to all aspects of corporate governance and are committed to the principles of the German Corporate Governance Code. The goal of responsible corporate governance is to achieve a sustainable increase in enterprise value. itelligence AG and its executive bodies see corporate governance as an important element of responsible corporate management that strengthens the trust of customers, employees and the public in the company. The Management Board and the Supervisory Board therefore largely complied with the recommendations of the Code again in fiscal year 2015.

To achieve these goals, both bodies addressed corporate governance topics on several occasions during fiscal year 2015 and jointly submitted a revised declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) on December 10, 2015. According to this declaration, itelligence AG continues to comply with the majority of the principles set out in the current version of the Code dated May 5, 2015 and deviates from these principles only where it has good cause on account of its size, structure or other company-specific factors. The declaration has been 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. These two bodies of itelligence AG work together in a trustful and efficient manner.

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 in fiscal year 2015. This included the risk situation, risk management, and compliance. Transactions of material importance require the approval of the Supervisory Board.

The Management Board of itelligence AG has two members: Herbert Vogel, founder and CEO, and Norbert Rotter, the company's CFO. There were no conflicts of interest within the Management Board in 2015.

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. The Supervisory Board ensures that its composition takes into account the principles of diversity and is appropriate with regard to the geographical, industry-specific and other material requirements of the company. As in previous years, the Supervisory Board formed an Audit Committee, a Personnel Committee and a Strategy Committee from among its members in 2015. There were again no conflicts of interest within the Supervisory Board in 2015.

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 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, which is also included in this annual report.

## SHAREHOLDER STRUCTURE AND ANNUAL GENERAL MEETING

NTT DATA EUROPE GmbH & Co. KG has been the sole shareholder of itelligence AG since 2013. itelligence AG therefore no longer holds public general meetings.

## TRANSPARENCY

Even since it has no longer been publicly traded, itelligence AG continues to provide timely, comprehensive information to all interested parties equally. A central communication instrument is the company's website (www.itelligencegroup.com), which provides an extensive body of information in various languages, reflecting the company's global activities.

## ACCOUNTING AND AUDITING

The Management Board prepares consolidated financial statements for the full year and condensed consolidated financial statements for the half-year reports. Group financial reporting is consistent with the International Financial Reporting Standards (IFRS), thereby ensuring a high degree of transparency and international comparability. The audit for fiscal year 2015 was performed by the auditor chosen by the Audit Committee and the Supervisory Board, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

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

## DECLARATION BY THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD OF ITELLIGENCE AG ON THE GERMAN CORPORATE GOVERNANCE CODE

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

itelligence AG acted in accordance with the recommendations of the German Corporate Governance Code throughout the 2015 financial year and will continue to do so in future based on the version of the German Corporate Governance Code last amended on May 5, 2015, on which this declaration is based. itelligence AG departed from the recommendations of the German Corporate Governance Code in some aspects. Details of the individual departures are provided below. With regard to the following declaration, it should be taken into account that after implementation of the squeeze-out in the fiscal year 2013, NTT DATA EUROPE GmbH & Co. KG meanwhile holds all shares in itelligence AG and, in connection therewith, the listing of itelligence-shares has ended. Therefore, itelligence AG will no longer conduct a public General Meeting and the statutory provisions for listed stock corporations no longer apply to itelligence AG.

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

### SECTION 4.2.3: SEVERANCE PAY CAP

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

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

### SECTION 4.2.4 AND 4.2.5 PARAGRAPH 3 AND 4: DISCLOSURE OF THE COMPENSATION OF MANAGEMENT BOARD MEMBERS IN THE COMPENSATION REPORT

"In addition, for financial years starting after 31 December 2013, and for each Management Board member, the compensation report shall present:

— the benefits granted for the year under review including the fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components,

— the allocation of fixed compensation, short-term variable compensation and long-term variable compensation in/for the year under review, broken down into the relevant reference years

— for pension provisions and other benefits, the service cost in/for the year under review.

The model tables provided in the appendix shall be used to present this information."

In the past, itelligence AG has disclosed the individual compensation of the members of the Board of Management in accordance with Section 4.2.4 and Section 4.2.5 Paragraph 1 and 2 for each member of the Board of Management in a compensation report which was part of the Management Report. itelligence AG intends to continue to do so in the future. According to the German Corporate Governance Code, the additional requirements of Section 4.2.5 Paragraph 3 and 4 as well as the model tables provided in the appendix to the Code shall find application as of the financial year 2014. The Code regulates in detail how the information on the individual compensation of each of the members of the Board of Management shall be presented in the compensation report and how this information shall be illustrated in the model tables. In order to ensure the comparability with past reports and to limit the effort in connection with the reporting on the compensation of members of the Board of Management, Management Board and Supervisory Board intend to continue to disclose the compensation of the members of the Board of Management in line with past practice. As a result, the requirements of Section 4.2.5, Paragraph 3 and 4, are not fully complied with.

### 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 and a regular limit of length of membership to be specified for the members of the Supervisory Board as well as diversity. In listed companies for which the Codetermination Act, the Codetermination Act for the Iron and Steel Industry or the Codetermination Extension Act apply, the Supervisory Board shall comprise at least 30 percent women and at least 30 percent men. In other companies covered by the Equality Act the Supervisory Board shall determine targets for the share of women.

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 and a regular limit of length of membership are not specified. Hence, there will be no publication thereof 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. The Company complies with the statutory regulations regarding the determination of a target share of women in the Supervisory Board and the reporting thereof in the Management Report.

Bielefeld, December 10, 2015
itelligence AG

For the
Board of Management
Herbert Vogel

For the
Supervisory Board
Friedrich Fleischmann

# GROUP MANAGEMENT REPORT

## FOR FISCAL YEAR 2015

### KEY FIGURES IN FISCAL YEAR 2015

#### CONSOLIDATED REVENUES RISE +25.0% TO MEUR 696.2

— Organic growth significantly above expectations at +16.4%
— Revenue up +8.6% as a result of acquisitions
— Revenue distribution: 58.4% outside Germany, 41.6% within Germany

#### ABOVE-AVERAGE INCREASE IN EARNINGS BEFORE INTEREST AND TAXES (EBIT) OF +57.9% TO MEUR 36.0 (PREVIOUS YEAR: MEUR 22.8)

— EBIT margin of 7.7% in the fourth quarter, up 0.6 percentage points on the figure of 7.1% for the high-income fourth quarter of 2014
— EBIT margin for year as a whole improves to 5.2% (previous year: 4.1%)
— Forecast EBIT margin of over 5% for year as a whole achieved
— EBIT impacted by acquisition costs of MEUR 0.6 in fiscal year 2015 (previous year: MEUR 1.6)

#### SIGNIFICANT GROWTH IN ORDERS ON HAND

— Orders on hand up +17.0%, from MEUR 563.5 at end of 2014 to MEUR 659.5 on December 31, 2015
— Non-current orders on hand account for MEUR 154.0 (previous year: MEUR 248.0)

#### NUMBER OF EMPLOYEES INCREASES BY +13.6% TO 4,702 (PREVIOUS YEAR: 4,140)

— Addition of 1,017 employees through new appointments and a further 134 employees through acquisitions
— Successful integration of acquisitions in France, Czech Republic, UK, and Sweden

#### FORECAST FOR 2016 AS A WHOLE

— Revenues forecast at more than MEUR 720
— itelligence aims for continued organic and inorganic growth
— Further improvement in EBIT margin to 5.5% expected

## BASIC INFORMATION ON THE ITELLIGENCE GROUP

### BUSINESS ACTIVITIES

itelligence AG was formed in 1989 as an SAP consulting company and is now a leading international full-service IT provider and partner of SAP SE, with a particular focus on customers in the traditional and upper midmarket with a strong international presence. itelligence's customers currently include more than 5,500 companies. Today, itelligence is represented at 57 locations in 23 countries worldwide.

itelligence focuses on the sale of usage rights for SAP software solutions for midmarket companies and SAP consulting. For customers, itelligence AG is 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. 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.

itelligence has used its extensive 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, steel and non-ferrous metals, 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.

### ORGANIZATION

itelligence has a regional strategic organization and is represented by subsidiaries with local sales and consulting teams in the following regions: DACH (Germany/Austria/Switzerland), Western Europe (Spain, France, Belgium, Netherlands, United Kingdom, Denmark, Norway, Sweden), Eastern Europe (Russia, Ukraine, Poland, Czech Republic, Hungary, Slovakia, Turkey), the USA, Canada, and Asia (China, Malaysia, and India).

The organization of the application management and hosting areas was already bundled in 2014. With its matrix organization, the resulting Managed Services unit has a global presence, enabling it to meet customer requirements for an internationally scalable range of services in the best possible way. As an international provider of managed services, itelligence operates state-of-the-art data centers in Germany, Poland, Malaysia, Denmark, Switzerland, and the USA. itelligence provides hosting and AMS for more than 1,200 customers from 20 local service centers supported by 5 global off- and near-shore centers, and complements its geographical and portfolio-based structure by working closely with affiliates of the NTT Group.

In order to ensure a uniform, consistent global market presence, itelligence established the International Sales & Operations organizational unit several years ago. It 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 2015, 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, Denmark, and Turkey. itelligence AG is domiciled at its head office in Bielefeld. itelligence AG is a wholly-owned subsidiary of NTT DATA EUROPE GmbH & Co. KG.

## GROWTH STRATEGIES

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

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

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

— Expansion of the successful business model to include even higher-revenue international customers
— Expansion and globalization of recurring business, particularly application management and hosting
— Targeted expansion of regional coverage through acquisitions and expansion in growth markets
— Strategic positioning as an SAP service provider in NTT DATA's international network and within the NTT Group
— Investments in IT innovations and their implementation as customer offerings

— Expansion of general business involving SAP cloud products (HANA Suite)
— Reinforcement and expansion of global knowledge management
— Investment in quality improvements and project management
— Becoming an even more attractive employer in the SAP environment
— Sustainable improvement in profitability to ensure continued growth

## CONTROLLING SYSTEM

To manage its operating business, the itelligence Group uses selected financial and non-financial key figures that are consolidated into central performance indicators at Group level. These are set out in II.5.

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

## MARKET POSITIONING

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

## ACQUISITIONS

itelligence recorded further organic and inorganic growth in fiscal year 2015, successfully continuing its expansion strategy with additional acquisitions and extending its range of services in a targeted manner. With the acquisitions made, itelligence is pursuing its strategic objective of being one of the leading SAP partners in each of its key sales markets.

**itelligence acquires SAP business of ACA, France**

As part of the expansion of its market presence in France, itelligence acquired the SAP business of Artaud, Courthéoux & Associés (ACA) with effect from July 31, 2015. This acquisition makes itelligence France one of the country's top SAP resellers. France is an important SAP growth market for itelligence and the third-largest IT market in Europe. ACA, formed in 1989, is a leading SAP consulting firm with a focus on industry and public administration. ACA's extensive service range is characterized in particular by high-quality managed services and maintenance. The customers of the SAP partner include high-profile companies and bodies such as Farinia Group, Tristone, Ajinomoto Foods, and the World Health Organization. With the acquisition of ACA's SAP activities, itelligence is significantly expanding not only its access to the market, but also its customer base, particularly in the areas of managed services and maintenance.

**Acquisition of British business analytics company**

In June 2015, itelligence Business Solutions (UK) Ltd. acquired 100% of the shares of IT Performs Ltd. (ITP), a business technology consultancy firm focusing on business analytics and business intelligence solutions. Headquartered in Sutton Coldfield (Birmingham), IT Performs has been an active provider of specialist consulting services for business intelligence solutions for nearly 20 years. As an SAP Gold Partner and migration specialist, ITP has a comprehensive track record of delivering high-quality solutions for data warehousing, revenue forecasting, financial reporting, budgeting and planning, dashboarding, performance management, and data integration and migration projects for companies across a wide range of industries.

**100% acquisition of Pontech in the Czech Republic**

In May 2015, itelligence AG announced the 100% acquisition of Pontech s.r.o. in the Czech Republic. This means itelligence is now the largest provider of SAP consulting services in the Czech Republic. It has also acquired a broad portfolio based on the stable, tried, and tested, and scalable technologies of reputable companies (SAP, Esri, Genetec, Axis, SGI, Schneider Electric, EMC, Adobe, Oracle, IBM, HP, etc.).

This transaction will enable itelligence to strengthen its position on the Eastern European market while expanding its portfolio for Czech and international customers.

**itelligence expands in Sweden**

With effect from May 1, 2015, itelligence acquired the SAP team of EVRY Sweden, thereby further expanding its presence on the Swedish market and its position as one of the leading providers of SAP solutions in the Nordic region. In addition to his role as Managing Director of itelligence Nordic, Nicolaj Vang Jessen will be the Managing Director of the Swedish organization in future. Including the 22 new colleagues in Sweden, itelligence Nordic now employs around 300 SAP consultants in the Nordic region. itelligence Sweden is domiciled in Stockholm.

## PARTNERSHIPS

Partnerships are central to itelligence's business model. itelligence's focus is on its customers: with more than 5,500 customers around the world, the company seeks long-term relationships that are trust-based and profitable for both parties. Other long-standing partnerships also serve to provide a solid basis for the company's long-term success.

**SAP partnership**

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

In November 2010, itelligence signed a Global Value-Added Reseller (Global VAR) agreement with SAP SE. itelligence is one of seven companies worldwide to have concluded this exclusive global agreement on the sale of SAP on-premise and cloud solutions. Global Value-Added Reseller (Global VAR) is the highest status in SAP SE's PartnerEdge program. Value-added resellers (VARs) sell SAP software licenses and SAP cloud applications. They also develop industry-specific solutions as well as other preconfigured adaptations on the basis of SAP platform technologies. itelligence offers a total of 12 SAP Business All-in-One industry solutions, all of which were already transferred to the in-memory technology SAP HANA in 2014. The Global VAR agreement sets out strict quality criteria that are evaluated by SAP in an extensive selection process. For the customers, that means that a global VAR such as itelligence is quality-certified and is closely 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 the midmarket. This is underlined by the SAP awards that itelligence won once again in 2015. Since early 2013, itelligence AG has been part of the partner program of SuccessFactors, an SAP company and the leading provider of cloud-based business execution software solutions. This means that itelligence resells the SuccessFactors BizX Suite for business execution in Europe as a Success-Sales partner.

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

At the SAPPHIRE in May 2015, itelligence received the SAP Pinnacle Award as the Global Cloud Value-Added Reseller of the Year for 2015, recognizing the company's outstanding contributions as an SAP partner. SAP presents these awards annually to the top partners that have excelled in developing and growing their partnership with SAP and substantially helping their customers to achieve their business objectives. Winners and finalists in 22 categories were chosen based on recommendations from the SAP field, customer feedback, and performance indicators in the following umbrella categories: Exponential Growth, Cloud, Platform, and Value Creation. The Value Creation category includes the Customers' Choice Award recognizing a customer-nominated SAP partner.

The SAP partner itelligence also received finalist mentions in two further categories: Global Value-Added Reseller Partner of the Year and Rapid-Deployment Partner of the Year categories, reflecting its dedication to delivering the highest levels of customer satisfaction and excellence. itelligence received another major award at the SAP Field Kick-Off Meeting (FKOM) in Barcelona in February 2016, where it was presented with the SAP MEE Partner Excellence Award 2016 for Analytics. SAP presents awards to those SAP partners who produced top results in the MEE region and who have made outstanding contributions to driving customers' digital transformation. In partnership with SAP, the recipients of this year's awards have been helping customers to adopt innovation easily, generate results rapidly, grow sustainably, or simply achieve more using SAP solutions.

Selected from SAP's wide-ranging partner base, nominations for the SAP Partner Excellence Awards were based on internal SAP sales data. A committee composed of regional and global SAP representatives determined the winners in each category according to criteria such as sales achievement and performance. Awards were presented in a variety of categories, including sales, innovation, technology, services, and solution-specific areas.

itelligence won the SAP EMEA Partner Excellence Award 2016 in the category “Net-New Names”, which was also presented at the FKOM in Barcelona. SAP awards SAP partners with the best performance in the EMEA region for their contribution to supporting customers’ digital transformation. Selected from SAP’s wide-ranging partner base, nominations for the SAP Partner Excellence Awards were based on internal SAP sales data. A steering committee composed of regional and global SAP representatives determined the winning partners in each category according to numerous criteria such as sales achievement and performance.

itelligence Inc. USA received another award at the SAP FKOM meeting in Las Vegas in February 2016, where it was presented with the SAP North America Partner Excellence Award 2016 in the category “Small and Midsize Enterprises”. SAP awarded SAP partners with the best performance in the North America region for their contribution to supporting itelligence customers’ digital transformation. Recipients of the awards use SAP solutions to help customers to adopt innovations easily, attain results rapidly, generate sustainable growth and achieve seamless operational processes.

itelligence AG Switzerland has SAP Recognized Expertise in the area of Industrial Machinery and Components and received the SAP Recognized Expertise (REX) award for Industrial Machinery and Components from SAP (Schweiz) AG in February 2016. With this award, SAP (Schweiz) AG is recognizing the extensive expertise and long-standing experience of itelligence AG Switzerland in the area of consulting and implementation for projects in the manufacturing industry.

REX designation requires very good customer references for itelligence’s performance in implementation projects. Another criterion is the number of well-trained, SAP-certified consultants in this area.

itelligence AG is one of the world’s most successful SAP consulting firms for the midmarket and one of the most frequent recipients of awards among all SAP partners globally.

**NTT DATA**

The long-standing partnership with the Japanese NTT DATA Group is a key factor in allowing itelligence to keep on significantly expanding its own international market position. Since 2013, itelligence AG has been a wholly-owned subsidiary of NTT DATA EUROPE GmbH & Co. KG. This relationship under company law forms the basis for a tightly-knit partnership within the framework of a cooperation agreement.

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

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

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

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

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

**Other partnerships and awards**
itelligence AG and the global company Concur, which is now part of SAP, entered into a partnership for Germany, Austria, and Switzerland in June 2015. The cooperation between itelligence and the provider of travel and travel expense management was concluded in response to SAP SE's acquisition of Concur in December 2014. It means that itelligence AG can now also offer Concur solutions to its customers as required.

The processing of travel and travel expense management using cloud software is a rapidly expanding market. One of the benefits of cloud solutions is that end customers are not dependent on local installations as the process is performed entirely in the cloud.

For customers of itelligence AG, the cooperation with Concur offers huge advantages: They can now integrate Concur's globally successful travel and travel expense management solutions into their existing SAP system, thereby further increasing the productivity of their company and ensuring that they remain competitive. While Concur provides the software and performs the basic installation, customers can rely on itelligence's tried-and-tested consulting when it comes to all other downstream services.

In November 2015, itelligence AG was classified as a market leader in Germany in three categories as part of the 2016 vendor benchmark “SAP HANA Service Leaders Compared”, which was conducted by Experton Group AG and West Trax Deutschland Ltd. & Co. KG. itelligence achieved the “SAP HANA Service Leader Germany” seal of quality in all three of the market quadrants represented: SAP HANA Service Leader HANA Market as a Whole, SAP HANA Service Leader Transactional Systems, and SAP HANA Service Leader Analytical Systems.

In the independent study “SAP HANA Service Leaders Compared”, the Experton Group and West Trax examine the performance of service providers that are currently active in Germany in the environment of the SAP HANA platform. The positioning of the vendors is undertaken within the framework of an independent research and evaluation process. The vendor benchmark “SAP HANA Service Leaders Compared” provides users with a unified market overview and concrete criteria to support decisions when assessing the performance of service providers in the environment of the SAP HANA platform on the German market. The strengths and weaknesses of the providers are made transparent – and this is where itelligence performed particularly strongly.

Even within the group of leaders, itelligence was very much to the fore in this independent, unsponsored vendor rating. Experton performs its independent studies on the basis of “Experton Market Insights” methodology, in which up to 50 weighted criteria form the basis for assessing the attractiveness of the respective company’s portfolio and competitive strength in Germany. The evaluation criteria include strategy and its implementation, the company’s commitment to Germany and the nature and extent of the services, through to training courses and proof of the company’s success in the form of references.

itelligence also maintains a number of other technology partnerships with the aim of expanding its own expertise and solutions portfolio. The objective of these partnerships is to meet the needs of existing itelligence customers even more effectively 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**

2015 was a successful year for itelligence AG that again included numerous SAP awards and innovative customer projects.

A large number of new customers rely on itelligence AG's in-depth industry expertise and SAP know-how. One major success is the industry solution it.education, with which itelligence has been making significant inroads into the university market for a number of years. In September 2015 Technische Universität Berlin (TU Berlin) decided to use itelligence's "it.education" solution to introduce the SAP Student Lifecycle Management (SLcM) system. As a result, over 32,000 students, teaching staff and administrative staff will benefit from a user-friendly campus management system that will make student affairs much easier to handle and tangibly reduce the administration workload. With the new system, the university is laying the groundwork for "TU 2020" in the core processes of study and teaching as part of its digitalization strategy.

The SAP Student Lifecycle Management application gives the approximately 32,000 students at the university a convenient way of managing their course and monitoring their study progress. It covers all university processes, from application and registration, through planning out the course, registering for exams, and viewing exam results – right up to graduation.

Other new customers opting for itelligence as their consulting company in fiscal year 2015 included Ernst Peter & Sohn GmbH & Co. KG (PETER-LACKE), Herford, SAMSON AKTIENGESELLSCHAFT, Frankfurt, ARTDECO cosmetic GmbH, Karlsfeld, VBM Medizintechnik GmbH, Sulz, BESSEY Tool GmbH & Co. KG, Bietigheim-Bissingen, Wassenburg Medical B.V., Na Dodewaard (Netherlands), Everlam N.V., Mechelen (Belgium), and Johnson Matthey Battery Systems Sp. z o.o., Gliwice (Poland).

Smyths Toys Superstores, Galway (Ireland), is a leading provider of children's toys and entertainment products with 85 stores in the United Kingdom and Ireland. The company is planning to expand further in 2016. Smyths Toys has entered into a strategic partnership with itelligence UK for the management of its SAP platform in the context of a business transformation program. The central SAP projects completed in 2015 included improvements to SAP usability with the development of various SAP Fiori apps, as well as numerous development projects such as back-door scanning, price ticketing, and improvements to the company's internal solution for automated warehouse replenishment. As part of the transformation program, the aim of enabling the company to conduct transactions without interruption at peak times was achieved in 2015.

JYSK NORDIC is a member of the global JYSK GROUP, a leading company on the European market for furniture, beds, household items and home furnishings. The JYSK GROUP is based in Scandinavia. Today, the JYSK GROUP encompasses more than 2,300 branches with 20,000 employees in 41 countries. Unlike the rest of the world, JYSK operates in Germany and Austria under the name DÄNISCHES BETTENLAGER.

itelligence is acting as an external hosting partner for the migration of JYSK NORDIC to the SAP HANA platform. Under the terms of a new five-year outsourcing agreement, itelligence will support JYSK NORDIC in optimizing the speed and uptime of its SAP ERP application. The new agreement between JYSK and itelligence involves extensive responsibilities. itelligence will operate the SAP systems for JYSK NORDIC in the future, including the software for finance, procurement, logistics, and administration. In the first phase, itelligence's consultants will migrate JYSK NORDIC's SAP systems to the SAP HANA platform in order to improve the speed of the company's IT system.

Güdel AG, which is domiciled in Langenthal (Switzerland), is using SAP HANA Live in cooperation with itelligence Switzerland. Since the start of 2016, Güdel's management team has been able to manage the company in real time. Thanks to SAP HANA Live, Güdel is now benefiting from significantly quicker analyses and reports, which is also serving to accelerate other core processes within the company.

Güdel AG, one of the world's leading providers for industrial automation, generates large data volumes every single day. The family-owned company controls 21 production, sales, and service companies with around 1,150 employees worldwide from its head office in Langenthal. The engineer-to-order process plays an important role in the company's daily business operations, as every project is largely delivered on a customer-specific basis. To ensure that it continues to grow with a focus on its future needs, the Güdel Group initially introduced the SAP Business All-in-One industry solution it.manufacturing on the basis of the SAP HANA platform together with itelligence AG Switzerland – thereby laying the foundations for creating more than just intercompany processes that are uniform and consistent across borders. With SAP HANA, Güdel is fulfilling the conditions for the use of state-of-the-art reporting tools.

Habasit AG, Reinach, Switzerland, is the world's leading manufacturer of conveyor belts and drive belts with branches in more than 70 countries. In order to harmonize the company's processes and improve its ERP platform, an SAP template was developed and taken live in pilot projects in the Netherlands and Belgium.

In fiscal year 2015, itelligence also successfully went live at customers including United Initiators GmbH & Co. KG, Pullach, Vitrulan International GmbH, Marktschorgast, Staubli Faverges, Faverges (France), Corse Composites Aéronautiques, Ajaccio (France), Xchanging Global Insurance Systems Ltd., London (UK), Topcon Europe Medical B.V., LJ Capelle a/d IJssel (Netherlands), Zenner B.V., PA Nieuw Vennep (Netherlands), Gümüş Grup Yatırım Danışmanlık ve Destek

Hizmetleri A.Ş., Istanbul (Turkey), R-Pharm CJSC, Moscow (Russia), Bashneft PJSOC, Moscow/ Ufa (Russia), Ringier Axel Springer Magyarország Kft., Budapest (Hungary), RUBENA a.s., Hradec Králové (Czech Republic), Shandong Xiaoya Group, Jinan (China), ADB Air, Columbus (Ohio, USA), and Ariel Corporation, Mt. Vernon (Ohio, USA).

**Global Managed Services**
At the end of fiscal year 2014, the Management Board and the Supervisory Board decided to bundle Application Management Services, Hosting Services and Maintenance Services more closely in order to allow the company to respond more effectively to the imminent challenges on the market. Another aspect was and remains SAP's sustained commitment to innovation, including a broader product range and the steadily growing integration of cloud products and cloud services.

The newly-established Global Managed Services unit supports itelligence's national organizations with a globally consistent service portfolio, sales enablement, and a global delivery platform in particular. Some of the key aspects of achieving continued above-average growth in these strategic areas are a customer-oriented value proposition including an innovative service level, a modular global sales and marketing system, a global service infrastructure, and global offshore and regional nearshore centers.

Managed Services in the three aforementioned service segments now account for 45.0% of itelligence's revenues. The recurring revenues that are specific to these services are an important element in the company's economic stability. Over the last six years, all three segments have recorded a compound annual growth rate (CAGR) of more than 20%, with Application Managing Services leading the way with a CAGR of 37%. The large number of new local and international customers in these segments and important contract extensions serve to further underline the success of the approach adopted in this area.

Service innovation is another key topic in the cooperation between the Global Managed Services unit and itelligence's core countries. The focus is on aspects such as SAP S/4 HANA migration and cloud services. In 2015, itelligence and its affiliate Dimension Data became the third company in the world to be certified as a SAP HEC (HANA Enterprise Cloud) Premium Partner. As well as underlining the success of itelligence's approach to innovation, this also provides the basis for another future growth segment.

The unit also coordinates global managed services and cloud services topics within the NTT DATA Group. In addition to HEC services, this focuses in particular on shared global services, such as S4G application management for Daimler globally, intercompany global initiatives such as "AMO Global One Team", and the further development of a shared cloud infrastructure including the corresponding SAP application services.

**International Sales & Operations**
Digitalization is the buzzword of our times. Many of itelligence's customers are looking to digitalization because they have recognized that the right strategy can give them a huge boost. The IT department is involved in decisions on digital technologies at almost all companies, whether as the central decision-maker or in an advisory capacity. As such, our customers' CIOs bear considerable responsibility when it comes to successful digitalization. Companies using SAP software have an enormous advantage, as they can integrate their business applications into their transformation projects gradually and at their preferred speed. In this respect, a central role is played by Suite on HANA (SoH) and, to an even greater extent, SAP S/4 HANA and the "digital core".

What makes SoH and S/4 HANA special is that they not only allow companies to redefine processes, but also enable entirely new, fully digital value chains. A central role is played by SAP service providers and, in particular, their ability to rapidly adjust to these changing market requirements.

The "International Sales & Operations" (IS&O) organizational unit supports this change process within itelligence AG's global organization.

Working in close cooperation with our partner SAP, employees of the IS&O department began adjusting key elements of itelligence's expertise and service spectrum to reflect the changed requirements of digitalization at an early stage. The following section lists four areas that illustrate the roles and responsibilities within itelligence AG:

1. A focus on various key areas accompanied by the corresponding process expertise

   In the era of digitalization, the boundaries between individual industries are becoming increasingly fluid. At the same time, the speed of certain developments within the industries is increasing. Omni-channel is becoming a key topic in retail, while the Internet of Things (IoT) is changing manufacturing and giving rise to entirely new data flows and data volumes. Above all, companies see digitalization as an opportunity to differentiate themselves more successfully and improve customer retention. The traditional industry focus in consulting is shifting more and more, and the transfer of knowledge across industry boundaries is becoming the major challenge facing consulting firms. IS&O provides the entire organization with experts who can offer the necessary specialist expertise to itelligence's companies and customers across national borders.

2. Training to extend consultant skills

   Above all else, customers expect the new generation of HANA service partners to communicate innovations in terms of their IT and business. Consultants should also support the transformation of business processes and their adaptation to reflect new requirements. Expanding consultant expertise to include topics such as combining transactional and analytical workflows or new user interfaces (SAP Fiori) is central to ensuring the success of these projects. Thanks to the targeted training of specialists in these areas and their integration into initial pilot projects, IS&O can offer itelligence project teams comprehensive internal training programs aimed at ensuring that consultant skills are always tailored to the demands of the latest technologies.

3. Specialist departments and their requirements are playing an increasingly important role in IT investment decisions

   According to a study by the IT market and consulting company PAC, almost 80% of all marketing managers are looking to increase their investments in IT solutions to support online marketing. Accordingly, many digitalization projects are currently focusing on the optimization and consistency of the customer experience across a wide range of channels. Our customers rely on the expertise and support of their SAP partners when it comes to developing, realizing and implementing their omni-channel strategy.

   With the acquisition of the omni-channel provider "hybris software" in 2013, SAP extended its product portfolio in this direction, meaning it is now able to offer all omni-channel components and services from a single source even for established SAP partners. Here, too, the IS&O team has strengthened itself in a targeted manner. The establishment of a "hybris Tiger Team" with an incubator function means it can now provide valuable support to itelligence customers for the implementation of their omni-channel strategy with hybris. Omni-channel and hybris are just some examples of the range of new products services that have started to establish themselves in the specialist departments as part of the SAP strategy.

4. Cloud computing increasingly gaining acceptance in point-to-point solutions

   The steady advance of cloud computing has now extended to include midmarket companies. Almost every company uses cloud services in one form or another. However, many organizations are not yet aware of the challenges of this service model. Standardized, extremely dynamic cloud platforms require different roll-out and operating concepts, and the integration of the individual solutions within an overall IT concept is often underestimated or ignored altogether. Accordingly, more state-of-the-art solutions for specialist departments that are particularly quick to implement have established themselves in the areas of CRM, HCM and procurement.

In addition to the challenges discussed in the previous point, however, the cloud also requires a different approach to marketing and sales, as the respective contacts in the specialist departments need to be served differently and the cloud-driven simplification means they will continue to have more and more of a say when it comes to IT-related decisions. Here, too, IS&O's employees provide valuable support for the local implementation of new and adjusted marketing and sales concepts.

Agility, adaptability, flexibility and responsiveness, as well as security and efficiency are the key requirements and expectations of the next generation of SAP partners. The IS&O organizational unit is developing innovative approaches and supporting itelligence's individual national organizations in combining existing customer services with new digital platforms and processes for the long term.

## EMPLOYEES

Employees are central to our business success. They form the focal point of our investments along the HR value chain in all of our local and global activities.

The Group had 4,702 employees as of December 31, 2015 (December 31, 2014: 4,140), of whom 2,040 were employed in Germany (December 31, 2014: 1,861) and 2,662 outside Germany (December 31, 2014: 2,279). This meant that the number of employees increased by 13.6% compared with the previous year.

Recruitment in 2015 was dominated by new SAP products and technologies. Hybris, SAP SLcM (SAP Student Lifecycle Management) and strategic topics such as the expansion of Supply Chain Management teams demanded considerable attention. In response to the increasingly intense competition on the recruitment market, itelligence worked to step up its active sourcing measures in particular. The "Employees recruit employees" program also enjoyed an extremely positive response, resulting in the recruitment of 44 new colleagues in the past year. itelligence also continued to invest in HR marketing measures. The company further expanded its level of recognition as an attractive employer with a new career homepage and recruitment video, at selected trade fairs, and through print and online media. All in all, itelligence appointed a total of 154 new employees in Germany.

The talents, skills and experience of each and every employee are what make itelligence successful. itelligence endeavors to clearly recognize and promote these talents and make them transparent worldwide. The itelligence competency model, which was revised in 2015, makes a major contribution to achieving this aim. It was developed together with our international HR officers in order to meet global requirements while remaining flexible and sensitive with regard to local requirements. Back in autumn, itelligence initiated a revised, modular management training program based on the competency model that met with an extremely good response.

To enable it to better assess the satisfaction and needs of employees worldwide above and beyond this, itelligence conducted a global employee survey in October 2015 in close cooperation and coordination with the NTT DATA survey "One Voice". The results of the survey were analyzed at the level of the individual business units and in a global context, resulting in the initiation of corresponding measures that are being implemented and supported in 2016. The high participation rate of 72.3% (+10% compared with the last survey in 2013) clearly demonstrates the dedication of itelligence's employees and their desire to contribute their view when it comes to shaping the company.

Employees by function, by segment
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One stated objective of itelligence AG is to position itself as an attractive employer on the market. This year, itelligence celebrated ten years of its development program for high-potential managers and experts, DELTa (Develop Expert and Leadership Talent). This occasion was marked by another DELTa summer workshop with almost 90 participants. itelligence AG's DELTa management program was recognized as one of the top ten submissions to the St. Gallen Leadership Award for pioneering management initiatives.

## ECONOMIC REPORT

### GENERAL ECONOMIC SITUATION IN 2015

itelligence AG is a global company with 23 foreign subsidiaries and more than 50 branches worldwide. itelligence is incorporated into the Japanese NTT Group as a wholly-owned subsidiary of NTT DATA and supports its customers around the world. As such, global economic developments are crucial to the investment decisions of itelligence's 5,500-plus customers, and therefore significant to the commercial performance of itelligence AG.

According to the IMF (International Monetary Fund), global GDP declined from 3.3% in the previous year to 3.1% in 2015. The original estimates of 3.5% were downwardly revised during the course of the year. Global trade flows were adversely affected by the slowdown in the growth of the Chinese economy in particular. The fall in oil and commodity prices impacted the public finances of oil-producing countries and the raw materials industry worldwide. At the same time, the low commodity prices and the sustained low interest rate environment imposed by the central banks led to an upturn in consumer demand.

In the USA, the economic situation cooled during 2015, particularly as a result of the negative trends in the manufacturing industry and, above all, the commodity sectors in the fourth quarter. Suppliers to the energy sector are being affected by the fall in oil prices. As previously, growth is being driven by consumer spending among private households and the real estate sector. Economic growth is now estimated at 2.5% following 2.9% in the previous year. The unemployment rate fell to 5%, while employment rose continuously month by month. In addition, the US Federal Reserve System announced an initial rise in interest rates, thereby potentially indicating the phase-out of its expansive monetary policy. As a result, the US dollar appreciated compared with almost all of the other world currencies. itelligence generated 18.8% (previous year: 19.8%) of its consolidated revenues in the USA and Canada.

GDP growth (GDP: gross domestic product) in the EU totaled 1.9% (1.5% in the euro zone) in 2015, which also marked an improvement. However, low investment levels, high unemployment and persistently high government debt are curbing the economic development of the Southern European countries. The German economy overcame a spell of weakness in the spring. Contributing factors were a strong upturn in exports in the fourth quarter following sharp depreciation of the euro – primarily against the US dollar – and a strong domestic economic trend bolstered by lower energy prices. itelligence generated 67.1% (previous year: 66.4%) of its consolidated revenues in the EU nations.

In China, economic growth continued to slow to 6.9% (previous year: 7.4%) – the lowest figure for over 20 years. As the world's second-largest economy, China is a crucial trading partner for Germany in particular. China accounted for 0.6% (previous year: 0.5%) of itelligence AG's revenues.

In the Asian emerging economies excluding China, economic growth amounted to around 4.7% in 2015 (previous year: 4.6%). itelligence generated direct hosting and AMS revenues only in Malaysia. These accounted for 1.0% of total revenues (previous year: 0.9%).

Japan, the world's third-largest economy, is revitalizing its economy with an expansive fiscal policy as well as a flexible fiscal policy and structural reform. The fiscal policy resulted in a significant depreciation in the yen and an upturn in exports. However, economic growth for 2015 will be low at 0.6% (previous year: 0.0%). itelligence does not generate any direct revenues in Japan. However, as part of the Japanese NTT/NTT DATA Group, economic developments in Japan are important. In addition, there are customer relationships with Japanese groups, both direct and via affiliates.

## SECTOR DEVELOPMENTS IN 2015

The IT software and services market is a global growth market. After adjustment for currency translation effects, Gartner has forecast average growth rates of 6.2% for software and 4.1% for services for the period from 2014 to 2019. For 2015, Gartner calculates global growth figures of 6.1% for the software market and 3.8% for the IT service market. Global organic growth at itelligence totaled 16.4% (after adjustment for currency translation effects: 11.2%). Software income increased by 22.0%. With its consolidated revenues rising by 25.0%, itelligence enjoyed considerably stronger growth than the competition as a whole.

## 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, 2015 | Jan. 1 – Dec. 31, 2014 | Oct. 1 – Dec. 31, 2015 | Oct. 1 – Dec. 31, 2014 |
|---|---|---|---|---|
| **Total revenues** | **696.2** | **556.8** | **199.2** | **173.1** |
| **Revenue division** | | | | |
| Consulting | 310.1 | 246.6 | 87.1 | 72.4 |
| Licenses | 69.4 | 56.9 | 28.6 | 25.8 |
| Application Management | 71.9 | 66.3 | 19.3 | 19.8 |
| Outsourcing & Services | 241.4 | 186.1 | 61.9 | 54.9 |
| Other | 3.4 | 0.9 | 2.3 | 0.2 |
| **Revenue segment** | | | | |
| Germany/Austria/Switzerland (DACH) | 321.2 | 255.0 | 88.4 | 83.8 |
| Western Europe | 154.8 | 120.2 | 49.1 | 35.7 |
| Eastern Europe | 74.6 | 63.1 | 25.4 | 19.9 |
| USA | 130.8 | 107.0 | 32.6 | 30.4 |
| Asia | 10.7 | 7.0 | 2.7 | 1.8 |
| Other | 4.1 | 4.5 | 1.0 | 1.5 |
| | | | | |
| EBIT | 36.0 | 22.8 | 15.4 | 12.2 |
| EBIT margin | 5.2% | 4.1% | 7.7% | 7.0% |
| EBITA | 42.9 | 27.2 | 17.1 | 13.6 |
| EBITA margin | 6.2% | 4.9% | 8.6% | 7.9% |
| EBITDA | 62.5 | 43.3 | 22.2 | 18.6 |
| EBITDA margin | 9.0% | 7.8% | 11.1% | 10.7% |
| IFRS net profit | 21.1 | 6.7 | 9.7 | 3.3 |
| IFRS earnings per share in EUR | 0.63 | 0.11 | 0.31 | 0.06 |

## REVENUE DEVELOPMENT

Revenue development
2005 – 2015
Page 68

As in the previous years, itelligence increased its market share in fiscal year 2015. Revenues rose by +25.0%, from MEUR 556.8 to MEUR 696.2. Average revenue growth (CAGR) for the past ten years amounts to 17.5%. Consequently, revenue generated in fiscal year 2015 also well above the revenue target of MEUR 600.

Once again, every quarter of fiscal year 2015 saw revenue growth compared with the corresponding quarters of the previous year. The growth rates were particularly pronounced in the first and second quarters, with revenues up +40% and +32% respectively. At 16.4% (of which exchange rate effects: 5.1%), organic growth was also well in excess of the market growth rate. The companies acquired in 2015 contributed a further +8.6% to the increase in revenues (inorganic growth). This effect was particularly apparent in the first and second quarters of 2015, and resulted from the acquisition of GISA GmbH in Germany in 2014. The acquisitions conducted in the Czech Republic, the UK, Sweden and France in 2015 also supported the positive revenue trend.

Quarterly revenues
Page 69

itelligence reports revenues both by segment and by division.

46.2% of revenues were attributable to the DACH segment (previous year: 45.8%), 22.2% to Western Europe (previous year: 21.6%), 10.7% to Eastern Europe (previous year: 11.3%), 18.8% to the USA (previous year: 19.2%), 1.5% to Asia (previous year: 1.3%) and 0.6% to the Other segment (previous year: 0.8%).

Change in revenues
by segment, by division
Page 68

In terms of the individual segments, 44.5% of revenues were attributable to Consulting (previous year: 44.3%), 10.0% to Licenses (previous year: 10.2%), 10.3% to Application Management (previous year: 11.9%), 19.1% to Outsourcing (previous year: 17.8%), 15.6% to Maintenance (previous year: 15.6%) and 0.5% to the Other segment (previous year: 0.2%).

## REVENUE DEVELOPMENT IN THE REGIONS

Proportion of total revenues
attributable to recurring business
Page 69

As previously, the Germany/Austria/Switzerland (DACH) segment generates the highest revenues at itelligence AG. At MEUR 321.2, revenues in the DACH region increased by +26.0% as against the previous year (after adjustment for currency translation effects: +24.9%). Organic growth in the region amounted to +11.5% in the period under review. Inorganic growth amounted to +14.5% and was largely attributable to the acquisition of GISA GmbH in 2014. All of the revenue segments enjoyed significant growth. Outsourcing enjoyed the highest percentage increase, with revenues rising by MEUR +28.5, from MEUR 68.0 to MEUR 96.5. This was due among other things to the revenue contribution from GISA GmbH. Licenses revenues increased by +21.4% to MEUR 28.4. Revenues in the Maintenance division also saw positive development in the region, rising by MEUR +4.8 (+12.1%) year-on-year to MEUR 44.5. Revenues in Application Management climbed by +28.1% or MEUR 3.6 to MEUR 16.4. Consulting revenues increased by +20.8% (after adjustment for currency translation effects: +19.7%), from MEUR 110.8 to MEUR 133.9.

Revenues in Western Europe increased by +28.8% (after adjustment for currency translation effects: +22.9%) to MEUR 154.8 on the back of positive business performance in the UK region, Denmark/Norway/Sweden and France/Canada. Revenues in the UK rose by MEUR +25.1 to MEUR 72.0, corresponding to year-on-year growth of +53.8%. In Denmark/Norway/Sweden, revenues increased by MEUR +7.1 to MEUR 59.7.

Consulting revenues in Western Europe enjoyed significantly positive development in 2015, increasing to MEUR 85.2. This represents growth of MEUR +13.8 or +19.3% (after adjustment for currency translation effects: +14.4%). The UK saw a particularly strong increase in consulting revenues of MEUR +9.9, while the other national subsidiaries also enjoyed positive development. Licenses revenues in this segment amounted to MEUR 20.9, up MEUR +6.0 or 40.3% on the previous year. Licenses business in the UK was the main contributor to this revenue growth with an increase of MEUR 6.7, making up for the lower Licenses revenues in Benelux and the Nordic region. Outsourcing revenues also increased by +23.9%, from MEUR 4.6 to MEUR 5.7. The upturn in Application Management revenues from MEUR 8.6 to MEUR 13.5 is attributable to the UK as well as the Nordic region and France.

The Eastern Europe segment generated revenues of MEUR 74.6 in the past fiscal year. This represented an increase of MEUR +11.5 or +18.2% on the previous year. After adjustment for currency translation effects, revenue growth in the segment amounted to +24.7%. Turkey in particular expanded its market share compared with the previous year and increased its revenues by MEUR +12.0, from MEUR 21.2 to MEUR 33.2. The positive revenue development in the Czech Republic was intensified by the acquisition of Pontech. All in all, the Czech subsidiary improved its revenues by MEUR +3.6 to MEUR 11.3. Revenues at the Polish subsidiary declined by MEUR -3.0 year-on-year to MEUR 17.1 on the back of the lower volume of Application Management business.

Consulting revenues in the Eastern Europe segment increased by MEUR +6.2 or +28.1% year-on-year to MEUR 28.3 (after adjustment for currency translation effects: +32.2%). Licenses enjoyed particularly encouraging performance, with revenues increasing by MEUR +1.9 (+29.7%) year-on-year to MEUR 8.3, corresponding to growth of +38.3% after adjustment for currency translation effects. Outsourcing revenues declined by MEUR -0.7 year-on-year to MEUR 12.4 as a result of the development in Russia (MEUR -0.8), which was only slightly offset by the performance of the other national subsidiaries. Revenues from Application Support rose by MEUR 2.0 to MEUR 17.0 in the past fiscal year. Maintenance revenues amounted to MEUR 7.2, up MEUR +0.8 (+12.5%) on the previous year.

The USA segment developed positively compared with the previous year, largely as a result of the strong dollar. Revenues improved by +22.2% year-on-year to MEUR 130.8. After adjustment for currency translation effects, revenue growth in the segment amounted to +3.2%, +1.8% of which is attributable to organic growth and 1.4% to the acquisition of Symphony in September 2014. Maintenance revenues increased by MEUR +6.7 to MEUR 25.5 (after adjustment for currency translation effects: +15.4%) Outsourcing revenues also rose by MEUR +3.1 year-on-year to MEUR 11.7 (after adjustment for currency translation effects: +14.7%). Licenses revenues declined by MEUR -0.4 to MEUR 10.9 (after adjustment for currency translation effects: -15.5%) Consulting and Application Support also enjoyed positive business performance, with revenues increasing by MEUR +14.2 (after adjustment for currency translation effects: +1.1%) to MEUR 57.4 and MEUR 24.8 respectively.

Revenues in the Asia segment amounted to MEUR 10.7. This represented an increase of +52.9% (after adjustment for currency translation effects: +42.7%) on the prior-year figure of MEUR 7.0. Consulting revenues continued to increase, rising by MEUR +1.5 year-on-year to MEUR 3.1. Licenses revenues in Asia grew by MEUR +0.4 to MEUR 0.5. Outsourcing revenues in Malaysia amounted to MEUR 6.4, up +37.0% on the previous year.

The Other segment contains the revenues of ITC GmbH and Recruit GmbH. At MEUR 4.1, the revenues generated by these two companies were down MEUR -0.4 on the previous year.

## REVENUE DEVELOPMENT BY DIVISION

In fiscal year 2015, all of the revenue divisions of itelligence AG saw growth compared with the previous year.

Consulting revenues increased by +25.8% year-on-year (after adjustment for currency translation effects: +20.0%), from MEUR 246.6 to MEUR 310.1. This was attributable to increased consultant capacity, constant daily rates and a higher level of utilization within the itelligence Group. Licenses revenues rose from MEUR 56.9 in the previous year to MEUR 69.4. Outsourcing revenues grew by +34.0% to MEUR 132.7; among other things, this was due to the acquisition of GISA GmbH in 2014. Application Management revenues improved by +8.4%, from MEUR 66.3 to MEUR 71.9. Maintenance revenues rose by MEUR +21.6, from MEUR 87.1 to MEUR 108.7.

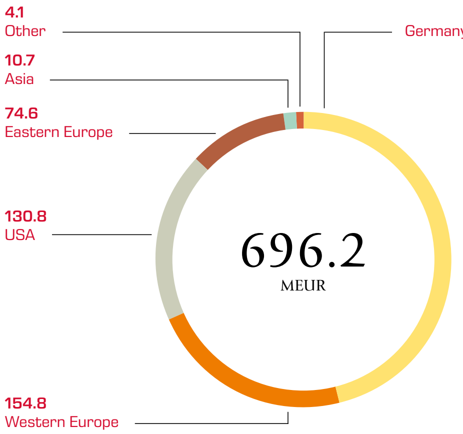
Orders on hand and revenues by quarter Seite 69

Orders on hand at itelligence AG increased by +17.0% from MEUR 563.5 to MEUR 659.5. The book-to-bill ratio for 2015 amounted to 1.14.

## REVENUE DEVELOPMENT BY SEGMENT

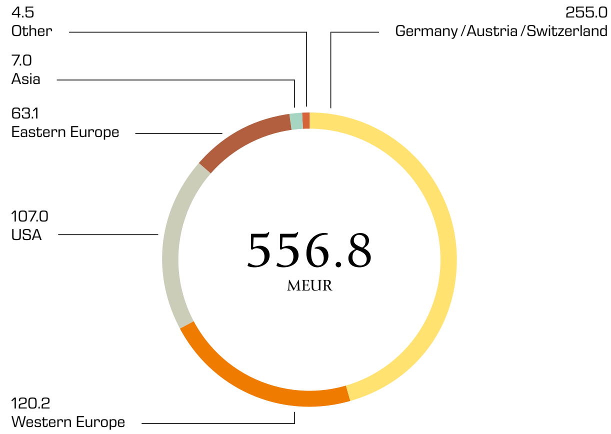
MEUR

### 2015




| Change | +25.0% |
|---|---|
| D/A/CH | +26.0% |
| Western Europe | +28.8% |
| USA | +22.2% |
| Eastern Europe | +18.2% |
| Asia | +52.9% |

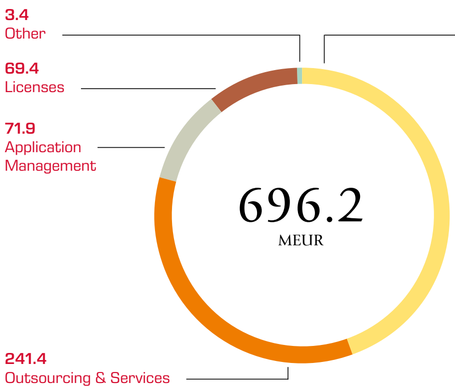
### 2014




## REVENUE DEVELOPMENT BY DIVISION

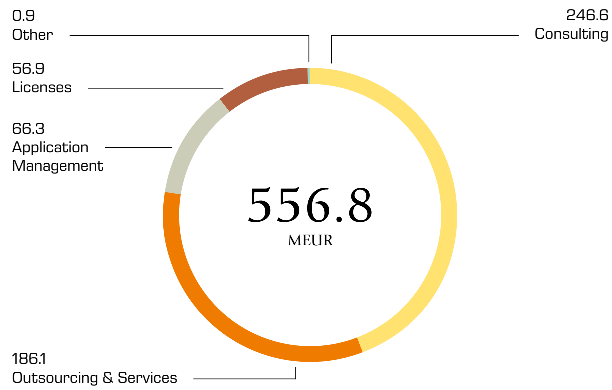
MEUR

### 2015



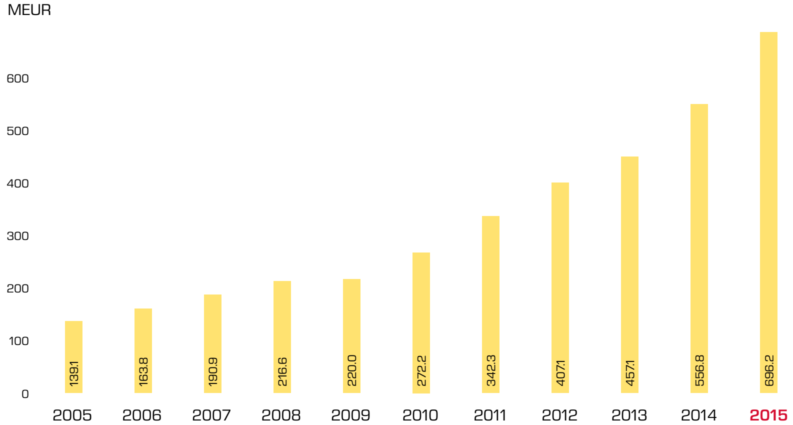

| Change | +25.0% |
|---|---|
| Consulting | +25.8% |
| Licenses | +22.0% |
| Application Management | +8.4% |
| Outsourcing & Services | +29.7% |

### 2014



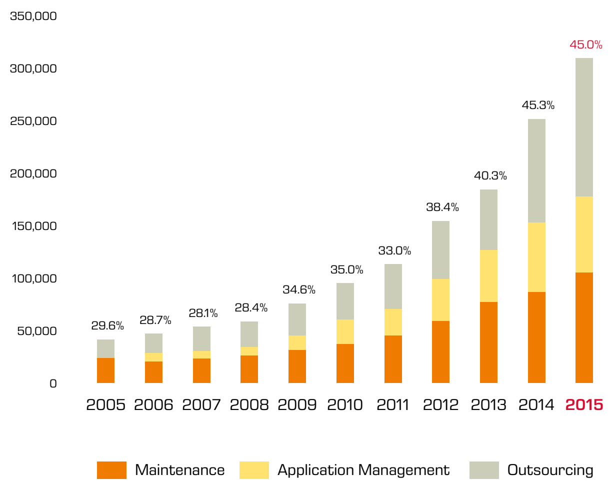

## REVENUE DEVELOPMENT 2005–2015

MEUR

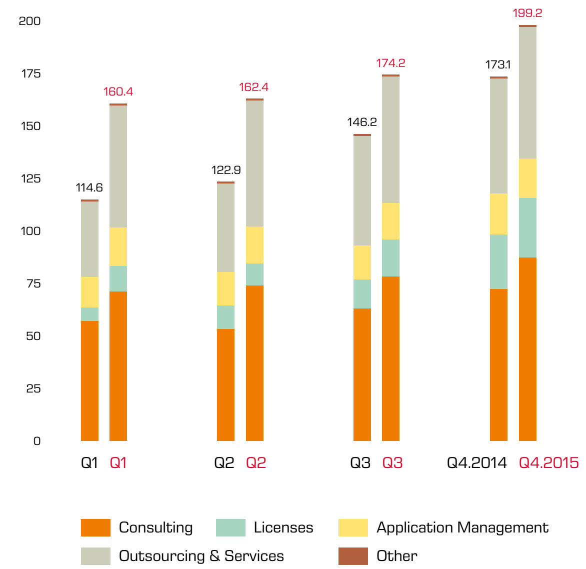



CAGR 2005–2015
17.5%

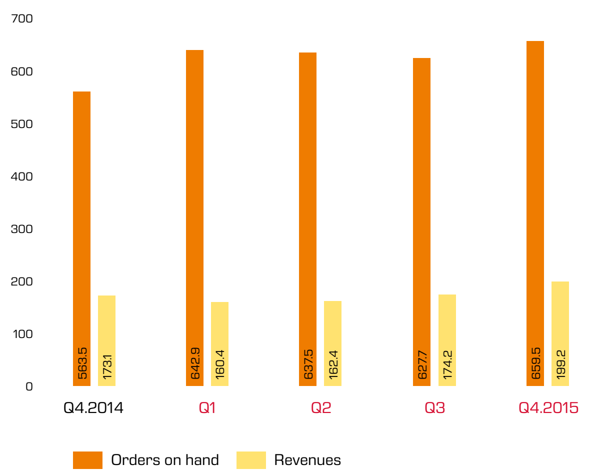
## SHARE OF TOTAL REVENUES ATTRIBUTABLE
to recurring business in MEUR



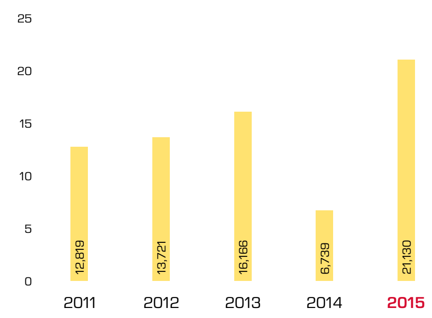

## REVENUES BY QUARTER
MEUR




## ORDERS ON HAND & REVENUES
per quarter in MEUR

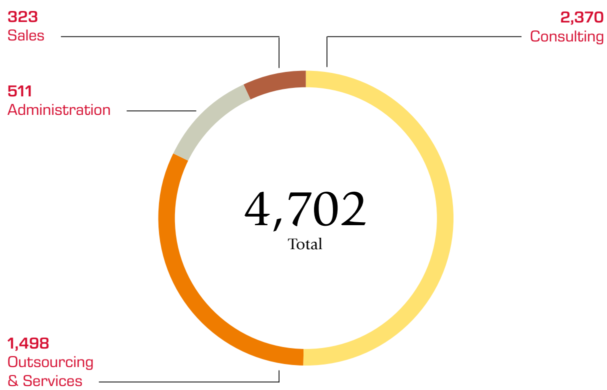



## CONSOLIDATED NET PROFIT
KEUR

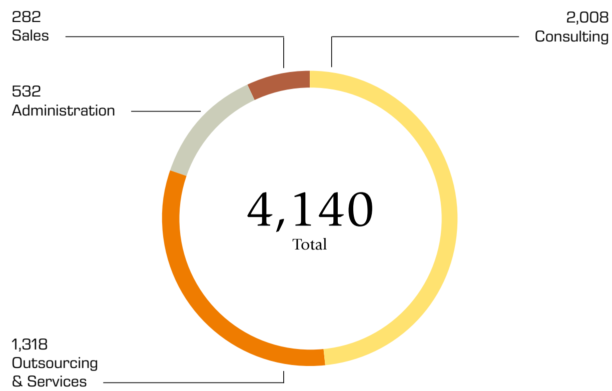


## EMPLOYEES BY FUNCTION

### 2015

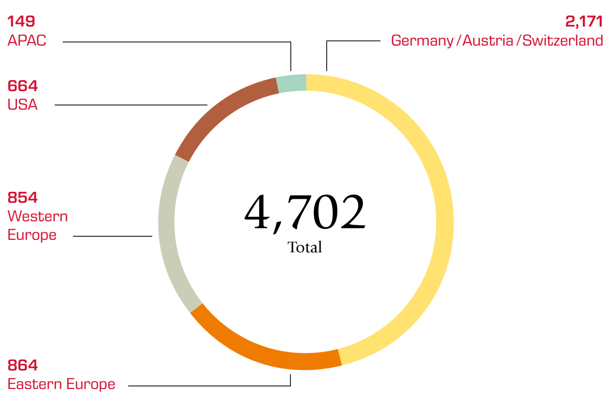



### 2014

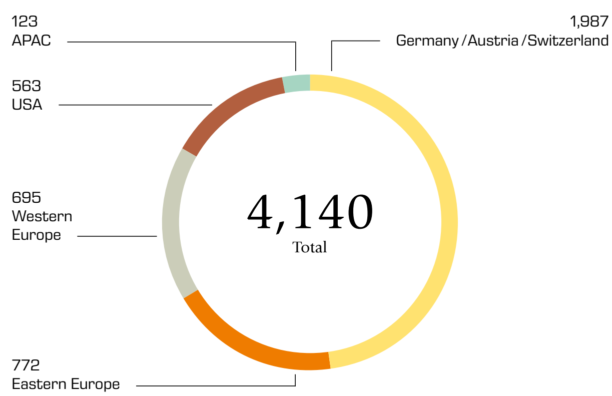



## EMPLOYEES BY SEGMENT

### 2015

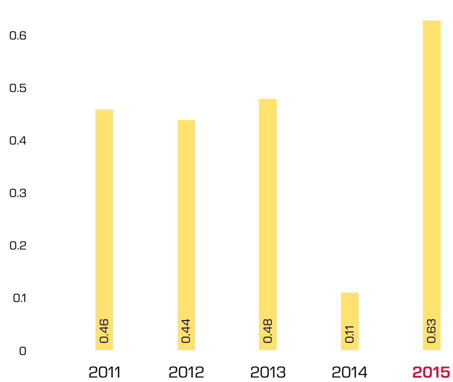



### 2014




## EARNINGS PER SHARE

EUR



## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS

itelligence AG recorded above-average growth in earnings before interest and taxes (EBIT) in fiscal year 2015. EBIT increased by +57.9%, from MEUR 22.8 in 2014 to MEUR 36.0 in the year under review. In addition to the more positive development of consulting projects, extraordinary measures aimed at reducing costs were implemented in early 2015. The EBIT margin improved by +1.1 percentage points, from 4.1% to 5.2%. The operating EBITA margin (earnings before interest, taxes and amortization) amounted to 6.2%. The difference of 1.0 percentage points compared with the EBIT margin is due to the scheduled amortization of intangible assets in the amount of MEUR 6.9. Capitalized customer relationships and orders on hand are amortized over periods that reflect the respective contractual terms.

At MEUR 12.7, the highest absolute earnings contribution was generated by the Germany/Austria/Switzerland segment (previous year: MEUR 9.0). The increase in the segment earnings contribution was due in particular to the higher utilization rate of in-house consultants, the stable earnings contributions from license sales, the good earnings performance in Switzerland (including currency translation effects), and the profitable business of GISA GmbH.

The earnings contribution in the Western Europe segment improved by MEUR +5.8, from MEUR 5.6 in 2014 to MEUR 11.4 in the past fiscal year. In addition to the continued positive business development in the Denmark/Norway/Sweden sub-region and the UK, there was a substantial improvement in earnings performance in Benelux. The restructuring of management and rising daily consulting rates meant that earnings increased by around MEUR 2.0 compared with the previous year.

The Eastern Europe segment generated an earnings contribution of MEUR 7.8, up MEUR +3.4 year-on-year (previous year: MEUR 4.4). Alongside the positive development in Turkey and Poland, the growth in the earnings contribution was driven by the national subsidiary in Russia. By contrast, the earnings contribution in the Czech Republic was below expectations.

Profitability in the USA segment was higher than in the previous year: at MEUR 4.5, the EBIT contribution increased by MEUR +1.3 (+40.6%). This was also due to currency translation effects. Adjusted for these effects, earnings would have been MEUR -1.9 lower than in the previous year. The cost reduction program introduced in the USA in 2014 and more positive business development in 2015 led to an improvement in earnings that was supported by performance in Canada, which remained encouraging.

The earnings contribution from the Asia segment remained largely unchanged year-on-year at MEUR 0.7. The national subsidiary in Malaysia enjoyed positive development as expected, with its earnings contribution increasing by MEUR +0.8 year-on-year to MEUR 1.3. Business in Shanghai and China remained below expectations. Earnings amounted to MEUR -0.6 in the past fiscal year; this was due in particular to specific valuation allowances.

The EBIT contribution in the Other segment was down on the previous year. Recruit broke even, while ITC generated an earnings contribution of MEUR 0.3 (previous year: MEUR 0.4).

| DEVELOPMENT OF THE EBIT MARGIN: | |
|---|---|
| **EBIT margin 2014** | **4.1%** |
| Third-party service provider costs | +0.6% |
| Personnel expenses | +0.9% |
| Cost of materials | -0.8% |
| Travel costs | +0.8% |
| Depreciation and amortization | -0.2% |
| Other income/expenses | -0.2% |
| **EBIT margin 2015** | **5.2%** |

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

The ratio of staff costs to total revenues declined by -0.9% year-on-year to 51.6% as a result of the cost-oriented HR policy. The utilization ratio of third-party service providers fell by -0.6% to 8.8%. This meant that the staff cost ratio (own employees and third-party service providers) declined by -1.4%, from 61.9% to 60.5%. The product cost ratio increased by +0.8% to 19.9% due to lower margins in license business.

In the past fiscal year, the ratio of travel costs to total revenues decreased by -0.8 percentage points to 4.4%.

The balance of other operating expenses and income rose by +0.2%.

At 23.4%, the gross margin was largely unchanged as against the prior-year figure of 23.5%. This was due to maintenance margins as well as the lower earnings contributions from consulting business. The ratio of selling and marketing expenses to revenues declined by -1.0% year-on-year, from 10.3% to 9.3%. At 8.3%, administrative expenses were unchanged as against the previous year.

### NET FINANCE COSTS

Net finance costs amounted to MEUR -5.7 (previous year: MEUR -8.6). This figure includes finance income from short-term investments in the amount of MEUR 0.2 (previous year: MEUR 0.1) and finance costs of MEUR 2.7 (previous year: MEUR 3.2). Net finance costs also include expenses from the remeasurement of derivatives and the exercise of options in the amount of MEUR 2.9 (previous year: MEUR 5.8). This results in EBT (earnings before taxes) of MEUR 30.4 after MEUR 14.2 in the previous year.

### TAX EXPENSE

Tax expense in fiscal year 2015 amounted to MEUR 9.2 (previous year: MEUR 7.4). At 30.4%, the consolidated tax rate was down significantly on the previous year (52.4%). Around 14 percentage points of the comparatively lower effective tax rate was attributable to a reduction in non-tax-deductible expenses, particularly in connection with the remeasurement and exercise of options. 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
Page 69

Earnings per share
Page 70

itelligence AG's consolidated net profit for the fiscal year under review increased to MEUR 21.1, up MEUR 14.4 on the prior-year figure of MEUR 6.7.

Accordingly, earnings per share for the past fiscal year also rose from EUR 0.11 to EUR 0.63. Earnings per share were calculated on the basis of 30,014,838 shares.

### NET ASSETS

The itelligence Group's total assets grew by MEUR 62.1 or 15.6% to MEUR 459.3 as of December 31, 2015 (previous year: MEUR 397.2). This was primarily due to the increase in assets resulting from the companies and operations acquired outside Germany and borrowings to finance these acquisitions.

| **ASSETS** MEUR | Dec. 31, 2015 | Dec. 31, 2014 | Change |
|---|---|---|---|
| Intangible assets | 128.8 | 120.9 | 7.9 |
| Property, plant and equipment | 81.0 | 72.9 | 8.1 |
| Non-current receivables and other assets | 9.6 | 7.8 | 1.8 |
| **Non-current assets** | **219.4** | **201.6** | **17.8** |
| Current receivables and other assets | 185.4 | 156.8 | 28.6 |
| Cash and cash equivalents | 54.5 | 38.8 | 15.7 |
| **Current assets** | **239.9** | **195.6** | **44.3** |
| **Total assets** | **459.3** | **397.2** | **62.1** |

| **EQUITY AND LIABILITIES** MEUR | Dec. 31, 2015 | Dec. 31, 2014 | Change |
|---|---|---|---|
| **Equity (incl. non-controlling interests)** | 155.0 | 132.9 | 22.1 |
| Financial liabilities | 88.6 | 63.9 | 24.7 |
| Provisions for pensions and other provisions | 8.4 | 9.8 | -1.4 |
| Other non-current liabilities | 19.1 | 15.9 | 3.2 |
| **Non-current liabilities** | **116.1** | **89.6** | **26.5** |
| Trade payables | 54.3 | 47.5 | 6.8 |
| Financial liabilities | 27.3 | 31.0 | -3.7 |
| Other current liabilities and provisions | 106.6 | 96.2 | 10.4 |
| **Current liabilities** | **188.2** | **174.7** | **13.5** |
| **Total equity and liabilities** | **459.3** | **397.2** | **62.1** |

Non-current assets increased by MEUR 17.8 in fiscal year 2015, from MEUR 201.6 to MEUR 219.4. Non-current assets accounted for 47.8% of total assets at the reporting date (previous year: 50.8%). The main items under non-current assets are goodwill in the amount of MEUR 107.9 (previous year: MEUR 98.9) and property, plant and equipment in the amount of MEUR 81.0 (previous year: MEUR 72.9). The MEUR 9.0 increase in goodwill was primarily attributable to the acquisition in full of the SAP business of Artaud, Courthéoux & Associés (ACA), France, as well as the acquisition of 100% of the shares in Pontech s.r.o., Czech Republic, and 100% of the shares in IT Performs, UK.

Current assets amounted to MEUR 239.9 at the end of the year under review (previous year: MEUR 195.6), thereby accounting for 52.2% of total assets (previous year: 49.2%). Trade receivables saw the strongest growth; this item increased by 19.4% year-on-year, from MEUR 130.0 to MEUR 155.3, as a result of the acquisitions conducted and the high level of revenues in the fourth quarter. The average days sales outstanding declined to 75 days at the reporting date (previous year: 87 days), while cash and cash equivalents increased by 40.6% to MEUR 54.5 (previous year: MEUR 38.8).

On the liability side of the consolidated statement of financial position, equity increased by MEUR 22.1 to MEUR 155.0 largely as a result of the consolidated net profit for the year. Despite the significantly higher level of equity, the simultaneous rise in total assets meant that the equity ratio, which expresses the ratio of equity to total assets, only increased slightly from 33.5% in the previous year to 33.7%.

Non-current liabilities accounted for 25.3% of the Group's total equity and liabilities at December 31, 2015, down on the prior-year figure of 22.6%. In early 2015, the existing loans were rescheduled with the Group holding company. In addition, the loan volumes were increased by MEUR 23.8 to finance future acquisitions and the acquisition of further shares in companies in the context of agreed put and call options. Generally speaking, the non-current financial liabilities primarily relate to the financing of the data centers in Germany and abroad as well as the Group's acquisitions.

itelligence recorded an increase in current liabilities of MEUR 13.5 to MEUR 188.2. The increase in non-current liabilities was primarily due to higher trade payables, as well as the higher level of other non-financial liabilities at year-end. The rise in other non-financial liabilities is mainly due to higher liabilities for advance payments (MEUR +3.6) as well as vacation entitlement (MEUR +1.6). At 41.0%, the ratio of current liabilities to total assets was down on the previous year (44.0%).

## FINANCIAL POSITION

| **CASHFLOW** MEUR | Dec. 31, 2015 | Dec. 31, 2014 | Change |
|---|---|---|---|
| EBITDA | 62.5 | 43.3 | 19.2 |
| Cash flows from operating activities | 35.2 | 23.8 | 11.4 |
| Cash flows from investing activities | -26.7 | -35.6 | 8.9 |
| Cash flows from financing activities | 6.6 | 10.5 | -3.9 |
| Change in liquidity | 15.7 | -0.5 | 15.2 |

In the past fiscal year, net cash from operating activities rose by MEUR 11.4 to MEUR 35.2. This development was primarily due to the MEUR 19.2 increase in EBITDA, which was offset by the rise in working capital.

Net cash used in investing activities amounted to MEUR 26.7 after MEUR 35.6 in the previous year. This was due in particular to purchase price payments for the acquisition of the new companies (less cash and cash equivalents acquired) in the amount of MEUR 8.7 (previous year: MEUR 19.5). Investments in intangible assets and property, plant and equipment (less investment subsidies and grants) amounted to MEUR 18.5 in the year under review (previous year:

MEUR 19.4). Investments in intangible assets primarily related to the orders on hand and customer relationships acquired in the business areas of the SAP business of Artaud, Courthéoux & Associés (ACA), France, and IT Performs, UK. As in the previous reporting periods, investments in property, plant and equipment primarily related to the expansion of data center capacities in Germany and abroad.

In terms of geographical segments, the USA accounted for investments including finance leases of MEUR 5.7 (previous year: MEUR 2.7), DACH for MEUR 16.7 (previous year: MEUR 11.5), Western Europe for MEUR 2.5 (previous year: MEUR 1.0), and Eastern Europe for MEUR 2.4 (previous year: MEUR 2.8).

Net cash used in financing activities totaled MEUR 6.6 (previous year: MEUR 10.5). The group entered into financial liabilities of MEUR 27.0 in fiscal year 2015. This was offset by repayments in the amount of MEUR 5.2 (MEUR 0.4 of which related to the Group parent) and finance lease payments of MEUR 6.5. Non-current financial liabilities were primarily entered into in connection with acquisitions as well as investments in the data centers. The interest rates ranged from 0.67% to 1.5%. Due to the fixed interest agreements for the existing financing, a change in interest rates would not have a significant impact on the itelligence Group's financial position. For future growth finance, a change in interest rates would affect the Group's financial position and net interest income. Details on the nature, maturity and interest rate structure of the liabilities can be found in note (23) "Financial liabilities" in the notes to the consolidated financial statements.

Cash and cash equivalents increased by MEUR 15.7 to MEUR 54.5 as of the reporting date (previous year: MEUR 38.8). Of this figure, MEUR 21.7 was held in the euro zone and was not subject to exchange rate fluctuations. Cash and cash equivalents held outside the euro zone in the amount of MEUR 32.8 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 fluctuations in the market interest rates for such investments on the money and capital markets can have an impact on itelligence's net interest income.

In order to increase financial flexibility, additional credit facilities of MEUR 14.5 were agreed in Germany. In the year under review, these were utilized for drawing against guarantees and loans in the amount of MEUR 0.3. In addition to credit facilities in Germany, subsidiaries also applied for credit facilities abroad. These credit facilities with a total volume of MEUR 17.6 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.

The Management Board expects the cash and cash equivalents of MEUR 54.5 together with financial reserves in the form of various unutilized credit facilities to be sufficient to cover itelligence's operating capital requirements and – together with the expected net cash from operating activities – the scheduled debt repayments and other planned short-term and medium-term investments. The partnership with NTT DATA also serves to ensure the Group's financial flexibility.

## OVERALL ASSESSMENT OF THE ECONOMIC POSITION

itelligence exceeded its growth targets once again in 2015. Thanks to its acquisitions in the UK, the Czech Republic, France and Sweden, itelligence further expanded its market position and acquired specialist expertise in each of these countries.

Even after the acquisitions, the consolidated statement of financial position still shows a sound equity ratio of 33.7% after 33.5% in the previous year. itelligence holds cash and cash equivalents of MEUR 54.5, and has sufficient credit facilities of MEUR 14.5 in Germany and MEUR 17.6 abroad to guarantee sufficient financial flexibility. However, loans and financing can be concluded with the parent company NTT DATA at any time. The Management Board rates the financial scope of itelligence AG as sufficiently stable to finance the envisaged growth in Germany and abroad. Overall, itelligence AG's economic position remains highly satisfactory.

A stated aim for fiscal year 2016 is to increase profitability. Overall, the Management Board expects the economic position to improve in 2016.

## FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

### FINANCIAL PERFORMANCE INDICATORS

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

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

### NON-FINANCIAL PERFORMANCE INDICATORS

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

The Group-wide employee survey is the central instrument for measuring the progress made by the company in implementing its strategy and the development of management behavior. The survey was conducted for the fourth time in 2015. The itelligence Group has a mature corporate identity that constitutes the foundation for its success on the basis of shared core values and a uniform value system.

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

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

The quality of itelligence's work is demonstrated by the number of SAP awards received, including for high-quality SAP projects in 2015.

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

## VALUE ADDED STATEMENT

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

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

In fiscal year 2015, revenues increased by +25.0% to MEUR 696.2. This development comprised organic growth of +16.4% and inorganic growth of +8.6%. Inorganic growth was attributable to the acquisition of GISA GmbH in Germany and Symphony in the USA in 2014, as well as the acquisitions conducted in the Czech Republic, the UK, Sweden and France in 2015.

Product-related expenses, which contain advance expenses for software licenses and maintenance, increased by MEUR +31.9 or +29.9% year-on-year to MEUR 138.4. This absolute increase is attributable to the higher maintenance volume and the corresponding costs payable to SAP SE, as well as the higher license volume. Third-party service provider costs amounted to MEUR 61.4, up around MEUR 9.0 on the previous year.

itelligence AG saw an increase in its value added in the past fiscal year. Value added currently corresponds to 55.4% of business performance (previous year: 54.7%).

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

At 91.5% (previous year: 94.3%), 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: 2.4%).

| VALUE ADDED STATEMENT | | | ORIGIN | | | |
|---|---|---|---|---|---|---|
| KEUR | 2015 | | 2014 | | Change | |
| Revenues | 696,240 | 99.4% | 556,806 | 99.4% | 139,434 | 25.0% |
| Other income | 4,037 | 0.6% | 3,290 | 0.6% | 747 | 22.7% |
| **Business performance** | **700,277** | **100.0%** | **560,096** | **100.0%** | **140,181** | **25.0%** |
| Product-related expenses | 138,404 | 19.8% | 106,514 | 19.0% | 31,890 | 29.9% |
| Third-party service providers | 61,352 | 8.8% | 52,389 | 9.4% | 8,963 | 17.1% |
| Rental expenses | 17,203 | 2.5% | 14,409 | 2.6% | 2,794 | 19.4% |
| Depreciation/amortization | 26,525 | 3.8% | 20,472 | 3.7% | 6,053 | 29.6% |
| Other expenses | 68,562 | 9.8% | 60,068 | 10.7% | 8,494 | 14.1% |
| **Value added** | **388,231** | **55.4%** | **306,244** | **54.7%** | **81,987** | **26.8%** |

| | | | APPLICATION | | | |
|---|---|---|---|---|---|---|
| KEUR | 2015 | | 2014 | | Change | |
| Employees | 355,196 | 91.5% | 288,922 | 94.3% | 66,274 | 22.9% |
| Company (retained profits) | 18,786 | 4.8% | 3,286 | 1.1% | 15,500 | 471.7% |
| Lenders | 2,685 | 0.7% | 3,157 | 1.0% | -472 | -15.0% |
| Government | 9,220 | 2.4% | 7,426 | 2.4% | 1,794 | 24.2% |
| Minority interests | 2,344 | 0.6% | 3,453 | 1.1% | -1,109 | -32.1% |
| **Value added** | **388,231** | **100.0%** | **306,244** | **100.0%** | **81,987** | **26.8%** |

## REMUNERATION REPORT

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

### REMUNERATION OF THE MANAGEMENT BOARD

The following table provides a breakdown of the remuneration of the Management Board for fiscal year 2015:

| HERBERT VOGEL, CEO | 2015 | 2014 |
|---|---|---|
| KEUR | | |
| Non-performance-related (fixed) remuneration | 500 | 500 |
| Performance-related (variable) current remuneration (current year) | 245 | 212 |
| Performance-related (variable) non-current remuneration (current year) | 440 | 332 |
| Payment difference for (variable) current remuneration (previous year) | 0 | 19 |
| **Total remuneration for the year** | **1,185** | **1,063** |

| NORBERT ROTTER, CFO | 2015 | 2014 |
|---|---|---|
| KEUR | | |
| Non-performance-related (fixed) remuneration | 250 | 250 |
| Performance-related (variable) current remuneration (current year) | 147 | 127 |
| Performance-related (variable) non-current remuneration (current year) | 191 | 144 |
| Payment difference for (variable) current remuneration (previous year) | 0 | 12 |
| **Total remuneration for the year** | **588** | **533** |

The total remuneration paid to the members of the Management Board for fiscal year 2015 was KEUR 1,773 (previous year: KEUR 1,596).

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 relate primarily to contributions to accident and liability insurance and the provision of a company car reflecting the position of the respective member.

— Variable remuneration consists of a short-term incentive based on the Group's achievement of its earnings goal (consolidated EBIT) for the year, the Group's revenues target (consolidated) and personal performance. It is paid within five working days after the Annual General Meeting.

— The members of the Management Board also receive a bonus with long-term incentive effect based on a comparison of two average value added contributions (consolidated EBIT) each calculated over a four-year period. This is also paid within five working days of the Annual General Meeting for the fourth fiscal year of the relevant performance period. As the activities that give rise to a claim for remuneration were performed for the respective bonus tranches in fiscal year 2015, this is reported on a pro rata basis in the 2015 remuneration report. Any payment difference compared with the amount actually granted is included in the total remuneration for the fiscal year in which the legally binding commitment was made.

— The members of the Management Board are entitled to a life-long old-age pension from their 65th birthday irrespective of how old they were when they joined the company. The monthly pension amounts to EUR 10,000 for the CEO and EUR 4,500 for the CFO. The pension commitment also includes a widow's pension amounting to 65% of the pension of the respective member of the Management Board and an orphan's pension. If a member of the Management Board leaves the company before his 65th birthday while serving as a member of the Management Board, the pension commitment will remain in place but will be reduced proportionately.

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

In previous years, part of the variable remuneration was paid as a long-term remuneration component based on the three-year performance of the average unweighted Xetra closing price of itelligence's shares. The share-based remuneration was replaced by the long-term incentive program described above. See also the comments under note 27 Other non-financial liabilities. Virtual itelligence shares were usually issued after the end of itelligence's Annual General Meeting on the basis of the unweighted Xetra closing prices on all trading days in the previous fiscal year. After the end of the third subsequent Annual General Meeting, the average of the unweighted Xetra closing prices on all trading days of the respective previous fiscal year was calculated. If this comparison of the average price at the issue date and the average price after the end of this three-year period showed an increase in the company's share price, the respective Management Board member was paid an amount equivalent to the increase in the value of the virtual shares acquired. Variable long-term remuneration is payable only after the end of the third Annual General Meeting. Share-based remuneration is included in total remuneration at the fair value at the grant date. The performance of the virtual stock options and the amounts paid are shown separately within the remuneration report. Management Board members not in office for the entire three-year period receive this performance related remuneration on a pro rata basis at the end of the three-year period.

In fiscal year 2015, the ninth and last remaining tranche of the long-term share-based remuneration, which ran from January 1, 2012 to December 31, 2014, was paid to the Management Board:

KEUR 175.5 was paid to the CEO and KEUR 175.5 to the CFO.

No loans were granted to members of the Management Board in fiscal years 2015 and 2014. There were also no similar benefits. The members of the Management Board do not receive any remuneration for mandates at Group companies.

There were no commitments for severance payments in the case of the regular termination or non-renewal of employment contracts or a change of shareholder or for transitional benefits. In the event of the early termination of a Management Board contract not resulting from justified extraordinary termination by the company, the members of the Management Board shall be paid the remuneration for the remainder of their contract as severance. A cap on severance has not been agreed upon. A post-contract non-compete clause and post-contract customer protection has been agreed to 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 non-compete clause. The company has imposed a non-compete clause on a member of the Management Board for a period of 24 months and recognized corresponding provisions for remuneration as of December 31, 2015.

The company has pension obligations to the members of the Management Board in the amount of KEUR 2,784, for which total expenses of KEUR 73 were incurred in 2015.

The financing status developed as follows:

| HERBERT VOGEL | 2015 | 2014 |
|---|---|---|
| KEUR | | |
| Defined benefit obligation | 2,400 | 2,464 |
| Cash surrender value of the employer's pension liability insurance policy | -1,062 | -985 |
| **Financing status** | **1,338** | **1,479** |

| NORBERT ROTTER | 2015 | 2014 |
|---|---|---|
| KEUR | | |
| Defined benefit obligation | 384 | 384 |
| Cash surrender value of the employer's pension liability insurance policy | -165 | -139 |
| **Financing status** | **219** | **245** |

The company has pension obligations to former members of executive bodies in the amount of KEUR 1,144, for which expenses of KEUR 18 were incurred in 2015.

The financing status developed as follows:

| | 2015 | 2014 |
|---|---|---|
| Defined benefit obligation | 1,144 | 1,211 |
| Cash surrender value of the employer's pension liability insurance policy | -561 | -530 |
| **Financing status** | **583** | **681** |

## REMUNERATION OF THE SUPERVISORY BOARD

The following table provides a breakdown of the remuneration of the Supervisory Board for fiscal year 2015 and the previous year:

| KEUR | Fixed remuneration component | Committee remuneration | Attendance fees | **2015** Total remuneration |
|---|---|---|---|---|
| Friedrich Fleischmann (Chairman) | 75.0 | 37.5 | 9.0 | 121.5 |
| Dr. Stephan Kremeyer (Deputy Chairman) | 37.5 | 12.5 | 9.0 | 59.0 |
| Prof. Heiner Schumacher | 25.0 | 27.5 | 9.0 | 61.5 |
| Carsten Esser | 25.0 | 5.0 | 9.0 | 39.0 |
| Kazuhiro Nishihata until Aug. 20, 2015 / Tadashi Uhira* | 25.0 | 5.0 | 5.0 | 35.0 |
| Akiyoshi Nishijima until Aug. 20, 2015 / Koji Ito* | 25.0 | 0.0 | 5.0 | 30.0 |
| | **212.5** | **87.5** | **46.0** | **346.0** |

| KEUR | Fixed remuneration component | Committee remuneration | Attendance fees | 2014 Total remuneration |
|---|---|---|---|---|
| Friedrich Fleischmann (Chairman) | 75.0 | 37.5 | 9.0 | 121.5 |
| Dr. Stephan Kremeyer (Deputy Chairman) | 37.5 | 12.5 | 9.0 | 59.0 |
| Prof. Heiner Schumacher | 25.0 | 27.5 | 8.0 | 60.5 |
| Carsten Esser | 25.0 | 5.0 | 9.0 | 39.0 |
| Kazuhiro Nishihata* | 25.0 | 3.9 | 6.0 | 34.9 |
| Akiyoshi Nishijima* | 25.0 | 0.0 | 7.0 | 32.0 |
| | **212.5** | **86.4** | **48.0** | **346.9** |

* Remuneration is settled on a cumulative basis with NTT DATA EUROPE GmbH & Co. KG, Bielefeld

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

— Each member of the Supervisory Board receives fixed annual remuneration of KEUR 25. The Chairman receives three times this amount, while the Deputy Chairman receives one and a half times this amount. In addition, each member of the Supervisory Board receives an attendance fee of EUR 1,000 per day for each meeting of the Supervisory Board or of a Supervisory Board committee attended.

- Members of Supervisory Board committees receive additional fixed remuneration of EUR 5,000 for each membership of a committee. The chairman of a committee receives three times this amount, while the deputy chairman of a committee receives one and a half times this amount.

- Remuneration is payable quarterly after the end of each quarter. Supervisory Board members not in office for the entire quarter receive their remuneration pro rata temporis.

Members of the Supervisory Board also received performance-based remuneration geared towards the company's long-term success in previous years. After the end of the Annual General Meeting, a situation was simulated whereby the company invested a notional amount of EUR 5,000 in shares of the company for each member of the Supervisory Board on the basis of the average of the unweighted Xetra closing prices of the shares on all trading days in the previous fiscal year. The notional investment amount for the Chairman of the Supervisory Board was EUR 15,000, while the notional investment amount for the Deputy Chairman was EUR 7,500. After the end of the third subsequent Annual General Meeting, the average of the unweighted Xetra closing prices on all trading days of the respective previous fiscal year is calculated. If this comparison of the average price in accordance with sentence 2 and the average price in accordance with sentence 4 showed an increase in the company's share price, the respective Supervisory Board member was paid an amount equivalent to the increase in the value of the virtual shares acquired in accordance with sentence 2. This performance-related remuneration was payable on the first working day after the third Annual General Meeting in accordance with sentence 4. Share-based remuneration is included in total remuneration at the fair value at the grant date. The performance of the virtual stock options and the amounts paid are shown separately within the remuneration report. Supervisory Board members not in office for the entire three-year period receive this performance related remuneration on a pro rata basis at the end of the three-year period.

In fiscal year 2015, the ninth and last remaining tranche of the share-based remuneration with long-term incentive effect, which ran from January 1, 2012 to December 31, 2014, was out to the members of the Supervisory Board (at the time of assignment) in the amount of:

- KEUR 3.3 to the former Chairman Lutz Mellinger
- KEUR 4.9 to the Deputy Chairman Dr. Stephan Kremeyer
- KEUR 3.3 to each member who was in office at the grant date

There were no further virtual stock options outstanding as of December 31, 2015.

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

## REPORT ON POST-BALANCE SHEET DATE EVENTS

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

## DEPENDENT COMPANY REPORT

All of the shares in itelligence AG are held by NTT DATA EUROPE GmbH & Co. KG, Bielefeld. NTT DATA EUROPE GmbH & Co. KG is a wholly-owned subsidiary of NTT DATA Corporation, Japan. As there is neither a control or profit transfer agreement in place with NTT DATA EUROPE GmbH & Co. KG nor an incorporation was planned, 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

### OPPORTUNITIES AND RISKS

As previously, the internal control system (ICS) of itelligence AG consists of corporate controlling, financial reporting and internal audit as well as Group-wide risk management. The function has also been expanded to include the operating units and information technology.

The harmonization of the internal audit and reporting system in the Group and within the NTT DATA Group continued in 2015. The level of detail of the controls performed at business process level was increased. The functionality of the controls in the business environment and internal IT is examined by management annually.

In 2015, the internal IT, information security, quality management, legal and data protection departments were combined to form a single functional team under Risk Management.

The risk inventory is updated once a year.

## OPPORTUNITY MANAGEMENT

As a long-term partner, itelligence assumes responsibility for the success of IT initiatives implemented by customers. For itelligence, the combination of SAP consulting, software, hosting and application management services forms the basis for customer-oriented solutions. Our industry solutions and process expertise and our SAP technology leadership form the basis for successful cooperation.

Our successful business model is based on a full-service provider approach that underpins our long-term, sustainable business success. We are working to improve our value chain based on our existing strengths and expertise. The management sees opportunities in new markets with corresponding growth potential. Technological advances such as Industry 4.0, cloud computing and mobility also offer sustainable growth opportunities for itelligence.

## OPPORTUNITIES OF FUTURE BUSINESS DEVELOPMENT

Because of its focus as a full-service IT provider for SAP, a large number of economic growth opportunities are available to itelligence AG. These result not only from the innovation of SAP products (e.g. Industry 4.0, big data solutions, social media analytics, cloud and mobility services), but also from the international cooperation with SAP. itelligence's global partnerships allow it to provide intensive support to small and medium-sized enterprises and, in particular, upper midmarket companies with a strong international focus in Germany and abroad.

The parent company NTT DATA Corporation supports itelligence AG's dynamic growth. Activities are concentrated on realizing joint projects and developing markets. itelligence uses the capital resources provided by the partnership with NTT DATA to strengthen its position through targeted acquisitions.

### RISK MANAGEMENT

In accordance with section 91(2) AktG, the Management Board of itelligence AG has established a risk management system for the Group in order to identify risks at an early stage. The risk management system is implemented on a Group-wide basis as one of the integral components of the business and decision-making processes. It contains a number of control mechanisms aimed at ensuring a permanent and systematic approach based on a defined risk strategy. This system comprises the integrated planning process, monitoring and controlling of business processes and the rule-compliant consolidated financial statements, which are prepared in accordance with IFRS as applicable in the EU. The defined standards are set out and published in Group-wide guidelines such as the Accounting and Account Assignment Manual, Compliance Management, the Risk Management Guideline and the Information Security Guideline. These are based on the requirements of the NTT DATA Group. Implementation of the Japanese statutory provisions based on the US Sarbanes-Oxley Act is examined and improved by itelligence's Internal Audit in cooperation with NTT DATA. Since mid-2015, the entity-level controls have been supplemented by process-level controls.

Monthly management meetings at which the operating divisions report on business developments, opportunities and risks of their areas of responsibility are supplemented by half-yearly business reviews in the regions and international management meetings.

One key element of the integrated opportunity and risk management system is the committees in which the Management Board and the Supervisory Board meet on a regular basis.

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

## RISKS OF FUTURE BUSINESS DEVELOPMENT

### BUSINESS ENVIRONMENT RISKS

**SAP partnership**
itelligence focuses on SAP as a provider of comprehensive IT services for the traditional and upper midmarket. Consequently, itelligence AG is dependent to a large extent on the continued market success of SAP's products. This dependence could have an impact on itelligence's net assets, financial position and results of operations. As well as providing support, the SAP partner model, which takes different forms in itelligence's various segments, embodies an economic risk for itelligence. The economic risk for itelligence will be reduced while SAP continues to provide customers with high-performance products.

**Human resources risks and opportunities**
Highly-qualified employees and managers are a key factor in itelligence AG's success. A lack of qualifications for innovative topics, obsolete expertise and insufficient motivation would impair the success of our projects.

Professional training in the form of online training is used to ensure the balanced, timely, broad-based training of employees, while our managers' skills are promoted by the international management development program.

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

## INDUSTRY RISKS

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

a) Customer-oriented market risks
This includes economic cycles, changes in customer behavior, company concentration, customer insolvency risk and similar risks.
b) Supplier-oriented market risks
This includes supplier services as well as service quality and similar factors.

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

## PERFORMANCE RISKS

**Project risk**
Project risk and resulting adverse effects on itelligence's net assets and results of operations can never be completely ruled out. itelligence works actively to reduce product risks by using qualified employees, through its advanced project methodology and its defined project organization including meetings of the steering committee, and by incorporating customers in project work. Increasing the transparency of projects through effective project controlling, which begins with the monitoring of the project by the project manager and extends to the escalation provisions, enables everyone involved to identify risks at an early stage and take appropriate countermeasures.

**Risks in the Outsourcing & Services division**

The availability and reliability of data center services are key factors for the Outsourcing & Services division. Contractual and statutory provisions form the basis for resource and process planning, while clearly defined responsibilities, interfaces and workflows serve to ensure compliance. When new or altered technologies and processes are implemented, a defined testing and acceptance procedure is applied in order to carefully weigh up the forecast opportunities and risks. The requirements in terms of technology and processes must be unequivocally defined and measurable at all times, all steps in the implementation process including the related test procedures and alternative plans must be carefully documented, and the results achieved must be evaluated impartially.

In 2015, the services and processes were certified in accordance with ISO/IEC 20000-1:2011 and ISO/IEC 27001:2013. itelligence Outsourcing & Services GmbH's internal control system has been successfully tested and audited in accordance with ISAE3402. Comprehensive security measures – from building access restrictions through to the internal authorization concept for the responsible employees – and regular security audits with subsequent recertification have been implemented in data center operations. The change in European data protection legislation will pose new challenges for processes and technical measures in data center operations.

## FINANCIAL RISKS

**Liquidity risk**

itelligence has established a central finance management system that monitors and manages global liquidity. The weekly liquidity status report including a cash forecast enables Group-wide monitoring of cash and cash equivalents so that measures can be initiated at short notice as required. A constant level of cash and cash equivalents and credit facilities in Germany and abroad increases security and independence.

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

**Price risk**

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

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

## OTHER RISKS

**Political risk**
As an international service provider, itelligence is also exposed to political influences and their consequences. Accordingly, political risk is taken into account in all investment decisions.

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

## OVERALL RISK SITUATION

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

## RISK REPORTING IN CONNECTION WITH THE USE OF FINANCIAL INSTRUMENTS

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

## ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control system is a key factor in limiting and preventing risks, particularly accounting-related risks. The purpose of the financial reporting-related internal control system is to provide reasonable assurance that the financial reporting is reliable and corresponds to the generally accepted principles of proper accounting.

The accounting-related internal control and risk management system is integrated into the company-wide risk management system. At itelligence, this system comprises principles, procedures and measures aimed at ensuring the effectiveness, economic efficiency and correctness of accounting. The internal guidelines relating to accounting and reporting in accordance with IFRS prescribe the uniform accounting policies to be applied at the domestic and foreign companies included in the consolidated financial statements. They also contain provisions on the schedule for the preparation of the consolidated financial statements and formalized requirements to be observed by the companies included in consolidation. itelligence's subsidiaries are responsible for ensuring that their financial statements comply with the Group-wide financial reporting framework and are supported and monitored by Corporate Accounting to this end.

New legislation, accounting standards and other pronouncements in connection with IFRS financial reporting are analyzed in a timely manner in terms of their impact and are included and implemented in the guidelines for itelligence's accounting processes where relevant.

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

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

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

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

## REPORT ON EXPECTED DEVELOPMENTS

### ECONOMIC FORECASTS FOR 2016

At 3.1%, growth in the global economy in 2015 was considerably weaker than forecast at the start of the year. Accordingly, the International Monetary Fund (IMF) lowered its growth forecast for the global economy several times during the course of the year, particularly in response to the sustained economic weakness in China and the emerging and developing nations. This means that economic expectations for 2016 and 2017 are comparatively muted. There is no sign of a return to robust, synchronous growth at present. The downside risks are generally considered to be more pronounced than the opportunities for growth. For example, the weaker rise in productivity suggests a deterioration in long-term global growth potential.

All in all, the IMF expects global gross domestic product (GDP) to rise by 3.4% in 2016 and 3.6% in 2017. The euro zone as a whole and Germany are expected to see stable growth rates of 1.7%. Private consumption is being boosted by the sharp downturn in oil prices in particular, as well as the expansionary monetary policy of the European Central Bank (ECB). These factors are also expected to drive economic growth in Japan, where the IMF expects GDP to increase by a moderate 1.0%. The forecast for US GDP growth remains robust at 2.6%. All in all, GDP in the industrialized nations is expected to increase by 2.1% in the current year after 1.9% in the previous year. However, growth momentum in the USA is currently suffering due to the sustained pressure on oil prices and the continued strength of the US dollar with respect to the Federal Reserve's more stringent monetary policy, among other things. Economic growth in China and the other emerging and developing nations is forecast at 4.3%. These countries are now responsible for more than half of global economic output. However, the sharp downturn in commodity prices is having a dramatic impact on these countries, especially Latin America and Russia.

For 2016, the IMF is highlighting the following downside risks for the global economy in particular:

— A slowdown in economic growth in China that is more pronounced than already anticipated. This would lead to lower trade flows, a further fall in commodity prices and declining investor confidence.

— A further appreciation of the US dollar accompanied by more stringent monetary policy on the part of the Federal Reserve. The latter in particular would make it more difficult for emerging economies and companies to obtain financing. This would also have consequences for US exports.

— A further deterioration in the existing geopolitical crises and the continued influx of refugees, particularly into the European Union.

Individually or in combination, this could lead to a sharp increase in risk aversion with a corresponding impact on the capital markets in terms of a sudden downturn in investment.

## OUTLOOK FOR THE SOFTWARE AND IT SERVICES MARKET

The outlook for the software and IT services market remains positive on the whole, not least thanks to the megatrend of digitalization. The digital transformation is placing many business models and industries under pressure. The synergy of cloud computing, big data analytics, mobility and social business is accelerating innovation with regard to the Internet of Things and Industry 4.0. Intelligent machines are exchanging information with other machines, and increasingly also with humans. This environment is giving rise to opportunities for generating revenue growth from digitalized products and services, improving customer relations and making internal processes more efficient. All in all, this paradigm shift when it comes to dealing with information and data requires significant investments in IT and IT services. Old system landscapes need to be rationalized and new ones developed. IT security is also a key aspect. Accordingly, business decision-makers are increasingly looking to extensive digitalization strategies.

In view of this, companies worldwide are stepping up their investment in IT technology and IT services again. However, the sharp appreciation of the US dollar has substantially skewed the revenue statistics. On a US dollar basis, global IT expenditure decreased by 5.8% year-on-year in 2015; however, adjusting this figure for currency translation effects results in an increase of 2.4%. The growth rates for enterprise software and IT services were 6.1% and 3.6% respectively after adjustment for currency translation effects.

For 2016, Gartner expects investments in enterprise software to increase by 6.1%, with investments in IT services rising by 3.6%. The average growth rates for the period 2014 – 2019 are estimated at 6.2% for enterprise software and 4.1% for IT services after adjustment for currency translation effects.

## EXPECTED BUSINESS DEVELOPMENT AT ITELLIGENCE AG

Fiscal year 2015 was extremely successful for itelligence AG. Revenues increased by +25.0% to MEUR 696.2. Operating growth amounted to 11.3% after adjustment for acquisition-related growth (8.6%) and currency translation effects (5.1%), meaning that itelligence again significantly outperformed the global market for SAP software and IT services in terms of growth.

As in the previous year, recurring business (SAP maintenance, hosting and AMS) accounted for around 45% of revenues. Growth was spread relatively evenly across all regions and divisions. Consulting business, which was the main revenue driver, increased by +25.8% to MEUR 310.1. Global AMS business continues to enjoy strong growth, demonstrating the benefits of itelligence's membership of the global NTT/NTT DATA network. Licenses revenues increased by +22.0% to MEUR 69.4 on the back of growing sales of cloud solutions and in-house products.

EBIT amounted to MEUR 36.0 in 2015, the highest figure in the company's history. In particular, itelligence achieved its strategic target of increasing the EBIT margin to over 5%. The reasons include a significant improvement in consultant capacity utilization and increased margins in global AMS business. In addition, extraordinary measures aimed at reducing costs were implemented in early 2015.

Orders on hand increased from MEUR 563.5 in the previous year to MEUR 659.5 at year-end 2015 (+17.0%). The Management Board is anticipating stable daily rates in the Consulting segment in the next fiscal year.

itelligence will continue to benefit from its customers' investments in the digitalization of their business processes and business models. The extensive renewal of SAP's product range – and especially the most high-performance database on the market, SAP HANA, and the new business suite SAP S/4HANA – mean that real-time enterprise management can already be guaranteed. SAP is also concentrating on an entirely new visualization technology, SAP Fiori, which provides users with new and simplified views. SAP estimates the globally addressable market for its product range at over USD 350 billion in 2020. This market potential will open up substantial business opportunities for itelligence AG. In particular, the increasingly close integration with affiliates of the NTT/NTT DATA Group will improve itelligence's access to larger, globally active customers.

With a view to itelligence AG's extremely good market positioning and stable economic development, particularly in the USA and Europe, the Management Board is forecasting organic growth of between 3.5% and 8% p.a. for the next two years. Revenues of at least MEUR 720 are expected in 2016. itelligence is also striving to conclude another one or two acquisitions, including in Germany. The Management Board is forecasting revenue growth to over MEUR 800 in 2017.

The management is focused on achieving a sustainable increase in profitability. On the basis of the revenue forecast, an EBIT margin of 5.5% is targeted for fiscal year 2016. EBIT of MEUR 40 is anticipated. The parent company, NTT DATA, Tokyo, has stated that it again does not intend to pay a dividend in 2016, and that all of the profits generated will instead be reinvested in itelligence AG's business model.

The company will use the insights gained from 360-degree feedback meetings with senior and middle management to make further investments in employee training. As previously, promoting employee qualifications and career opportunities will help to keep employee satisfaction at a high level in future.

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 17, 2016

itelligence AG

The Management Board

# CONSOLIDATED INCOME STATEMENT

IFRS

| KEUR | Notes | Jan. 1 – Dec. 31, 2015 | Jan. 1 – Dec. 31, 2014 |
|---|---|---|---|
| Revenues | 1 | 696,240 | 556,806 |
| Cost of sales | 2 | -533,359 | -426,189 |
| **Gross profit** | | **162,881** | **130,617** |
| Marketing and distribution expenses | 3 | -64,949 | -57,620 |
| Administration expenses | 4 | -58,113 | -46,390 |
| Other operating income | 5 | 4,037 | 3,290 |
| Other operating expenses | 6 | -4,853 | -5,763 |
| Amortization of orders on hand | 11 | -2,988 | -1,332 |
| Total operating expenses | | -126,866 | -107,815 |
| **Operating earnings** | | **36,015** | **22,802** |
| | | | |
| Investment income | | 17 | 398 |
| Measurement of derivatives and exercise of options | 7 | -2,864 | -5,781 |
| Exchange rate differences from financing activities | | -371 | -246 |
| Finance income | 8 | 238 | 149 |
| Finance expenses | 8 | -2,685 | -3,157 |
| Net finance costs | | -5,665 | -8,637 |
| **Earnings before tax** | | **30,350** | **14,165** |
| Income tax expenses | 9 | -9,220 | -7,426 |
| **Consolidated net profit** | | **21,130** | **6,739** |
| | | | |
| of which attributable to the shareholders of itelligence AG | | 18,786 | 3,286 |
| of which attributable to non-controlling interests | | 2,344 | 3,453 |
| | | | |
| Earnings per share (EUR) (basic, diluted) | 10 | 0,63 | 0,11 |
| | | | |
| Number of shares on the basis of which earnings per share were calculated: | | | |
| – basic, diluted | | **30,014,838** | 30,014,838 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IFRS

| KEUR | Jan. 1 – Dec. 31, 2015 | Jan. 1 – Dec. 31, 2014 |
|---|---|---|
| Consolidated net profit | 21,130 | 6,739 |
| Revaluation from defined benefit pensions plans IAS 19 * | 724 | -2,153 |
| Currency translation differences ** | 2,351 | 2,820 |
| **Other comprehensive income** | **3,075** | **667** |
| **Total comprehensive income** | **24,205** | **7,406** |
| | | |
| of which attributable to the shareholders of itelligence AG | 22,000 | 3,865 |
| of which attributable to non-controlling interests | 2,205 | 3,541 |

* Items never transferred to profit or loss

** Items which can be transferred to profit or loss

## CONSOLIDATED BALANCE SHEET

IFRS

| **ASSETS** KEUR | Notes | **Dec. 31, 2015** | **Dec. 31, 2014** |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 11 | 128,795 | 120,852 |
| Property, plant and equipment | 12 | 80,989 | 72,856 |
| Other financial assets | 13 | 1,129 | 1,363 |
| Trade receivables | 14 | 2,557 | 2,592 |
| Income tax receivables | | 57 | 123 |
| Deferred tax assets | 16 | 5,827 | 3,781 |
| | | **219,354** | **201,567** |
| **Current assets** | | | |
| Inventories | | 1,543 | 634 |
| Trade receivables | 14 | 155,284 | 130,042 |
| Income tax receivables | | 2,208 | 1,812 |
| Other financial assets | 13 | 4,283 | 4,084 |
| Other non-financial assets | 15 | 2,638 | 4,236 |
| Cash and cash equivalents | 17 | 54,518 | 38,764 |
| Prepaid expenses | 18 | 19,473 | 16,026 |
| | | **239,947** | **195,598** |
| | | **459,301** | **397,165** |

| **EQUITY AND LIABILITIES** KEUR | Notes | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | 19 | 30,015 | 30,015 |
| Capital reserves | 20 | 52,768 | 52,768 |
| Net accumulated profit | 21 | 72,962 | 54,176 |
| Other comprehensive income | 22 | -13,559 | -22,113 |
| | | **142,186** | **114,846** |
| Non-controlling interests | | 12,771 | 18,048 |
| | | **154,957** | **132,894** |
| **Non-current liabilities** | | | |
| Financial liabilities | 23 | 88,554 | 63,874 |
| Deferred tax liabilities | 16 | 14,783 | 10,345 |
| Other non-current provisions | 24 | 245 | 417 |
| Pension provisions | 25 | 8,123 | 9,399 |
| Government grants | 26 | 2,691 | 3,268 |
| Other non-financial liabilities | 27 | 1,724 | 2,301 |
| | | **116,120** | **89,604** |
| **Current liabilities** | | | |
| Trade payables | 28 | 54,305 | 47,502 |
| Financial liabilities | 23 | 27,301 | 30,963 |
| Tax provisions | | 3,936 | 2,374 |
| Other current provisions | 24 | 9,228 | 7,300 |
| Income tax liabilities | | 674 | 1,075 |
| Other non-financial liabilities | 27 | 84,689 | 75,779 |
| Deferred income | | 8,091 | 9,674 |
| | | **188,224** | **174,667** |
| | | **459,301** | **397,165** |

## CONSOLIDATED CASHFLOW STATEMENT

IFRS

| KEUR | Jan. 1 – Dec. 31, 2015 | Jan. 1 – Dec. 31, 2014 |
|---|---|---|
| **Consolidated net profit** | 21,130 | 6,739 |
| Amortization of intangible assets and depreciation of property, plant and equipment | 26,525 | 20,472 |
| Elimination of losses on asset disposals | -77 | -749 |
| Other non-cash expenses and income | -1,594 | -4,139 |
| Net finance costs | 5,665 | 8,637 |
| Tax expenses | 9,220 | 7,426 |
| | **60,869** | **38,386** |
| Change in inventories | -746 | -97 |
| Change in trade receivables | -23,067 | 4,521 |
| Change in other non-current assets | 130 | -1,181 |
| Change in other current assets | 1,755 | -2,693 |
| Change in prepaid expenses | -5,576 | -6,845 |
| Change in trade payables | 5,902 | 3,681 |
| Change in provisions for pensions | -1,276 | 1,578 |
| Change in other liabilities and provisions | 7,380 | -5,103 |
| | **45,371** | **32,247** |
| Interest received | 238 | 149 |
| Dividend received | 17 | 398 |
| Interest paid | -2,720 | -3,076 |
| Taxes paid | -7,674 | -5,880 |
| **Cashflows from operating activities** | **35,232** | **23,838** |
| Capital expenditure for intangible assets and property, plant and equipment | -18,556 | -19,814 |
| Investment grants and subsidies received | 74 | 434 |
| Cash received from the disposal of property, plant and equipment and intangible assets | 493 | 262 |
| Cash received from the disposal of financial assets | 0 | 3,010 |
| Subsequent purchase price payments for acquisitions | -79 | -1,422 |
| Payments for acquisitions (less cash and cash equivalents acquired) | -8,657 | -18,112 |
| **Cashflows from investing activities** | **-26,725** | **-35,642** |
| Dividends paid to non-controlling interests | -2,093 | -132 |
| Increase in long-term deposits | 202 | 720 |
| Payment for put/call options | -6,826 | -6,663 |
| Borrowing of financial liabilities | 27,041 | 25,341 |
| Repayment of financial liabilities | -11,716 | -8,812 |
| **Cashflows from financing activities** | **6,608** | **10,454** |
| Increase/decrease in cash and cash equivalents | 15,115 | -1,350 |
| Effects from exchange rate differences | 639 | 868 |
| Cash and cash equivalents as of January 1 | 38,764 | 39,246 |
| **Cash and cash equivalents as of December 31** | **54,518** | **38,764** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IFRS

| KEUR | Number of shares | Share capital | Capital reserves | Net accumu-lated profit | Cumulative other equity: Foreign exchange differences | Other equity IAS 19 | Other equity | Cumulative other equity | Equity attributable to the shareholders of the parent company | Non-controlling interests | Consoli-dated equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Dec. 31, 2013** | **30,014,838** | **30,015** | **52,768** | **50,890** | **-3,784** | **-840** | **-23,608** | **-28,232** | **105,441** | **16,356** | **121,797** |
| Consolidated net profit | | | | 3,286 | | | | | 3,286 | 3,453 | 6,739 |
| Actuarial losses IAS 19 | | | | | | -2,153 | | -2,153 | -2,153 | | -2,153 |
| Foreign exchange differences | | | | | 2,732 | | | 2,732 | 2,732 | 88 | 2,820 |
| **Other result** | | | | | **2,732** | **-2,153** | | **579** | **579** | **88** | **667** |
| **Total comprehensive income** | | | | **3,286** | **2,732** | **-2,153** | **0** | **579** | **3,865** | **3,541** | **7,406** |
| Dividend payments | | | | | | | | | | -132 | -132 |
| Acquisition of a subsidiary with non-controlling interests | | | | | | | | | | 3,823 | 3,823 |
| Exercise of options (without change of control) | | | | | | | 5,540 | 5,540 | 5,540 | -5,540 | 0 |
| **Shareholder transactions** | | | | | | | 5,540 | 5,540 | 5,540 | -1,849 | 3,691 |
| **December 31, 2014** | **30,014,838** | **30,015** | **52,768** | **54,176** | **-1,052** | **-2,993** | **-18,068** | **-22,113** | **114,846** | **18,048** | **132,894** |
| **Consolidated net profit** | | | | **18,786** | | | | | **18,786** | **2,344** | **21,130** |
| Actuarial losses IAS 19 | | | | | | 724 | | 724 | 724 | | 724 |
| Foreign exchange differences | | | | | 2,490 | | | 2,490 | 2,490 | -139 | 2,351 |
| **Other result** | | | | | **2,490** | **724** | | **3,214** | **3,214** | **-139** | **3,075** |
| **Total comprehensive income** | | | | **18,786** | **2,490** | **724** | **0** | **3,214** | **22,000** | **2,205** | **24,205** |
| Dividend payments | | | | | | | | | | -2,093 | -2,093 |
| Exercise of options (without change of control) | | | | | | | 5,340 | 5,340 | 5,340 | -5,389 | -49 |
| Shareholder transactions | | | | | | | 5,340 | 5,340 | 5,340 | -7,482 | -2,142 |
| December 31, 2015 | 30,014,838 | 30,015 | 52,768 | 72,962 | 1,438 | -2,269 | -12,728 | -13,559 | 142,186 | 12,771 | 154,957 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR FISCAL YEAR 2015

### A. GENERAL INFORMATION

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

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

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

Since December 13, 2007, the itelligence Group has had a majority shareholder: NTT DATA EUROPE GmbH & Co. KG, Bielefeld, 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 held more than 95% of the share capital of itelligence AG. Its holding in the company was increased to 100% in fiscal year 2013. NTT DATA EUROPE GmbH & Co. KG is the main shareholder.

itelligence AG's consolidated financial statements as of December 31, 2015 are prepared and published in euro (EUR) for the fiscal year from January 1 to December 31, 2015. Within the financial statements, all figures have been rounded to thousands of euro (KEUR) in line with business practice. The consolidated financial statements have been prepared on the basis of historical cost, with the exception of certain financial instruments recognized at market value.

The Management Board of itelligence AG authorized the consolidated financial statements to be submitted to the Supervisory Board on March 9, 2016. The Supervisory Board is responsible for examining the consolidated financial statements and declaring whether it approves them. The consolidated financial statements cannot be changed thereafter. The consolidated financial statements were approved by the Supervisory Board on March 17, 2016.

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.

### 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, 2015 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 2015 were taken into account.

The following amended standards and new interpretations to be applied in fiscal year 2015 had no significant effect on the presentation in the consolidated financial statements of itelligence AG:

### IFRIC 21 – LEVIES

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

### IMPROVEMENTS TO IFRS 2011 – 2013

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

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 2015.

## C. NEW ACCOUNTING STANDARDS

The itelligence Group does not intend to enact the early application of the following new or amended standards and interpretations that are only required to be applied in subsequent fiscal years. Unless stated otherwise, the effects on itelligence's consolidated financial statements are currently being examined.

**a) EU endorsement already in place**

### AMENDMENTS TO IFRS 11 – ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS

IFRS 11 contains provisions on the balance sheet and income statement recognition of joint ventures and joint operations. While joint ventures are recognized using the equity method, the representation IFRS 11 stipulates for joint operations is comparable with proportionate consideration.

With the amendment of IFRS 11, the IASB regulates accounting for an acquisition of interests in a joint venture that represents a business in the meaning of IFRS 3 Business Combinations. In such cases, the acquirer should apply the principles for accounting for business combinations in line with IFRS 3. In addition, the disclosure requirements of IFRS 3 apply in these cases.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2016. The revised version of IFRS 11 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

### AMENDMENTS TO IAS 1 – DISCLOSURE INITIATIVE

The amendments relate to various disclosure issues. It is made clear that disclosure requirements are necessary only if their content is not immaterial. This also applies explicitly if an IFRS demands a list of minimum disclosures. In additional explanations on aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income are taken up. In addition, it is clarified how interests in entities measured at equity are to be presented in the statement of comprehensive income. In addition, the normal order of presentation for the notes was eliminated in favor of a consideration that is more relevant to the individual entity.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2016.

### AMENDMENTS TO IAS 16 AND IAS 38 – CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTIZATION

With these amendments, the IASB provides further guidance on determining an acceptable method for depreciation and amortization. Thus revenue-based amortization methodology is not permitted for property, plant and equipment and for intangible assets only for specific exceptions (rebuttable presumption of unreasonableness).

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2016.

### AMENDMENTS TO IAS 16 AND IAS 41 – AGRICULTURE: BEARER PLANTS

In accordance with IAS 41, biological assets have been measured in profit and loss at fair value less costs to sell. This also applies to so-called bearer fruits, such as grape vines, rubber trees and oil palms, which serve to produce biological assets over several periods, without themselves being sold as agricultural produce. According to the amendments, bearer fruits are to be recognized in the same way as property, plant and equipment in line with IAS 16, as their operation is similar. However, their produce is to be recognized in line with IAS 41. In the context of the first-time adoption of the amendments, the reporter can take advantage of special exemptions. Thus for reasons of simplification, bearer fruits can be measured at fair value at the point of transition.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2016. The revised versions of IAS 16 and IAS 41 are not expected to have any effect on the future consolidated financial statements of itelligence AG.

### AMENDMENTS TO IAS 19 – DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS

The amendments clarify the provisions concerning the allocation of employee contributions and third-party contributions to service periods when contributions are linked to service. Furthermore, convenience options were created for if contributions are dependent on the number of years of service. The amendments are effective for the first time for fiscal years beginning on or after February 1, 2015.

### AMENDMENTS TO IAS 27 – EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

With the amendment, the equity method is reinstated as an accounting option for interests in subsidiaries, joint ventures and associates in separate financial statements. The existing options for measurement at cost or in accordance with IAS 39/IFRS 9 are retained. Since 2005, the application of the equity method for interests in the separate financial statements (of the parent) was not permitted according to IAS 27.

On the basis of complaints from IFRS reporters, also relating to the high expense for a fair value measurement on each financial reporting date, especially with unlisted associates, IASB made a change to IAS 27.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2016. The revised version of IAS 27 is not expected to have any effect on the future consolidated financial statements of itelligence AG.

### IMPROVEMENTS TO IFRS 2010 – 2012

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

The amendments are effective for the first time for fiscal years beginning on or after February 1, 2015. The amendments to IFRS 2 and IFRS 3 are effective for transactions taking place on or after July 1, 2014.

### IMPROVEMENTS TO IFRS 2012 – 2014

Amendments were made to four standards as part of the annual improvement project. Amending the formulation of individual IFRS/IAS is intended to clarify the existing provisions. This concerns the standards IFRS 5, IFRS 7, IAS 19 and IAS 34.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2016.

**b) EU endorsement outstanding**

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2016 subject to their being endorsed in EU law.

### IFRS 9 – FINANCIAL INSTRUMENTS

The IFRS 9 issued in July 2014 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains revised guidance on the classification and measurement of financial instruments, including a new model of expected credit losses to calculate the impairment of financial assets and the new general accounting regulations for hedging transactions. It also takes up the guidance on the recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for the first time for fiscal years beginning on or after January 1, 2018 subject to its being endorsed in EU law. Early application is permitted.

### IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from Contracts with Customers specifies a comprehensive framework to determine whether, at what level and from which time revenue is recognized. It replaces existing guidance on recognizing revenue, including IAS 18 Revenue, IAS 11 Construction Contacts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for the first time for fiscal years beginning on or after January 1, 2018 subject to its being endorsed in EU law. Early application is permitted.

### AMENDMENTS TO IFRS 10 AND IAS 28 – SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments address a known inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the case of the disposal of assets to an associate or a joint venture or the contribution of assets in an associate or a joint venture.

In accordance with IFRS 10, a parent must recognize the gain or loss on the disposal of a subsidiary in full in the income statement when the disposal results in a loss of control. On the other hand, the currently applicable IAS 28.28 requires that the gain on disposal in a disposal transaction between an investor and an at-equity investment – whether it is an associate or a joint venture – is to be recognized only at the level of the interest of the other in this entity.

In the future, the entire gain or loss resulting from a transaction may be recognized only if the sold or transferred assets represent a business as defined by IFRS 3. This is irrespective of whether the transaction is structured as a share deal or an asset deal. On the other hand if the assets do not form a business, only pro rata recognition of gain is permitted.

The date of first-time adoption of the amendments has been postponed indefinitely by the IASB.

### AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 28 – INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION

The amendments have been made to address various issues in the application of the exception from the consolidation obligation in accordance to IFRS 10, if the parent meets the definition of an "investment entity". As a result, parent entities are also exempted from the obligations of preparing consolidation financial statements if the ultimate parent does not consolidate its subsidiaries but accounts for them at fair value in accordance with IFRS 10.

In relation to the accounting of subsidiaries of an investment entity, the following distinction now applies: Subsidiaries that themselves are investment entities should account at fair value – in line with the principle of the investment entity exception. On the other hand, subsidiaries that themselves are not investment entities but perform services that relate to the investment activities of the parent and thus are to be considered an extension of the activities of the parent are to be consolidated.

Finally it is clarified that an investor who does not meet the definition of an investment entity and which applies the equity method on an associate or a joint venture can retain the measurement at fair value which the investment entity applies to its investments in subsidiaries.

In addition, the amendments stipulate than an investment entity which measures all its subsidiaries at fair value has to disclose the information on investment entities proscribed by IFRS 12.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2016 subject to their being endorsed in EU law. If the amendments of the standards are endorsed by the EU in their present form, they are not expected to affect the future consolidated financial statements of itelligence AG.

#### IFRS 16 LEASES

The IASB published IFRS 16 Leases on January 13, 2016. The core principle of the new standard is that the lessee should generally recognize all leases and the corresponding contractual rights and obligations in its balance sheet. This means that lessees will no longer make the distinction between financing and operating leases that was previously required under IAS 17.

For all leases, the lessee will be required to recognize a lease liability for the obligation to make future lease payments. At the same time, the lessee will recognize a right-of-use asset in the amount of the present value of the future lease payments plus direct costs.

By contrast, the new guidance for lessors is similar to the existing IAS 17. Leases continue to be classified as either finance or operating leases. The IAS 17 classification criteria have been taken over for IFRS 16.

IFRS 16 also contains a range of additional rules concerning recognition and disclosure in the notes, as well as on sale and leaseback transactions.

The pronouncement replaces the current provisions of IAS 17 Leases and the related interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The amendments are effective for the first time for fiscal years beginning on or after January 1, 2019 subject to their being endorsed in EU law. Earlier application is permitted if IFRS 15 is also applied.

If the standard is endorsed by the EU in its present form, this is expected to have a significant effect on the future consolidated financial statements of itelligence AG.

#### AMENDMENTS TO IAS 12: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

With the amendment to IAS 12, the IASB clarifies that write-downs to the lower market value of debt instruments carried at fair value resulting from a change in the market interest rate give rise to deductible temporary differences.

The IASB confirms that a temporary difference arises in such cases. IASB refers solely to cases where losses are unrealised and will reverse if the debt instrument is held to maturity, as it is repaid at its nominal value. This is irrespective of whether the holder expects to hold the debt instrument to maturity, and hence to generate the nominal value in full.

The IASB also clarifies that, as a matter of principle, a combined assessment must be made for all deductible temporary differences to establish whether there is likely to be sufficient future taxable profit for the temporary differences to be utilized, and hence whether they can be recognized. A separate assessment is only required if and to the extent that tax law distinguishes between different types of taxable profit. IAS 12 is also extended to include rules and clarifying examples of how to calculate future taxable profit for the recognition of deferred tax assets.

The amendments are effective retrospectively for fiscal years beginning on or after January 1, 2017 subject to their being endorsed in EU law.

On initial application of the amendments, a reporting entity may choose not to restate the components of equity affected by the amendment in the opening balance sheet for the earliest comparative period, instead recognizing the entire change in equity in retained earnings.

Early application of the amendments is permitted.

If the amendments of the standard are endorsed by the EU in their present form, they are not expected to affect the future consolidated financial statements of itelligence AG.

### AMENDMENTS TO IAS 7: DISCLOSURE INITIATIVE

As part of its Disclosure Initiative, the IASB published amendments to IAS 7 Statement of Cashflows on January 29, 2016. The amendments are intended to improve information on the changes in an entity's debt situation.

According to the amendments, an entity must provide disclosures on changes in those financial liabilities whose cashflows are classified in the statement of cashflows as cashflows from financing activities. Corresponding financial assets must also be included in the disclosures (e.g. assets held to hedge financial liabilities).

The disclosures must include:

— Changes from financing cashflows
— Changes arising from obtaining or losing control of subsidiaries or other businesses
— The effect of changes in foreign exchange rates
— Changes in fair values
— Other changes

The IASB proposes that these disclosures be provided in the form of a reconciliation between the opening and closing balances in the statement of financial position, but other forms of presentation are permitted.

The amendments are effective fiscal years beginning on or after January 1, 2017 subject to their being endorsed in EU law; early application is permitted. In the year of initial application, it is not required to provide comparative information for preceding periods.

If the amendments of the standard are endorsed by the EU in their present form, they are 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, 2015, or which it controls on the basis of other rights as defined by IFRS 10, have been included in the consolidated financial statements.

The following companies were included in the consolidated financial statements as follows as of December 31, 2015:

| CONSOLIDATED COMPANIES | Equity interest in % | Equity | Profit/loss for the year |
|---|---|---|---|
| KEUR | | | |
| itelligence Services GmbH, Bielefeld/Germany | 100 | 305 | 13,553[1,2] |
| itelligence International Business Service Holding GmbH, Bielefeld/Germany | 100 | 841 | 828[1] |
| itelligence Outsourcing & Services GmbH, Bautzen/Germany | 100 | 1,226 | 10,420[1,2] |
| itelligence AG, Regensdorf/Switzerland | 100 | 3,834 | 1,758 |
| itelligence Business Solutions (UK) Ltd., London/England | 100 | 19,965 | 4,450 |
| Recruit Company GmbH, Munich/Germany | 100 | 204 | -9 |
| itelligence Hungary Kft., Budapest/Hungary | 100 | 2,866 | 561 |
| itelligence Inc., Cincinnati/USA | 100 | 26,834 | 1,557 |
| itelligence International, Kiev/Ukraine | 100 | -149 | 261 |
| itelligence Ltd., Moscow/Russia | 100 | -200 | 661 |
| itelligence a.s., Brno/Czech Republic | 95 | 1,748 | -249 |
| itelligence Slovakia s.r.o., Bratislava/Slovakia | 95 | 126 | 94 |
| itelligence SP.Z.o.o., Warsaw/Poland | 100 | 8,876 | 2,135 |
| itelligence VC-Holding GmbH, Frankfurt am Main/Germany | 100 | -158 | -8 |
| Servicios informaticos itelligence S.A., Barcelona/Spain | 100 | 3,946 | 89 |
| ITC Information Technology Consulting Gesellschaft für Netzwerkmanagement und Systemintegration mbH, Detmold/Germany | 56 | 766 | 124 |
| itelligence Outsourcing MSC Sdn. Bhd., Cyberjaya/Malaysia | 100 | 2,572 | 1,131 |
| itelligence Asia Holding Ltd., Hong Kong | 100 | 577 | 102 |
| itelligence Consulting Shanghai Ltd., Shanghai/China | 100 | -535 | -609 |
| itelligence BeNeLux Holding B.V., Eindhoven/Netherlands | 100 | 226 | -4 |
| itelligence Business Solutions s.p.r.l., Brussels/Belgium | 100 | 131 | 35 |
| itelligence B.V., Eindhoven/Netherlands | 100 | 1,751 | 131 |
| 2B BBIT Deutschland GmbH, Cologne/Germany | 100 | -135 | -22 |
| itelligence France SAS, Paris/France | 100 | 617 | -122 |
| itelligence Canada Ltd., Montreal/Canada | 100 | 479 | 177 |
| itelligence a/s Denmark, Horsens/Denmark | 86 | 10,501 | 3,915 |
| itelligence a/s Norway, Oslo/Norway* | 86 | 1,837 | 678 |
| itelligence Sdn. Bhd. Malaysia, Cyberjaya/Malaysia* | 86 | 218 | 75 |
| itelligence AB, Stockholm/Sweden* | 86 | 215 | -36 |
| Elsys Bilgi Sistemleri a.s., Istanbul/Turkey | 85 | 5,531 | 1,927 |
| itelligence Analytic System a.s., Istanbul/Turkey | 80 | 1,287 | 811 |
| itelligence Business Solutions Kanada Inc., Toronto/Canada | 100 | 1,275 | 474 |
| itelligence India Software Solutions Privat Ltd., Hyderabad/India | 100 | 1,467 | 324 |
| GISA GmbH, Halle an der Saale/Germany | 51 | 8,049 | 2,449 |
| ICS adminservice GmbH, Leuna/Germany | 51 | 764 | 8 |
| **Investments** | | | |
| BfL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn/Germany | less than 1 | 16,546 | 4,204 |
| TBV ProVital Lemgo GmbH & Co. KG, Lemgo/Germany | 8.35 | 66 | -48 |

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

2 Company exercises the exemption provided by section 264 (3) HGB

* The amount of the equity interest is reported at the successive proportionate shareholding

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 possible only 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.

The following section contains combined financial information for itelligence a/s Denmark, Elsys Bilgi Sistemleri a.s. and GISA GmbH in accordance with IFRS. This information is shown before eliminations between other Group companies.

| CONSOLIDATED COMPANIES WITH MATERIAL NON-CONTROLLING INTERESTS | itelligence a/s Denmark | | Elsys Bilgi Sistemleri a.s. | | GISA GmbH | |
|---|---|---|---|---|---|---|
| KEUR | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Equity interest | 14% | 24% | 15% | 22.5% | 49% | 49% |
| Non-current assets | 7,544 | 8,258 | 643 | 797 | 14,822 | 15,809 |
| Current assets | 16,795 | 12,126 | 15,006 | 9,402 | 19,857 | 24,650 |
| Non-current liabilities | 549 | 0 | 333 | 430 | 10,331 | 10,814 |
| Current liabilities | 13,299 | 13,781 | 8,850 | 4,802 | 15,166 | 19,644 |
| Equity | 10,501 | 6,603 | 6,466 | 4,967 | 9,182 | 10,001 |
| **Equity attributable to non-controlling interests** | **1,470** | **1,585** | **970** | **1,118** | **4,499** | **4,900** |
| Revenues | 42,758 | 36,440 | 29,105 | 19,210 | 87,077 | 50,686 |
| Profit/loss for the year | 3,915 | 2,518 | 2,151 | 1,465 | 3,155 | 3,482 |
| **Profit/loss for the year attributable to non-controlling interests** | **548** | **605** | **323** | **330** | **1,546** | **1,706** |
| **Total cashflow** | **6,322** | **-2,308** | **208** | **-204** | **-4,403** | **5,511** |
| **Dividends paid to non-controlling interests** | **0** | **0** | **0** | **0** | **1,912** | **0** |

## ADDITIONS TO THE CONSOLIDATED GROUP IN THE CURRENT YEAR

**Acquisition of 100% interest in Pontech s.r.o., Czech Republic**
By way of a purchase agreement dated May 29, 2015, itelligence acquired a 100% equity interest in Pontech s.r.o. The acquisition of Pontech makes itelligence the largest SAP consulting firm in the Czech Republic.

The purchase price for the 100% equity interest was KCZK 38,700 (KEUR 1,432). Acquisition-related costs in the amount of KEUR 56 were recognized in other operating expenses. The goodwill capitalized as a result of the acquisition is assigned to the Eastern Europe segment and relates to the non-separable intangible assets, e.g. the staff.

First-time consolidation took place on June 1 and the companies were merged on November 1, with the result that the company contributed pro rata temporis profits of KEUR 199 and revenues of KEUR 2,041 for five months. If the annual financial statements of Pontech s.r.o. had been included in consolidation on January 1, 2015, the profit for the period would have amounted to KEUR 477 and revenues would have amounted to KEUR 4,898.

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

| EUR | Carrying amounts before acquisition | Fair value adjustments | Carrying amounts at the acquisition date |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 61,190 | | 61,190 |
| Property, plant and equipment | 62,889 | | 62,889 |
| | **124,079** | | **124,079** |
| **Current assets** | | | |
| Inventories | 162,920 | | 162,920 |
| Trade receivables | 1,242,016 | | 1,242,016 |
| Other current assets | 154,453 | | 154,453 |
| Cash and cash equivalents | 283,061 | | 283,061 |
| Prepaid expenses | 119,749 | | 119,749 |
| | **1,962,199** | | **1,962,199** |
| **Non-current liabilities** | | | |
| Financial liabilities | 28,938 | | 28,938 |
| | **28,938** | | **28,938** |
| **Current liabilities** | | | |
| Trade payables | 629,179 | | 629,179 |
| Financial liabilities | 538,537 | | 538,537 |
| Other current non-financial liabilities | 197,190 | | 197,190 |
| Deferred income | 1,670 | | 1,670 |
| | **1,366,576** | | **1,366,576** |
| **Net assets** | **690,764** | | **690,764** |
| Goodwill from the acquisition of the Group (non-tax-deductible) | | | 741,344 |
| **Purchase price** | | | 1,432,108 |
| of which cash to date | | | 1,432,108 |
| Cash and cash equivalents acquired | | | 283,601 |
| **Actual cash outflow for the acquisition** | | | **1,148,507** |

**Acquisition of 100% interest in IT Performs, UK**

On June 5, 2015, itelligence acquired the British company IT Performs, thereby expanding its expertise in the field of business intelligence and business analytics. This acquisition represents the continuation of itelligence's dynamic investment strategy in Western Europe.

The purchase price for the 100% equity interest was KGBP 1,874 (KEUR 2,554). Acquisition-related costs in the amount of KGBP 47 (KEUR 64) were recognized in other operating expenses. The goodwill capitalized as a result of the acquisition is assigned to the Western Europe segment and relates to the non-separable intangible assets, e.g. the staff.

First-time consolidation took place on June 1 and the companies were merged on August 1, with the result that the company contributed pro rata temporis profits of KEUR 38 and revenues of KEUR 596 for two months. If the annual financial statements of IT Performs had been included in consolidation on January 1, 2015, the profit for the period would have amounted to KEUR 226 and revenues would have amounted to KEUR 3,578. The following table shows the estimated fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date:

| EUR | Carrying amounts before acquisition | Fair value adjustments | Carrying amounts at the acquisition date |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 0 | 407,575 | 407,575 |
| Property, plant and equipment | 3,199 | | 3,199 |
| | **3,199** | **407,575** | **410,774** |
| **Current assets** | | | |
| Trade receivables | 932,543 | | 932,543 |
| Other current assets | 597,169 | | 597,169 |
| Cash and cash equivalents | 646,829 | | 646,829 |
| Prepaid expenses | 627,029 | | 627,029 |
| | **2,803,570** | | **2,803,570** |
| **Non-current liabilities** | | | |
| Deferred taxes: | | 75,008 | 75,008 |
| | | **75,008** | **75,008** |
| **Current liabilities** | | | |
| Trade payables | 271,984 | | 271,984 |
| Other current non-financial liabilities | 415,045 | | 415,045 |
| Deferred income | 1,290,340 | | 1,290,340 |
| | **1,977,369** | | **1,977,369** |
| **Net assets** | **829,400** | **332,567** | **1,161,967** |
| Goodwill from the acquisition of the Group (non-tax-deductible) | | | 1,391,797 |
| **Purchase price** | | | 2,553,764 |
| of which cash to date | | | 2,553,764 |
| Cash and cash equivalents acquired | | | 646,829 |
| **Actual cash outflow for the acquisition** | | | **1,906,935** |

The fair value adjustment relates to the separation of the orders on hand and the portfolio of customers.

**Acquisition of the SAP division of Artaud, Courthéoux & Associés (ACA)**

By way of a purchase agreement dated July 31, 2015, the French subsidiary itelligence France acquired the SAP division of ACA. This acquisition makes itelligence one of the top SAP resellers in France.

The purchase price for the division was KEUR 5,701. KEUR 100 of this relates to the fair value of the contingent consideration that is tied to the conclusion of new customer agreements. The range of the contingent consideration is between KEUR 0 and KEUR 100. Acquisition-related costs in the amount of KEUR 349 were recognized in other operating expenses. The goodwill capitalized as a result of the acquisition is assigned to the Western Europe segment and relates to the non-separable customer relationships and staff.

The following table shows the estimated fair values of the acquired assets at the acquisition date:

| EUR | |
|---|---|
| **Purchase price** | 5,700,954 |
| Goodwill from the acquisition of the Group (non-tax-deductible) | 4,319,904 |
| Separable customer relationships | 2,016,830 |
| Deferred tax liabilities | 655,544 |
| Intangible assets | 14,638 |
| Property, plant and equipment | 5,127 |
| **Actual cash outflow for the acquisition** | **5,600,954** |

**Acquisition of other shares**

On March 25, 2015, itelligence AG acquired a further 7.5% interest in Elsys Bilgi Sistemleri Group. Accordingly, it now holds an 85% interest in the company.

The table below shows the impact in the level of the equity interest held by itelligence AG in Elsys Bilgi Sistemleri Group.

| KEUR | |
|---|---|
| itelligence AG interest as of January 1, 2015 | 12,894 |
| Exchange rate differences | -2,616 |
| Impact of the increase in the ownership interest | 1,678 |
| Share in result | 2,565 |
| **itelligence AG interest as of December 31, 2015** | **14,521** |

On March 24, 2015, itelligence AG acquired 10% in itelligence a/s Denmark, Horsens/ Denmark, thereby increasing the percentage of its interest to 86%.

The table below shows the impact in the level of the equity interest held by itelligence AG in itelligence a/s.

| KEUR | |
|---|---|
| itelligence AG interest as of January 1, 2015 | 22,213 |
| Exchange rate differences | -210 |
| Impact of the increase in the ownership interest | 2,945 |
| Share in result | 4,024 |
| **itelligence AG interest as of December 31, 2015** | **28,972** |

The investment in itelligence France SAS, Paris/France, was increased by 19% to 100% on July 20, 2015.

itelligence a/s Denmark, Horsens/Denmark, acquired further shares in itelligence a/s Norway, Oslo/Norway, taking the Group's equity interest from 70.68% as of December 31, 2014 to 86% as of November 30, 2015.

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

### OTHER CHANGES IN THE CONSOLIDATED GROUP

itelligence Business Solutions GmbH, Vienna, Austria, was merged into itelligence AG, Bielefeld, with effect from January 1, 2015. This cross-border merger was performed at carrying amounts and is the result of step consolidation by the Group.

## E. PRINCIPLES OF CONSOLIDATION

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

The financial statements of the subsidiaries were all prepared in accordance with IFRS as of the end of the Group's reporting period on December 31.

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 can be measured at fair value from January 1, 2010 (full goodwill method). The fair value of non-controlling interests is derived on the basis of the purchase price for the shares already acquired.

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

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

## F. CURRENCY TRANSLATION

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

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

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

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

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

| | Currency | Average rate | | Exchange rate at the end of the reporting period | |
|---|---|---|---|---|---|
| | 1 EUR = | **2015** | 2014 | **Dec. 31, 2015** | Dec. 31, 2014 |
| USA | USD | 1.1091 | 1.3267 | 1.0887 | 1.2141 |
| Switzerland | CHF | 1.0673 | 1.2146 | 1.0835 | 1.2024 |
| UK | GBP | 0.7257 | 0.8061 | 0.7340 | 0.7789 |
| Poland | PLN | 4.1813 | 4.1843 | 4.2639 | 4.2732 |
| Turkey | TRY | 3.0088 | 2.9047 | 3.1765 | 2.8320 |
| Czech Republic | CZK | 27.2825 | 27.5353 | 27.0230 | 27.7350 |
| Denmark | DKK | 7.4586 | 7.4549 | 7.4626 | 7.4453 |
| Hungary | HUF | 309.826 | 308.669 | 315.980 | 315.540 |
| Russia | RUB | 68.0720 | 50.351 | 80.6736 | 72.337 |

## 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 IFRS 10 and consistent with the previous year.

### USE OF JUDGMENT AND MAIN SOURCES OF ESTIMATION UNCERTAINTIES

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

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

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

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

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

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

As part of the acquisitions, 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). By linking the future purchase prices to EBIT development, non-controlling interests participate in both the positive and the negative performance of the company.

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, expected 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 can be measured at fair value from January 1, 2010 (full goodwill method). This is calculated on the basis of a linear extrapolation of the purchase price for the shares acquired. Incidental costs of acquisition are expensed as incurred.

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

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

## PROPERTY, PLANT AND EQUIPMENT

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

The following table shows the useful lives applied:

| | |
|---|---|
| **Buildings** | 15 – 40 years |
| IT hardware and customer systems | 3 years |
| Mainframe computers and routers | 5 years |
| Data processing systems | 5 years |
| Network technology | 10 years |
| **Leasehold improvements** | 8 – 15 years |
| **Operating and office equipment** | 8 – 10 years |
| **Technical equipment and machinery** | 7 – 10 years |

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

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

## LEASES

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

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

## FINANCIAL INSTRUMENTS

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

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

- Held-to-maturity investments
- Financial assets or financial liabilities held for trading
- Loans and receivables originated by the company
- Available-for-sale financial assets
- Financial liabilities measured at amortized cost

## FINANCIAL ASSETS

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

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

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

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

## FINANCIAL LIABILITIES

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

- Held-for-trading financial liabilities: Financial liabilities that were entered into primarily 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 includes essentially the market values of put/call options entered into in acquisitions. In accordance with IAS 32.23, these put/call options are "synthetic forwards" in the context of a business combination that, after exercising an accounting option, are measured as a non-current liability at the present value of the estimated purchase price payments. The fair value of the synthetic forwards is calculated on the basis of internal planning for the EBIT of the respective company. The offsetting entry on first-time recognition of the options is in other comprehensive income.

- Changes in fair value are reported in profit or loss under net finance costs.

## FAIR VALUE MEASUREMENT HIERARCHY

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

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

- Level I: quoted prices on active markets for identical assets and liabilities.

- Level II: measurement parameters that are not the quoted prices of level I, but that can be either directly or indirectly observed for the asset and liability.

- Level III: measurement parameters for assets and liabilities not based on observable market data.

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

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

Further information on the assumptions in determining fair value can be found in the following note:

— Note 30 – Financial instruments

## INVENTORIES

Inventories consist primarily 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 (e.g. with default of delinquency of a debtor). 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 derecognized only 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. The pension obligations relate to the defined benefit commitments to current and former members of the Management Board of itelligence AG and obligations in respect of benefits to entitled active and former employees of GISA GmbH.

The obligations relate primarily to retirement, invalidity and surviving dependents' pensions. The individual commitments generally relate to the length of service and the remuneration of the GISA employees. The Prof. Dr. Klaus Heubeck 2005G mortality tables are used to measure pension obligations.

GISA GmbH processes its retirement benefit plans via the Mitteldeutsche Wirtschaft e. V. provident fund. GISA GmbH is liable to the beneficiaries should the pension obligations exceed the fair value of the fund assets.

Actuarial gains and losses are recognized fully in the fiscal year in which they occur. They are recognized outside the income statement as a component of other comprehensive income in the list of the recognized income and expenses.

Actuarial opinions were obtained for pension obligations.

## 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 recognized only 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.

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

### OTHER NON-FINANCIAL LIABILITIES

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

### PREPAID EXPENSES AND DEFERRED INCOME

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

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

### DEFERRED TAXES

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

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

### SEGMENTS

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

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

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

The divisions are:

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

### STATEMENT OF CASHFLOWS

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

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

## CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

## EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the end of the reporting period which provide new information and affect the financial position of the Group at the end of the reporting period are taken into account in the consolidated financial statements. Events after the end of the reporting period 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:

| KEUR | **2015** | 2014 |
|---|---|---|
| DACH | 321,203 | 255,027 |
| USA | 130,797 | 106,937 |
| Western Europe | 154,796 | 120,228 |
| Eastern Europe | 74,657 | 63,135 |
| Asia | 10,663 | 6,970 |
| Other | 4,124 | 4,509 |
| | **696,240** | **556,806** |

| KEUR | **2015** | 2014 |
|---|---|---|
| Consulting | 310,054 | 246,567 |
| Licenses | 69,375 | 56,903 |
| Application Management | 71,927 | 66,346 |
| Outsourcing & Services | 241,444 | 186,066 |
| Other | 3,440 | 924 |
| | **696,240** | **556,806** |

Consulting revenues are composed of consulting and training revenues. Consulting revenues include primarily 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 16,545 were recognized in accordance with the percentage of completion method (previous year: KEUR 12,751). Costs of KEUR 12,674 were incurred for these unbilled services (previous year: KEUR 9,830). In total, a margin of KEUR 3,871 was generated (previous year: KEUR 2,921).

No revenues of more than 10% were generated with any single customer in fiscal years 2015 and 2014.

## 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:

| KEUR | 2015 | 2014 |
|---|---|---|
| Purchased merchandise and services | 201,141 | 156,732 |
| Personnel expenses | 269,349 | 216,019 |
| Depreciation, amortization and write-downs | 19,306 | 15,466 |
| Other expenses | 43,563 | 37,972 |
| | **533,359** | **426,189** |

## 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:

| KEUR | 2015 | 2014 |
|---|---|---|
| Personnel expenses | 50,737 | 44,186 |
| Depreciation, amortization and write-downs | 566 | 392 |
| Other expenses | 13,646 | 13,042 |
| | **64,949** | **57,620** |

## 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:

| KEUR | 2015 | 2014 |
|---|---|---|
| Personnel expenses | 37,180 | 32,336 |
| Depreciation, amortization and write-downs | 3,664 | 3,281 |
| Other expenses | 17,269 | 10,773 |
| | **58,113** | **46,390** |

## 5. OTHER OPERATING INCOME

| KEUR | 2015 | 2014 |
|---|---|---|
| Income from investment grants and subsidies | 1,774 | 1,572 |
| Income from the sale of non-current assets | 95 | 39 |
| Income from the sale of long-term financial assets | 0 | 724 |
| Income from exchange differences | 2,168 | 955 |
| | **4,037** | **3,290** |

## 6. OTHER OPERATING EXPENSES

| KEUR | 2015 | 2014 |
|---|---|---|
| Bad debt allowances on receivables | 1,559 | 1,947 |
| Acquisition costs in accordance with IFRS 3 (rev. 2008) | 579 | 1,593 |
| Cost of asset disposals | 17 | 16 |
| Expenses from exchange rate differences and consolidation | 2,698 | 2,207 |
| | **4,853** | **5,763** |

## 7. MEASUREMENT OF DERIVATIVES AND EXERCISE OF OPTIONS

| KEUR | 2015 | 2014 |
|---|---|---|
| Income from the measurement of options | 65 | 519 |
| Expenses from the measurement of options | -2,486 | -4,960 |
| Expenses from the exercise of options | -363 | -1,128 |
| Income from derivatives | 118 | 271 |
| Expenses from derivatives | -198 | -483 |
| | **-2,864** | **-5,781** |

The put and call options agreed in the context of acquisitions can be exercised at fair value on the basis of future EBIT developments. Plan shortfalls on agreed EBIT targets resulted in income from the remeasurement of options of KEUR 65 (previous year: KEUR 519). Expenses from plan excess of KEUR 2,486 (previous year: KEUR 4,960) were incurred in this context.

Expenses of KEUR 363 were generated from exercising put and call options (previous year: KEUR 1,128).

Currency forwards were concluded to hedge exchange rate fluctuations for items of the statement of financial position in fiscal year 2015, resulting in income of KEUR 118 (previous year: KEUR 240) and expenses of KEUR 64 (previous year: KEUR 483). Furthermore, an expense of KEUR 134 was recorded in connection with the measurement of an embedded derivative as of the end of the year (previous year: income of KEUR 31).

## 8. FINANCE INCOME/EXPENSES

| KEUR | 2015 | 2014 |
|---|---|---|
| Interest income | 238 | 149 |
| Interest expenses | -2,685 | -3,157 |
| | **-2,447** | **-3,008** |

Interest income contains interest received from bank balances and short-term fixed deposits (category: loans and receivables). KEUR 2,422 of interest expenses (previous year: KEUR 2,365) relate to the total interest expense for financial liabilities not measured at fair value through profit and loss (largely loans to the Group parent company: Liabilities measured at amortized cost).

## 9. INCOME TAXES

Tax expenses are composed as follows:

| KEUR | 2015 | 2014 |
|---|---|---|
| **Current tax expense** | | |
| Current year | -7,748 | -6,864 |
| Adjustments for previous years | -152 | -90 |
| | -7,900 | -6,954 |
| **Deferred taxes** | | |
| Formation and reversal of temporary differences | -1,708 | 248 |
| Recognition of tax losses not previously recognized | 827 | 433 |
| Loss carryforwards not utilized and written down | -439 | -1,153 |
| | -1,320 | -472 |
| **Tax expense** | **-9,220** | **-7,426** |

Current taxes are calculated on the basis of current tax rates. A combined tax rate of 31.31% (previous year: 31.27%) 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 15.49%. The slight change in the combined tax rate is due to the increase in the average corporate income tax rate.

Deferred taxes are calculated on the basis of the tax rates that apply or are expected to apply at the time of recognition in accordance with current legislation in the individual countries. A tax rate of 31.31% (previous year: 31.27%) was assumed for Germany and a rate of between 19.0% and 38.2% (previous year: between 17.0% and 35.0%) was assumed for other countries.

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

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

| KEUR | **2015** | **2015** | 2014 | 2014 |
|---|---|---|---|---|
| **Earnings before income taxes** | | **30,350** | | **14,165** |
| Taxes on the basis of the domestic tax rate of the company | -31.31% | -9,503 | -31.27% | -4,430 |
| Tax loss carryforwards not utilized and written down | -1.45% | -439 | -8.14% | -1,153 |
| Utilization of unrecognized loss carryforwards | 2.72% | 827 | 3.05% | 433 |
| Difference to foreign tax rates and change in tax rates | 7.98% | 2,422 | 8.41% | 1,192 |
| Differences due to non-tax-deductible expenses and tax-free income | -6.49% | -1,968 | -20.20% | -2,861 |
| Backpayment and reimbursement of taxes for previous years | -0.50% | -152 | -0.63% | -90 |
| Other differences | -1.34% | -407 | -3.65% | -517 |
| **Reported income tax expense** | **-30.39%** | **-9,220** | **-52.43%** | **-7,426** |

## 10. EARNINGS PER SHARE

Basic earnings

| | | **2015** | 2014 |
|---|---|---|---|
| Net profit after non-controlling interests | KEUR | 18,786 | 3,286 |
| Weighted average number of ordinary shares | No. | 30,014,838 | 30,014,838 |
| Earnings per share (basic) | EUR | 0.63 | 0.11 |

# I. STATEMENT OF FINANCIAL POSITION DISCLOSURES

## 11. INTANGIBLE ASSETS

Development of intangible assets as of December 31, 2015:

| COST<br>KEUR | IT software | Finance leases | Orders on hand and customer relationships | Goodwill | Intangible assets |
|---|---|---|---|---|---|
| **January 1, 2015** | **17,694** | **0** | **20,429** | **106,926** | **145,049** |
| Exchange differences | 610 | 0 | 328 | 2,848 | 3,786 |
| Additions | 1,957 | 935 | 109 | 79 | 3,080 |
| Additions due to business combinations | 76 | 0 | 2,424 | 6,367 | 8,867 |
| Reclassifications | -3,658 | 3,625 | 33 | 0 | 0 |
| Disposals | -206 | 0 | 0 | 0 | -206 |
| **December 31, 2015** | **16,473** | **4,560** | **23,323** | **116,220** | **160,576** |

| CUMULATIVE AMORTIZATION<br>KEUR | IT software | Finance leases | Orders on hand and customer relationships | Goodwill | Intangible assets |
|---|---|---|---|---|---|
| **January 1, 2015** | **-10,004** | **0** | **-6,153** | **-8,040** | **-24,197** |
| Exchange differences | -380 | 0 | -188 | -236 | -804 |
| Additions (scheduled amortization) | -3,235 | -650 | -2,988 | 0 | -6,873 |
| Reclassifications | 1,985 | -1,985 | 0 | | 0 |
| Disposals | 93 | 0 | 0 | 0 | 93 |
| **December 31, 2015** | **-11,541** | **-2,635** | **-9,329** | **-8,276** | **-31,781** |
| **Carrying amounts at December 31, 2015** | **4,932** | **1,925** | **13,994** | **107,944** | **128,795** |

Development of intangible assets as of December 31, 2014:

| COST<br>KEUR | IT software | Orders on hand and customer relationships | Goodwill | Intangible assets |
|---|---|---|---|---|
| **January 1, 2014** | **11,967** | **11,373** | **88,530** | **111,870** |
| Exchange differences | 467 | 787 | 2,305 | 3,559 |
| Additions | 2,473 | 36 | 221 | 2,730 |
| Additions due to business combinations | 3,948 | 8,389 | 15,870 | 28,207 |
| Reclassifications | 83 | 0 | 0 | 83 |
| Disposals | -1,244 | -156 | 0 | -1,400 |
| **December 31, 2014** | **17,694** | **20,429** | **106,926** | **145,049** |

| CUMULATIVE AMORTIZATION<br>KEUR | IT software | Orders on hand and customer relationships | Goodwill | Intangible assets |
|---|---|---|---|---|
| **January 1, 2014** | **-7,884** | **-4,702** | **-7,795** | **-20,381** |
| Exchange differences | -252 | -269 | -245 | -766 |
| Additions (scheduled amortization) | -3,094 | -1,332 | 0 | -4,426 |
| Disposals | 1,226 | 150 | 0 | 1,376 |
| **December 31, 2014** | **-10,004** | **-6,153** | **-8,040** | **-24,197** |
| **Carrying amounts at December 31, 2014** | **7,690** | **14,276** | **98,886** | **120,852** |

Cost for IT software includes internally generated intangible assets in connection with internal SAP system changeovers in the amount of KEUR 558, the cumulative amortization for which amounts to KEUR 557 (carrying amount as of December 31, 2015: KEUR 1). 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 2015, orders on hand and customer relationships increased by a total of KEUR 2,424 (previous year: KEUR 8,389) as a result of company acquisitions. A large share relates to the acquisition of orders on hand and customer relationships from the SAP division of Artaud Courtheoux et Associés, Paris. KEUR 2,988 of orders on hand and customer relationships were worked off or amortized in the fiscal year (previous year: KEUR 1,332).

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 soon as the acquisition of an additional stake is contractually agreed. As a result of its company acquisitions, the Group added goodwill of KEUR 6,367 in fiscal year 2015 (previous year: KEUR 15,870). Furthermore, goodwill was increased by KEUR 79 as a result of a subsequent purchase price adjustment within the one-year measurement period for an acquisition made in the previous year (previous year: KEUR 221).

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

| | Average cost of capital | | Long-term growth rate | | Planned EBIT growth rate (average for next five years) | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| USA | 8.81% | 9.55% | 1% | 1% | 21% | 26% |
| DACH | 7.88% | 8.89% | 1% | 1% | 8% | 23% |
| Western Europe | 8.45% | 9.72% | 1% | 1% | 21% | 21% |
| Eastern Europe | 14.54% | 13.85% | 1% | 1% | 8% | 14% |

As in the previous year, the discount rate used was based on the capital asset pricing model and derived from the weighted average cost of capital and debt. The cost of capital rate is based on a risk-free capital market rate for the relevant period taking into account the beta factor for the industry and a risk premium related to the relevant capital market. Based on the tax rate an after-tax discount rate is derived.

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

As in previous years, impairment testing for 2015 was performed as of June 30. Also as in the previous year, no impairment was identified for the goodwill recognized by itelligence.

| KEUR | USA | DACH | Western Europe | Eastern Europe | Total |
|---|---|---|---|---|---|
| **As of December 31, 2013** | **18,407** | **2,539** | **43,722** | **16,067** | **80,735** |
| Additions | 1,932 | 11,367 | 2,792 | 0 | 16,091 |
| Exchange rate differences | 2,522 | 0 | 1,680 | -2,142 | 2,060 |
| **As of December 31, 2014** | **22,861** | **13,906** | **48,194** | **13,925** | **98,886** |
| Additions | 0 | 79 | 5,626 | 741 | 6,446 |
| Exchange rate differences | 2,575 | 0 | 1,011 | -974 | 2,612 |
| **As of December 31, 2015** | **25,436** | **13,985** | **54,831** | **13,692** | **107,944** |

## 12. PROPERTY, PLANT AND EQUIPMENT

Development of property, plant and equipment as of December 31, 2015:

| **COST**<br>KEUR | Land, buildings and leasehold improvements | Assets under development | IT hardware | Operating and office equipment | Finance leases | Property, plant and equipment |
|---|---|---|---|---|---|---|
| **January 1, 2015** | **39,624** | **36** | **77,075** | **19,851** | **0** | **136,586** |
| Exchange differences | 1,456 | 0 | 1,508 | 141 | 0 | 3,105 |
| Additions | 1,146 | 4,623 | 8,164 | 2,557 | 9,433 | 25,923 |
| Additions due to business combinations | 3 | 0 | 15 | 53 | 0 | 71 |
| Reclassifications | 0 | -7 | -13,115 | -8,468 | 21,590 | 0 |
| Disposals | -56 | 0 | -3,612 | -1,881 | -4,110 | -9,659 |
| **December 31, 2015** | **42,173** | **4,652** | **70,035** | **12,253** | **26,913** | **156,026** |

| **CUMULATIVE DEPRECIATION**<br>KEUR | Land, buildings and leasehold improvements | Assets under development | IT hardware | Operating and office equipment | Finance leases | Property, plant and equipment |
|---|---|---|---|---|---|---|
| **January 1, 2015** | **-9,367** | **0** | **-47,729** | **-6,634** | **0** | -63,730 |
| Exchange differences | -132 | 0 | -803 | -80 | 0 | -1,015 |
| Additions (scheduled depreciation) | -1,976 | 0 | -9,003 | -2,745 | -5,928 | -19,652 |
| Reclassifications | 0 | 0 | 5,442 | 190 | -5,632 | 0 |
| Disposals | 53 | 0 | 3,607 | 1,858 | 3,842 | 9,360 |
| **December 31, 2015** | **-11,422** | **0** | **-48,486** | **-7,411** | **-7,718** | **-75,037** |
| **Carrying amounts at December 31, 2015** | **30,751** | **4,652** | **21,549** | **4,842** | **19,195** | **80,989** |

Development of property, plant and equipment as of December 31, 2014:

| COST<br>KEUR | Land, buildings and leasehold improvements | Assets under development | IT hardware | Operating and office equipment | Property, plant and equipment |
|---|---|---|---|---|---|
| **January 1, 2014** | **36,509** | **107** | **64,535** | **15,739** | **116,890** |
| Exchange differences | 1,508 | 0 | 2,148 | -15 | 3,641 |
| Additions | 901 | 783 | 10,998 | 4,653 | 17,335 |
| Additions due to business combinations | 691 | 0 | 31 | 9,238 | 9,960 |
| Reclassifications | 15 | -854 | 7,301 | -6,545 | -83 |
| Disposals | 0 | 0 | -7,938 | -3,219 | -11,157 |
| **December 31, 2014** | **39,624** | **36** | **77,075** | **19,851** | **136,586** |

| CUMULATIVE DEPRECIATION<br>KEUR | Land, buildings and leasehold improvements | Assets under development | IT hardware | Operating and office equipment | Property, plant and equipment |
|---|---|---|---|---|---|
| **January 1, 2014** | **-7,387** | **0** | **-40,608** | **-9,518** | **-57,513** |
| Exchange differences | -63 | 0 | -1,107 | 57 | -1,113 |
| Additions (scheduled depreciation) | -1,915 | 0 | -9,883 | -4,248 | -16,046 |
| Reclassifications | -2 | 0 | -3,959 | 3,961 | 0 |
| Disposals | 0 | 0 | 7,828 | 3,114 | 10,942 |
| **December 31, 2014** | **-9,367** | **0** | **-47,729** | **-6,634** | **-63,730** |
| **Carrying amounts at December 31, 2014** | **30,257** | **36** | **29,346** | **13,217** | **72,856** |

Property, plant and equipment (IT hardware and operating and office equipment) included carrying amounts of KEUR 17,115 relating to finance leases in 2014. The terms of these leases are generally three to five years. Some agreements include prolongation and purchase options.

Purchase obligations for property, plant and equipment amounted to KEUR 745 as of December 31, 2015.

## 13. OTHER FINANCIAL SETS

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Term deposits | 377 | 579 |
| Recovery receivables from third parties | 2,636 | 2,569 |
| Loans to NTT | 214 | 0 |
| Security deposits | 1,015 | 514 |
| Loans to employees | 523 | 394 |
| Partial retirement receivables | 388 | 545 |
| Other investments | 10 | 13 |
| Other financial receivables | 249 | 833 |
| | **5,412** | **5,447** |

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

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Other non-current financial assets | 1,129 | 1,363 |
| Other current financial assets | 4,283 | 4,084 |
| **Other financial assets** | **5,412** | **5,447** |

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 are non-interest-bearing (previous year: interest rates of up to 0.05%) and serve as security for guarantees in the amount of KEUR 45 (previous year: KEUR 45).

The recovery claims from third parties consist of compensation committed to itelligence in the context of a business combination performed in 2013 (see also note 24).

Other investments include the shares in BfL (<1%) and the shares acquired in TBV ProVital Lemgo (8.35%). These are financial investments in unlisted equity instruments that are measured at cost less valuation allowances.

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

## 14. TRADE RECEIVABLES

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Trade receivables | 136,101 | 119,275 |
| Trade receivables from NTT | 2,203 | 2,746 |
| Receivables from unbilled services (POC) | 16,545 | 12,751 |
| Unbilled receivables | 7,365 | 2,746 |
| | 162,214 | 137,518 |
| Bad debt allowances | -4,373 | -4,884 |
| | **157,841** | **132,634** |

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Non-current trade receivables | 2,557 | 2,592 |
| Current trade receivables | 155,284 | 130,042 |
| **Trade receivables** | **157,841** | **132,634** |

Specific valuation allowances developed as follows:

| KEUR | |
|---|---|
| **December 31, 2013** | **3,290** |
| Exchange differences | -123 |
| Reversal | -1,130 |
| Utilization | -715 |
| Addition | 3,562 |
| **December 31, 2014** | **4,884** |
| Exchange differences | 48 |
| Reversal | -1,146 |
| Utilization | -2,126 |
| Addition | 2,713 |
| **December 31, 2015** | **4,373** |

The reported amount of receivables from unbilled services (POC) of KEUR 16,545 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 641 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

| KEUR | **Dec. 31, 2015** | Dec. 31, 2014 |
|---|---|---|
| Investment grant for data center | 0 | 55 |
| Prepayments for social security | 2 | 1,666 |
| Sales tax | 320 | 890 |
| Advance payments | 1,789 | 10 |
| Other non-financial receivables | 527 | 1,615 |
| | **2,638** | **4,236** |

Other non-financial assets are reported under the following statement of financial position items:

| KEUR | **Dec. 31, 2015** | Dec. 31, 2014 |
|---|---|---|
| Other current non-financial assets | 2,638 | 4,236 |
| **Other non-financial assets** | **2,638** | **4,236** |

## 16. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred taxes are composed as follows:

| KEUR | **Dec. 31, 2015** | Dec. 31, 2014 |
|---|---|---|
| **Deferred tax assets:** | | |
| Receivables | 218 | 502 |
| Loss carryforwards | 1,051 | 1,033 |
| Provisions and liabilities | 6,828 | 6,766 |
| Intangible assets and property, plant and equipment | 1,117 | 2,310 |
| Netted against deferred tax liabilities | -3,387 | -6,830 |
| | **5,827** | **3,781** |
| **Deferred tax liabilities:** | | |
| Adjustment for percentage of completion method | 2,998 | 2,730 |
| Receivables | 242 | 1,131 |
| Provisions and liabilities | 2,187 | 80 |
| General warranty provision | 235 | 217 |
| Intangible assets and property, plant and equipment | 12,508 | 13,017 |
| Netted against deferred tax assets | -3,387 | -6,830 |
| | **14,783** | **10,345** |

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.

In addition to the deferred tax expenses of KEUR 1,320 (see note 9), a reduction in deferred tax assets of KEUR 372 was recognized in equity. This relates to the actuarial gains on the measurement of pension provisions in fiscal year 2015. In addition, the company acquisitions performed in the fiscal year resulted in deferred tax liabilities of KEUR 701 as of December 31, 2015; these are reported in recognized hidden reserves (see section D.)

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

The deferred tax assets recognized in 2015 relate to loss carryforwards of KEUR 3,576 (previous year: KEUR 3,579) that were measured at the future tax rate. A tax rate of 31.31% (previous year: 31.27%) was assumed for Germany and a rate of between 19.0% and 38.2% (previous year: between 17.0% and 35.0%) 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 2,764 (previous year: KEUR 3,008). As the trend towards profitable growth has not been fully upheld, these potential tax savings have not been capitalized. If profitable growth occurs in the coming years, the other non-recognized deferred tax assets will be recognized, which would result in additional tax income.

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

| KEUR | | **Forfeitability** |
|---|---|---|
| Czech Republic | 1,584 | After 7 years |
| Spain | 451 | After 15 years |
| Belgium | 289 | Non-forfeitable |
| Slovakia | 256 | After 7 years |
| Netherlands | 141 | After 9 years |
| Ukraine | 43 | After 10 years |
| | **2,764** | |

## 17. CASH AND CASH EQUIVALENTS

| KEUR | **Dec. 31, 2015** | Dec. 31, 2014 |
|---|---|---|
| Current account balances and cash in hand | 54,518 | 38,764 |
| | **54,518** | **38,764** |

Current account balances are non-interest-bearing.

## 18. PREPAID EXPENSES

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Advanced payments for servicing work | 8,780 | 9,014 |
| Insurance | 6,970 | 3,901 |
| Other | 3,723 | 3,111 |
| | **19,473** | **16,026** |

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

## 19. SUBSCRIBED CAPITAL

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

**Authorized capital**
By way of resolution of the Annual General Meeting on May 27, 2010, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until April 30, 2015 by up to a total of EUR 12,278,797 by issuing new bearer shares against cash and non-cash contributions. The authorization of the Management Board to increase capital in this way was utilized in the amount of EUR 5,457,243 in fiscal year 2012. No additional capital increases from authorized capital were implemented up until April 30, 2015.

**Contingent capital**
There was no contingent capital as of December 31, 2015. The aim of the Group is to maintain a strong capital base in order to ensure the confidence of creditors and the markets, and to guarantee the sustainable development of the company. Capital describes the equity reported in the statement of financial position. Equity is controlled and monitored using the equity ratio. This ascertains whether equity satisfies its liability function and its function of financing non-current assets. The equity ratio at the end of fiscal year 2015 was 33.74% (previous year: 33.46%).

## 20. CAPITAL RESERVES

The capital reserves contain the premiums from the shares issued less the external costs directly attributable to the equity transaction. There were capital reserves of KEUR 52,768 as of December 31, 2015.

## 21. NET ACCUMULATED PROFIT

| KEUR | |
|---|---|
| Net accumulated profit at January 1, 2014 | 50,890 |
| Consolidated net profit | 3,286 |
| **Net accumulated profit at December 31, 2014** | **54,176** |
| Consolidated net profit | 18,786 |
| **Net accumulated profit at December 31, 2015** | **72,962** |

The Management Board and Supervisory Board will propose to the Annual General Meeting not to distribute a dividend from the unappropriated surplus of itelligence AG for fiscal year 2015.

## 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 actuarial losses from the measurement of pension provisions after taxes as well as the exercise of put and call options are reported in other comprehensive income.

| KEUR | |
|---|---|
| As of January 1, 2014 | -28,232 |
| Exercise of options | 5,540 |
| Actuarial losses as per IAS 19 | -2,153 |
| Currency translation | 2,732 |
| **As of December 31, 2014** | **-22,113** |
| Exercise of options | 5,340 |
| Actuarial gains as per IAS 19 | 724 |
| Currency translation | 2,490 |
| **As of December 31, 2015** | **-13,559** |

## 23. FINANCIAL LIABILITIES

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

| KEUR | **Dec. 31, 2015** | Dec. 31, 2014 |
|---|---|---|
| Liabilities from put options | 10,365 | 14,317 |
| Liabilities from financial derivatives | 1,327 | 745 |
| Liabilities from purchase price obligations | 3,370 | 5,871 |
| Loans from NTT | 73,965 | 49,767 |
| Amounts due to banks | 5,799 | 6,956 |
| Finance lease liabilities | 20,961 | 17,005 |
| Other loans | 68 | 176 |
| | **115,855** | **94,837** |

The purchase price obligations consist of contingent consideration in connection with business combinations. In fiscal year 2015, there was no change in the measurement of the contingent consideration for acquisitions performed in the previous year.

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

| KEUR | **Dec. 31, 2015** | Dec. 31, 2014 |
|---|---|---|
| Non-current financial liabilities | 88,554 | 63,874 |
| Current financial liabilities | 27,301 | 30,963 |
| | **115,855** | **94,837** |

Non-current financial liabilities are broken down as follows:

| KEUR | **Dec. 31, 2015** | Dec. 31, 2014 |
|---|---|---|
| Liabilities from put options | 1,838 | 7,618 |
| Liabilities from financial derivatives | 1,001 | 605 |
| Liabilities from purchase price obligations | 1,844 | 1,435 |
| From NTT | 73,965 | 49,767 |
| of which current | -6,000 | -6,134 |
| | 67,965 | 43,633 |
| Amounts due to banks | | |
| to banks in Germany | 3,706 | 5,484 |
| to banks outside Germany | 2,093 | 1,472 |
| of which current | -3,008 | -6,223 |
| | 2,791 | 733 |
| From other loans | | |
| from other loans in Germany | 0 | 100 |
| from other loans outside Germany | 68 | 76 |
| of which current | -44 | -138 |
| | 24 | 38 |
| From finance leases | | |
| from finance leases in Germany | 10,598 | 9,714 |
| from finance leases outside Germany | 10,363 | 7,291 |
| of which current | -7,870 | -7,193 |
| | 13,091 | 9,812 |
| | **88,554** | **63,874** |

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

| KEUR | Total | Remaining term of between 1 and 5 years | Remaining term of more than 5 years |
|---|---|---|---|
| Liabilities from put options | 1,838 | 1,838 | 0 |
| (Previous year) | (7,618) | (7,618) | (0) |
| Liabilities from financial derivatives | 1,001 | 929 | 72 |
| (Previous year) | (605) | (476) | (129) |
| From NTT | 67,965 | 67,965 | 0 |
| (Previous year) | (43,633) | (37,016) | (6,617) |
| Amounts due to banks | 2,791 | 1,331 | 1,460 |
| (Previous year) | (733) | (733) | (0) |
| From other loans | 24 | 24 | 0 |
| (Previous year) | (38) | (38) | (0) |
| Finance lease liabilities | 13,091 | 13,091 | 0 |
| (Previous year) | (9,812) | (9,812) | (0) |
| Liabilities from purchase price obligations | 1,844 | 1,844 | 0 |
| (Previous year) | (1,435) | (1,435) | (0) |
| **December 31, 2015** | **88,554** | **87,022** | **1,532** |
| **December 31, 2014** | **(63,874)** | **(57,128)** | **(6,746)** |

As part of the acquisition of shares in SAPCON a.s., 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 1.4% (previous year: 2.2%).

A change in the forecast future EBIT development of +/-10% would result in the recognition in profit or loss of a change in reported liabilities of KEUR 171.

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 24.

The discounted values for the put and call options in connection with the acquisitions performed are as follows as of December 31, 2015:

| KEUR | Total | of which current | of which non-current |
|---|---|---|---|
| Liabilities from put and call options for 2C change | 5,916 | 5,916 | 0 |
| (Previous year) | (9,292) | (4,354) | (4,938) |
| Liabilities from put and call options for SAPCON | 289 | 0 | 289 |
| (Previous year) | (198) | 0 | (198) |
| Liabilities from put and call options for Adelante | 0 | 0 | 0 |
| (Previous year) | (628) | (628) | 0 |
| Liabilities from put and call options for Turkey | 4,160 | 2,611 | 1,549 |
| (Previous year) | (4,199) | (1,717) | (2,482) |
| **December 31, 2015** | **10,365** | **8,527** | **1,838** |
| **December 31, 2014** | **(14,317)** | **(6,699)** | **(7,618)** |

The non-current liabilities to NTT relate to two EUR-denominated loans granted by NTT DATA Corporation, Japan. The previous EUR - and USD-denominated loans were replaced by one new loan in February 2015. The loans were used to finance new buildings at the Bielefeld, Bautzen and Cincinnati locations and to acquire international and German consulting companies.

| KEUR | Interest rate | Total | of which current | of which non-current |
|---|---|---|---|---|
| Loan from Oct. 1, 2009/10-year term | 3,596 | 0 | 0 | 0 |
| (Previous year) | | (3,784) | (784) | (3,000) |
| Loan from Jul. 15, 2010/10-year term | 3,055 | 0 | 0 | 0 |
| (Previous year) | | (6,692) | (1,192) | (5,500) |
| Loan from Jun. 13, 2011/10-year term | 3,715 | 0 | 0 | 0 |
| (Previous year) | | (9,283) | (1,483) | (7,800) |
| Loan from Jun. 30, 2011/5-year term | 3,084 | 0 | 0 | 0 |
| (Previous year) | | (1,219) | (619) | (600) |
| Loan from Dec. 15, 2011/5-year term | 2,3597 | 0 | 0 | 0 |
| (Previous year) | | (1,201) | (601) | (600) |
| Loan from Jul. 15, 2011/10-year term | 3,514 | 0 | 0 | 0 |
| (Previous year) | | (3,743) | (586) | (3,157) |
| Loan from Jan. 31, 2012/10-year term | 2,2161 | 0 | 0 | 0 |
| (Previous year) | | (5,074) | (722) | (4,352) |
| Loan from May 14, 2014/3-year term | 1,245 | 0 | 0 | 0 |
| (Previous year) | | (18,771) | (147) | (18,624) |
| Loan from Feb. 27, 2015/3-year term | 0,839 | 68,445 | 480 | 67,965 |
| (Previous year) | | (0) | (0) | (0) |
| Loan from Jun. 22, 2015/252-day term | 0,673 | 5,520 | 5,520 | 0 |
| (Previous year) | | (0) | (0) | (0) |
| **December 31, 2015** | | **73,965** | **6,000** | **67,965** |
| **December 31, 2014** | | **(49,767)** | **(6,134)** | **(43,633)** |

Finance leases are used predominantly for the expansion of data center capacity in Germany, Poland, Malaysia and the USA, as well as improvements in the office building in the USA.

Liabilities from finance leases are due as follows.

| | Future minimum lease payments | | Interest payments | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| KEUR | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Due within one year | 8,218 | 7,717 | 348 | 524 | 7,870 | 7,193 |
| Due between one and five years | 13,403 | 10,226 | 312 | 414 | 13,091 | 9,812 |
| Due after five years | 0 | 0 | | | 0 | 0 |
| | **21,621** | **17,943** | **660** | **938** | **20,961** | **17,005** |

Within Germany, development loans for investments in the data center in Bautzen with a volume of KEUR 622 were utilized under the terms of a development program. The interest rates range from 4.28% to 4.79% for the debt portion and 6.55% to 9.25% for the subordinate portion. Specific inventories of itelligence OS have been assigned. The secured inventories had a carrying amount of KEUR 199 as of the end of the reporting period (previous year: KEUR 418). The long-term deposits in the amount of KEUR 224 (previous year: KEUR 274) 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:

| KEUR | 2015 | 2014 |
|---|---|---|
| Germany | | |
| Credit facilities available as of December 31 | 14,500 | 23,500 |
| Utilization through loans | 0 | -4,184 |
| Utilization through guarantees | -317 | -326 |
| **Unutilized credit facilities** | **14,183** | **18,990** |
| Abroad | | |
| Credit facilities available as of December 31 | 17,598 | 13,912 |
| Utilization through loans | -1,841 | -1,409 |
| Utilization through guarantees | -221 | -116 |
| **Unutilized credit facilities** | **15,536** | **12,387** |
| Average interest rate | 1.6% – 5.0% | 1.8% – 5.0% |

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:

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Bank overdrafts | 2,271 | 5,593 |
| Loans from NTT | 6,000 | 6,134 |
| Liabilities from financial derivatives | 326 | 140 |
| Liabilities from put options | 8,527 | 6,699 |
| Liabilities from purchase price obligations | 1,526 | 4,436 |
| Finance lease liabilities | 7,870 | 7,193 |
| Current portion of non-current financial liabilities | | |
| to banks in Germany | 737 | 567 |
| to banks outside Germany | 0 | 63 |
| from other loans in Germany | 0 | 100 |
| from other loans outside Germany | 44 | 38 |
| | **27,301** | **30,963** |

The financial liabilities as of December 31, 2015 were borrowed by various companies in different countries within the itelligence Group. Their ratings and basic interest rates vary greatly. Furthermore, different agreements were made regarding collateral and pre-amortization, which also affect interest rates. The agreed interest rates did not change significantly in proportion to interest rates as of the end of the reporting period. In light of this, the amounts recognized for financial liabilities are essentially their market values.

## 24. OTHER PROVISIONS

Other provisions developed as follows in fiscal year 2015:

| KEUR | Jan. 1, 2015 | Currency | Utilization | Reversal | Addition | Dec. 31, 2015 | of which non-current |
|---|---|---|---|---|---|---|---|
| Provisions for potential losses | 782 | 2 | -414 | -240 | 1,593 | 1,723 | |
| Credit notes to be issued | 70 | | -70 | | 139 | 139 | |
| Severance payments | 28 | | -4 | | 462 | 486 | |
| Warranties | 1,369 | 59 | -531 | -243 | 576 | 1,230 | |
| Court costs | 347 | 25 | -57 | -230 | 7 | 92 | |
| Partial retirement | 819 | | -804 | | 800 | 815 | 245 |
| Miscellaneous other provisions | 4,302 | 75 | -1,035 | -185 | 1,831 | 4,988 | |
| | **7,717** | **161** | **-2,915** | **-898** | **5,408** | **9,473** | **245** |

Provisions for potential losses were recognized for probable losses arising from project implementation and for service orders.

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 31 for the legal rights of employees in Austria to severance pay. In addition, provisions were recognized for employees who will leave the Group in 2016.

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, 2015, provisions of KEUR 815 were recognized on the basis of partial retirement commitments for 26 employees. The discount rate was 0.5% (previous year: 0.5% and 0.87%). Provisions were offset against plan assets.

Miscellaneous other provisions relate to possible repayment of EU subsidies in the amount of MEUR 2.6. The obligation resulted from a business combination performed in 2013. An expected reimbursement of the repayment has been recognized at the same level under other financial assets (note 13).

## 25. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provision for defined benefit pension systems is calculated using actuarial methods.

The following assumptions are made:

| UNDERLYING ASSUMPTIONS | 2015 | 2014 |
|---|---|---|
| Interest rate | 1.6% – 2.25% | 1.4% – 1.9% |
| Salary increases | 2.75% | 2.75% |
| Pension increases | 2.0% | 2.0% |

If all other variables remained the same, a change in the calculated interest rate of one percentage point would result in a change in the pension provisions of KEUR 1,327.

For a description of the defined benefit plans for the members of the Management Board refer to note 34 e).

Defined benefit plans result in the Group assuming actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

As the assets to be transferred are to be qualified as plan assets in the sense of IAS 19, provisions for pensions and similar obligations were offset against the assets to be transferred as of December 31, 2015. Provisions are reduced accordingly.

The pension expenses for the fiscal years are reported in all functional areas in the income statement and are as follows:

| KEUR | **2015** | 2014 |
|---|---|---|
| Service cost | 423 | 649 |
| Interest expense | 258 | 347 |
| Interest income from plan assets | -74 | -146 |
| **Net pension expenses** | **607** | **850** |

Changes in plan assets:

| KEUR | **2015** | 2014 |
|---|---|---|
| Projected value as of January 1 | 4,851 | 1,557 |
| Change in the scope of consolidation | 0 | 3,001 |
| Contributions added | 434 | 318 |
| Interest income from plan assets | 74 | 146 |
| Pension payment of the funds | -114 | -63 |
| Actuarial gains (+)/losses (-) | 25 | -108 |
| **Value of plan assets as of December 31** | **5,270** | **4,851** |
| Current return on plan assets | 99 | 38 |

Plan assets relate primarily to pledged pension liability insurance policies concluded with renowned insurance companies. Pension liability insurance policies are concluded at the full amount for all beneficiaries.

Development of pension obligations (DBO):

| KEUR | **2015** | 2014 |
|---|---|---|
| Dynamic pension obligations as of January 1 | 14,250 | 2,919 |
| Change in the scope of consolidation | 0 | 7,666 |
| Acquired service benefits | 423 | 649 |
| Interest expense for claims already acquired | 258 | 347 |
| Benefits paid | -466 | -81 |
| Actuarial gains (-)/losses (+) | -1,072 | 2,750 |
| **Dynamic pension obligations as of December 31** | **13,393** | **14,250** |

Development of other comprehensive income (OCI):

| KEUR | **2015** |
|---|---|
| OCI as of January 1, 2015 | -2,993 |
| Income from plan assets (not including interest income) | 25 |
| Net actuarial gains (+)/losses (-) | 699 |
| **OCI as of December 31, 2015** | **-2,269** |

KEUR 583 (gains) of gross actuarial gains and losses relates to financial assumptions which did not occur and KEUR 513 (gains) to experience adjustments. The changes in the pension provisions are shown in the following table:

| KEUR | 2015 | 2014 |
|---|---|---|
| Dynamic pension obligations (DBO) | 13,393 | 14,250 |
| Cash surrender value of the employer's pension liability insurance policy | -5,270 | -4,851 |
| **Pension provisions** | **8,123** | **9,399** |

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

| KEUR | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Defined benefit obligation | 13,393 | 14,250 | 2,919 | 1,871 | 1,221 |
| Cash surrender value of the employer's pension liability insurance policy | -5,270 | -4,851 | -1,557 | -1,406 | -1,220 |
| **Financing status** | **8,123** | **9,399** | 1,362 | 465 | 1 |

The Group expects to transfer contributions of KEUR 507 to plan assets in 2016.

The maturity profile of forecast pension payments (discounted) is as follows:

| KEUR | |
|---|---|
| Due within one year | 1,000 |
| Due between one and five years | 1,779 |
| Due after five years | 10,614 |
| | **13,393** |

The weighted average term of dynamic pension obligations is 17.73 years at itelligence AG (previous year: 18.5 years) and 12.15 years at GISA GmbH (previous year: 12.15 years).

Occupational pensions are made up of defined contribution and defined benefit systems. In the reporting year, a total of KEUR 25,196 was paid into defined contribution pension systems (previous year: KEUR 22,848). The expenses incurred at the German Group companies (employer contributions to statutory German pension insurance) amount to KEUR 12,595 (previous year: KEUR 9,198).

## 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 1,191 (converted) were approved and paid to the Czech subsidiary itelligence a.s., Brno (previous year: KEUR 763). The subsidies are grants linked to the main condition that the company retains the new jobs created in fiscal year 2015. 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. Another subsidized project related to the use of renewable energies as a reliable source of energy for the Czech Republic.

As of the end of the reporting period, the company reported non-current liabilities in connection with government grants in the amount of KEUR 2,691 (previous year: KEUR 3,268). For subsidies not yet received, current assets of KEUR 0 were recognized (previous year: KEUR 55). In the year under review, other operating income was recognized in the amount of KEUR 1,774 (previous year: KEUR 1,572). Amounts are generally recognized in profit or loss over the useful life of the subsidized assets.

### 27. OTHER NON-FINANCIAL LIABILITIES

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Bonuses and salaries | 30,918 | 29,911 |
| Advance payments received | 14,164 | 10,603 |
| Sales tax | 7,974 | 8,440 |
| Wage and church taxes | 4,058 | 4,279 |
| Social security | 5,349 | 3,894 |
| Accrued vacation | 9,784 | 8,218 |
| Services yet to be rendered | 5,925 | 5,387 |
| Legal, consulting and audit costs | 825 | 721 |
| Employer's liability insurance | 738 | 689 |
| Levy in lieu of employing the severely disabled | 184 | 194 |
| Restoration obligations | 499 | 504 |
| Other | 5,995 | 5,240 |
| **Other non-financial liabilities** | **86,413** | **78,080** |

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

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Other non-current non-financial liabilities | 1,724 | 2,301 |
| Other current non-financial liabilities | 84,689 | 75,779 |
| **Other non-financial liabilities** | **86,413** | **78,080** |

### 28. TRADE PAYABLES

| KEUR | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---|---|
| Trade payables to third parties | 42,233 | 40,296 |
| Liabilities to NTT | 1,269 | 1,673 |
| Trade payables from outstanding invoices | 10,803 | 5,533 |
| | **54,305** | **47,502** |

## J. OTHER DISCLOSURES

### 30. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

The fair values were calculated on the basis of the prevalent market conditions at the end of the reporting period and the measurement methods described below. They reflect the prices at which an independent third party would assume the rights or obligations from these financial instruments.

Cash and cash equivalents, trade receivables, trade payables and other financial assets are mainly of a short-term nature. It is therefore assumed that their fair values are approximately their carrying amounts.

Financial liabilities, except for derivative financial instruments, are measured at fair value on recognition and subsequently carried at amortized cost with the exception of derivative financial liabilities. The carrying amounts of floating-rate financial liabilities to banks are generally equal to their respective fair values. The fair value of fixed-rate loans is calculated using available market prices or by discounting cashflows 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:

| **DECEMBER 31, 2015**<br>KEUR | Note | Held for trading | Available for sale | Held to maturity | Loans and receivables | Financial liabilities measured at amortized cost | Carrying amounts | Fair value |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 17 | - | - | - | 54,518 | - | 54,518 | 54,518 |
| Trade receivables | 14 | - | - | - | 157,841 | - | 157,841 | 157,841 |
| Other financial assets | 13 | - | 10 | 1,015 | 4,387 | - | 5,412 | 5,412 |
| **Financial assets** | | **-** | **10** | **1,015** | **216,746** | **-** | **217,771** | **217,771** |
| Trade payables | 28 | - | - | - | - | -54,305 | -54,305 | -54,305 |
| Financial liabilities | | | | | | | | |
| Loans | 23 | - | - | - | - | -79,832 | -79,832 | -79,280 |
| Finance leases | 23 | - | - | - | - | - | -20,961 | -20,961 |
| Put options | 23 | -10,365 | - | - | - | - | -10,365 | -10,365 |
| Purchase price obligations | 23 | -3,370 | - | - | - | - | -3,370 | -3,370 |
| Other derivativefinancial instruments | 23 | -1,327 | - | - | - | - | -1,327 | -1,327 |
| **Financial liabilities** | | **-15,602** | **-** | **-** | **-** | **-134,137** | **-170,160** | **-169,608** |

| DECEMBER 31, 2014<br>KEUR | Note | Held for trading | Available for sale | Held to maturity | Loans and receivables | Financial liabilities measured at amortized cost | Carrying amounts | Fair value |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 17 | - | - | - | 38,764 | - | 38,764 | 38,764 |
| Trade receivables | 14 | - | - | - | 132,634 | - | 132,634 | 132,634 |
| Other financial assets | 13 | - | 13 | 1,347 | 4,087 | - | 5,447 | 5,447 |
| **Financial assets** | | **-** | **13** | **1,347** | **175,485** | **-** | **176,845** | **176,845** |
| Trade payables | 28 | - | - | - | - | -47,502 | -47,502 | -47,502 |
| Financial liabilities | | | | | | | | |
| Loans | 23 | - | - | - | - | -56,899 | -56,899 | -57,098 |
| Finance leases | 23 | - | - | - | - | - | -17,005 | -17,005 |
| Put options | 23 | -14,317 | - | - | - | - | -14,317 | -14,317 |
| Purchase price obligations | 23 | -5,871 | - | - | - | - | -5,871 | -5,871 |
| Other derivativefinancial instruments | 23 | -745 | - | - | - | - | -745 | -745 |
| **Financial liabilities** | | **-20,933** | **-** | **-** | **-** | **-104,401** | **-142,339** | **-142,538** |

In calculating the market values of the loans, interest rates between 1.10% and 1.21% were applied.

For the financial instruments not recognized at fair value but for which a fair value is provided in the above table, the calculation is made on the basis of discounted cashflow. In accordance with the fair value hierarchy, the measurement models are based on observable market data (level II).

The following tables show the financial instruments reported in the statement of financial position broken down by category and basis of measurement. A distinction is made between those measured on the basis of quoted market prices (level I), observable market data (level II) or parameters not observed on the market (level III).

| DECEMBER 31, 2015<br>KEUR | Held-for-trading derivative financial assets | Held-for-trading financial liabilities | Total as of Dec. 31, 2015 |
|---|---|---|---|
| **Total** | **0** | **-15,062** | **-15,062** |
| of which level I | 0 | 0 | 0 |
| of which level II | 0 | -1,327 | -1,327 |
| of which level III | 0 | -13,735 | -13,735 |

| DECEMBER 31, 2014<br>KEUR | Held-for-trading derivative financial assets | Held-for-trading financial liabilities | Total as of Dec. 31, 2014 |
|---|---|---|---|
| **Total** | **0** | **-20,933** | **-20,933** |
| of which level I | 0 | 0 | 0 |
| of which level II | 0 | -745 | -745 |
| of which level III | 0 | -20,188 | -20,188 |

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

The level III financial instruments are the put and call options in connection with the acquisitions performed. The measurement is made by Group Account and is based on business planning as adopted by the Supervisory Board. The appropriateness of the measurement is examined during the year on a quarterly basis and on the basis of the new business planning is adjusted after one year at the latest. The measurement model takes into account the present value of the expected value (on the basis of the forecast EBIT development), discounted with a discount rate specific to the risk. The significant unobservable inputs are the forecast annual growth rates for revenues (3.0% to 4.0%; previous year: 6.0% to 7.0%) and the forecast EBIT margins (9.8% to 13.0%; previous year: 7.7% to 10.0%). Contingent purchase price obligations for company acquisitions continue to be recognized as level III financial instruments.

The table below shows the reconciliation between the opening and closing balances for liabilities from put and call options (level III financial instruments):

| LIABILITIES FROM PUT AND CALL OPTIONS | |
|---|---|
| KEUR | |
| As of January 1, 2015 | -14,317 |
| Income from the measurement of options | 65 |
| Expenses from the exercise of options | -363 |
| Expenses from the measurement of options | -2,486 |
| Interest expenses | -263 |
| Exercise of options outside profit or loss | 6,999 |
| **As of December 31, 2015** | **-10,365** |

The change in liabilities from purchase price obligations from KEUR 5,871 as of January 1, 2015 to KEUR 3,370 as of December 31, 2015 was recognized solely in equity.

### 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 7,558 in fiscal year 2015 (previous year: KEUR 6,667).

The maturity structure of future, other financial obligations as of December 31, 2015 is as follows:

| KEUR | |
|---|---|
| Due within one year | 23,516 |
| Due between one and five years | 26,384 |
| Due after five years | 7,724 |
| | **57,624** |

These relate essentially to the annual costs for renting premises and equipment, land and leases for cars. The rental agreement for the office building at the Bielefeld location ends on April 30, 2019. There is an option to buy that can be exercised at fair value from December 31, 2018.

### 32. SEGMENT REPORTING

Segment reporting has been prepared in accordance with IFRS 8. 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, 2015 and the previous year:

| KEUR | USA | DACH | Western Europe | Eastern Europe | Asia | Other and consolidation | Group **2015** |
|---|---|---|---|---|---|---|---|
| Segment revenues | 131,788 | 328,388 | 164,304 | 77,753 | 11,434 | 4,470 | 718,137 |
| Intersegment trade | -991 | -7,185 | -9,508 | -3,096 | -771 | -346 | -21,897 |
| **External segment revenues** | **130,797** | **321,203** | **154,796** | **74,657** | **10,663** | **4,124** | **696,240** |
| EBITDA | 9,245 | 29,228 | 13,011 | 10,388 | 1,772 | -1,105 | 62,539 |
| Depreciation and amortization | -4,747 | -16,558 | -1,571 | -2,560 | -1,036 | -52 | -26,524 |
| **EBIT** | **4,498** | **12,670** | **11,440** | **7,828** | **736** | **-1,157** | **36,015** |
| Investment income | 0 | 17 | 0 | 0 | 0 | 0 | 17 |
| Measurement of derivatives and exercise of options | 0 | -2,864 | 0 | 0 | 0 | 0 | -2,864 |
| Exchange rate differences from financing activities | 0 | -371 | 0 | 0 | 0 | 0 | -371 |
| Interest income | 5 | 83 | 79 | 71 | 0 | 0 | 238 |
| Interest expenses | -243 | -2,078 | -134 | -140 | -90 | 0 | -2,685 |
| **Earnings before tax** | **4,260** | **7,457** | **11,385** | **7,759** | **646** | **-1,157** | **30,350** |
| **Income taxes** | **-1,349** | **-3,990** | **-2,098** | **-1,532** | **-152** | **-99** | **-9,220** |
| **Consolidated net profit** | **2,911** | **3,467** | **9,287** | **6,227** | **494** | **-1,256** | **21,130** |

| KEUR | USA | DACH | Western Europe | Eastern Europe | Asia | Other and consolidation | Group **2014** |
|---|---|---|---|---|---|---|---|
| Segment revenues | 107,732 | 261,704 | 125,886 | 65,289 | 7,849 | 5,106 | 573,566 |
| Intersegment trade | -795 | -6,677 | -5,658 | -2,154 | -879 | -597 | -16,760 |
| **External segment revenues** | **106,937** | **255,027** | **120,228** | **63,135** | **6,970** | **4,509** | **556,806** |
| EBITDA | 7,075 | 20,855 | 6,710 | 7,104 | 1,470 | 60 | 43,274 |
| Depreciation and amortization | -3,880 | -11,843 | -1,146 | -2,660 | -888 | -55 | -20,472 |
| **EBIT** | **3,195** | **9,012** | **5,564** | **4,444** | **582** | **5** | **22,802** |
| Investment income | 0 | 398 | 0 | 0 | 0 | 0 | 398 |
| Measurement of derivatives and exercise of options | 0 | -5,781 | 0 | 0 | 0 | 0 | -5,781 |
| Exchange rate differences from financing activities | 0 | -273 | 27 | 0 | 0 | 0 | -246 |
| Interest income | 2 | 98 | 31 | 17 | 0 | 1 | 149 |
| Interest expenses | -217 | -2,522 | -251 | -163 | -4 | 0 | -3,157 |
| **Earnings before tax** | **2,980** | **932** | **5,371** | **4,298** | **578** | **6** | **14,165** |
| **Income taxes** | **-1,015** | **-3,352** | **-2,074** | **-864** | **12** | **-133** | **-7,426** |
| **Consolidated net profit** | **1,965** | **-2,420** | **3,297** | **3,434** | **590** | **-127** | **6,739** |

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).

| KEUR | USA | DACH | Western Europe | Eastern Europe | Asia | Other | Group 2015 |
|---|---|---|---|---|---|---|---|
| Investments in property, plant and equipment and intangible assets | 5,661 | 16,725 | 2,512 | 2,435 | 1,590 | 1 | **28,924** |
| Depreciation and amortization | -4,747 | -16,558 | -1,571 | -2,560 | -1,036 | -52 | **-26,524** |

| KEUR | USA | DACH | Western Europe | Eastern Europe | Asia | Other | Group 2014 |
|---|---|---|---|---|---|---|---|
| Investments in property, plant and equipment and intangible assets | 2,688 | 11,515 | 1,002 | 2,799 | 1,820 | 53 | **19,877** |
| Depreciation and amortization | -3,880 | -11,843 | -1,146 | -2,660 | -888 | -55 | **-20,472** |

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

| KEUR | Consulting | Licenses | Application Management | Outsourcing & Services | Other (unallocated) | Group 2015 |
|---|---|---|---|---|---|---|
| Segment revenues | 310,054 | 69,375 | 71,927 | 241,444 | 3,440 | **696,240** |

| KEUR | Consulting | Licenses | Application Management | Outsourcing & Services | Other (unallocated) | Group 2014 |
|---|---|---|---|---|---|---|
| Segment revenues | 246,567 | 56,903 | 66,346 | 186,066 | 924 | **556,806** |

## 33. OTHER DISCLOSURES

**a) Cost of materials**

The cost of materials calculated using the nature of expense method amounted to KEUR 199,756 in fiscal year 2015 (previous year: KEUR 164,745). This includes inventories of KEUR 138,404 (previous year: KEUR 116,816) that were recognized as an expense in the reporting period. A further KEUR 61,352 related to the cost of purchased services (previous year: KEUR 47,929).

**b) Personnel expenses**

Personnel expenses calculated using the nature of expense method totaled KEUR 359,572 in fiscal year 2015 (previous year: KEUR 292,343).

**c) Number of employees**

The itelligence Group employed an average of 4,493 people in fiscal year 2015 (previous year: 3,939). An average of 529 persons were employed in administration, 300 in sales, 2,229 in consulting and 1,435 in outsourcing & services. The Group had a total of 4,702 employees on December 31, 2015.

## 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, 2015) |
|---|---|
| **Herbert Vogel**<br>CEO | Chairman of the Supervisory Board of NTT DATA Deutschland GmbH<br>Member of the Supervisory Board of Cayago AG<br>Member of the Advisory Board of TBV ProVital Lemgo GmbH & Co. KG<br>Member of the Advisory Board of symmedia GmbH |
| **Norbert Rotter**<br>CFO | |

| Supervisory Board | Membership of other executive bodies: |
|---|---|
| **Friedrich Fleischmann**<br>Chairman<br>Independent business consultant<br>Senior Managing Director Central Europe<br>Adobe Systems GmbH, retired | |
| **Dr. Stephan Kremeyer**<br>Deputy Chairman<br>Employee representative<br>Customer Manager SAP Consulting | |
| **Carsten Esser**<br>Employee representative<br>SAP Service Senior Professional | |
| **Tadashi Uhira (seit 20. August 2015)**<br>Director and Chairman of NTT DATA EMEA Ltd., London, United Kingdom | Member of the Supervisory Board of NTT DATA Deutschland GmbH |
| **Koji Ito (seit 20. August 2015)**<br>Senior Vice President and Managing Director Global Business, NTT DATA Corporation, Tokyo, Japan | |
| **Kazuhiro Nishihata (bis 20. August 2015)**<br>Board Director und Executive Vice President, Global Business, NTT DATA Corporation, Tokio, Japan | |
| **Akiyoshi Nishijima (bis 20. August 2015)**<br>Managing Executive Officer, Corporate Strategy Headquarters, NTT DATA CCS Corporation, Tokio, Japan | |
| **Prof. Heiner Schumacher**<br>Independent auditor and business consultant, business consulting expert, Partner at KAP1 Consulting, Düsseldorf, honorary professor of business studies at the University of Bielefeld, specializing in external accounting | Member of the shareholders' advisory board of SOS Kinderdörfer Global Partner GmbH<br>Member of the Supervisory Board of AvP Service AG |

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

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

## REMUNERATION OF THE MANAGEMENT BOARD

The following table provides a breakdown of the remuneration of the Management Board for fiscal year 2015:

| HERBERT VOGEL, CEO | 2015 | 2014 |
|---|---|---|
| KEUR | | |
| Non-performance-related (fixed) remuneration | 500 | 500 |
| Performance-related (variable) current remuneration (current year) | 245 | 212 |
| Performance-related (variable) non-current remuneration (current year) | 440 | 332 |
| Payment difference for (variable) current remuneration (previous year) | 0 | 19 |
| **Total remuneration for the year** | **1,185** | **1,063** |

| NORBERT ROTTER, CFO | 2015 | 2014 |
|---|---|---|
| KEUR | | |
| Non-performance-related (fixed) remuneration | 250 | 250 |
| Performance-related (variable) current remuneration (current year) | 147 | 127 |
| Performance-related (variable) non-current remuneration (current year) | 191 | 144 |
| Payment difference for (variable) current remuneration (previous year) | 0 | 12 |
| **Total remuneration for the year** | **588** | **533** |

The total remuneration paid to the members of the Management Board for fiscal year 2015 was KEUR 1,773 (previous year: KEUR 1,596).

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 relate primarily to contributions to accident and liability insurance and the provision of a company car reflecting the position of the respective member.

— Variable remuneration consists of a short-term incentive based on the Group's achievement of its earnings goal (consolidated EBIT) for the year, the Group's revenues target (consolidated) and personal performance. It is paid within five working days after the Annual General Meeting.

— The members of the Management Board also receive a bonus with long-term incentive effect based on a comparison of two average value added contributions (consolidated EBIT) each calculated over a four-year period. This is also paid within five working days of the Annual General Meeting for the fourth fiscal year of the relevant performance period. As the activities that give rise to a claim for remuneration were performed for the respective bonus tranches in fiscal year 2015, this is reported on a pro rata basis in the 2015 remuneration report. Any payment difference compared with the amount actually granted is included in the total remuneration for the fiscal year in which the legally binding commitment was made.

— The members of the Management Board are entitled to a life-long old-age pension from their 65th birthday irrespective of how old they were when they joined the company. The monthly pension amounts to EUR 10,000 for the CEO and EUR 4,500 for the CFO. The pension commitment also includes a widow's pension amounting to

65% of the pension of the respective member of the Management Board and an orphan's pension. If a member of the Management Board leaves the company before his 65th birthday while serving as a member of the Management Board, the pension commitment will remain in place but will be reduced proportionately.
— From January 1, 2013, the members of the Management Board receive an invalidity pension corresponding to 75% of the respective pension.

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

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

In fiscal year 2015, the ninth and last remaining tranche of the long-term share-based remuneration, which ran from January 1, 2012 to December 31, 2014, was paid to the Management Board.

KEUR 175.5 was paid to the CEO and KEUR 175.5 to the CFO.

No loans were granted to members of the Management Board in fiscal years 2015 and 2014. There were also no similar benefits. The members of the Management Board do not receive any remuneration for mandates at Group companies.

There were no commitments for severance payments in the case of the regular termination or non-renewal of employment contracts or a change of shareholder or for transitional benefits. In the event of the early termination of a Management Board contract not resulting from justified extraordinary termination by the company, the members of the Management Board shall be paid the remuneration for the remainder of their contract as severance. A cap on severance has not been agreed. A post-contract prohibition on competition and post-contract customer protection has been agreed with the members of the Management Board for a period of 24 months after the end of the contract. The company undertakes to pay compensation of 50% of the final fixed remuneration of the respective members of the Management Board for the duration of the post contract prohibition on competition. The company has imposed a prohibition on competition on a member of the Management Board for a period of 24 months and recognized corresponding provisions for remuneration as of December 31, 2015.

The company has pension obligations to the members of the Management Board in the amount of KEUR 2,784, for which total expenses of KEUR 73 were incurred in 2015.

The financing status developed as follows:

| HERBERT VOGEL | 2015 | 2014 |
|---|---|---|
| KEUR | | |
| Defined benefit obligation | 2,400 | 2,464 |
| Cash surrender value of the employer's pension liability insurance policy | -1,062 | -985 |
| **Financing status** | **1,338** | **1,479** |

| NORBERT ROTTER | 2015 | 2014 |
|---|---|---|
| KEUR | | |
| Defined benefit obligation | 384 | 384 |
| Cash surrender value of the employer's pension liability insurance policy | -165 | -139 |
| **Financing status** | **219** | **245** |

The company has pension obligations to former members of executive bodies in the amount of KEUR 1,144, for which expenses of KEUR 18 were incurred in 2015.

The financing status developed as follows:

| KEUR | 2015 | 2014 |
|---|---|---|
| Defined benefit obligation | 1,144 | 1,211 |
| Cash surrender value of the employer's pension liability insurance policy | -561 | -530 |
| **Financing status** | **583** | **681** |

## REMUNERATION OF THE SUPERVISORY BOARD

The following table provides a breakdown of the remuneration of the Supervisory Board for fiscal year 2015 and the previous year:

| KEUR | Fixed remuneration component | Committee remuneration | Attendance fees | 2015 Total remuneration |
|---|---|---|---|---|
| Friedrich Fleischmann (Chairman) | 75.0 | 37.5 | 9.0 | 121.5 |
| Dr. Stephan Kremeyer (Deputy Chairman) | 37.5 | 12.5 | 9.0 | 59.0 |
| Prof. Heiner Schumacher | 25.0 | 27.5 | 9.0 | 61.5 |
| Carsten Esser | 25.0 | 5.0 | 9.0 | 39.0 |
| Kazuhiro Nishihata until Aug. 20, 2015/ Tadashi Uhira* | 25.0 | 5.0 | 5.0 | 35.0 |
| Akiyoshi Nishijima until Aug. 20, 2015/ Koji Ito4* | 25.0 | 0.0 | 5.0 | 30.0 |
| | **212.5** | **87.5** | **46.0** | **346.0** |

| KEUR | Fixed remuneration component | Committee remuneration | Attendance fees | 2014 Total remuneration |
|---|---|---|---|---|
| Friedrich Fleischmann (Chairman) | 75.0 | 37.5 | 9.0 | 121.5 |
| Dr. Stephan Kremeyer (Deputy Chairman) | 37.5 | 12.5 | 9.0 | 59.0 |
| Prof. Heiner Schumacher | 25.0 | 27.5 | 8.0 | 60.5 |
| Carsten Esser | 25.0 | 5.0 | 9.0 | 39.0 |
| Kazuhiro Nishihata* | 25.0 | 3.9 | 6.0 | 34.9 |
| Akiyoshi Nishijima* | 25.0 | 0.0 | 7.0 | 32.0 |
| | **212.5** | **86.4** | **48.0** | **346.9** |

* Remuneration is settled on a cumulative basis with NTT DATA EUROPE GmbH & Co. KG, Bielefeld, to which the respective Supervisory Board members have assigned their claims.

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

— Each member of the Supervisory Board receives fixed annual remuneration of KEUR 25. The Chairman receives three times this amount, while the Deputy Chairman receives one and a half times this amount. In addition, each member of the Supervisory Board receives an attendance fee of EUR 1,000 per day for each meeting of the Supervisory Board or of a Supervisory Board committee attended.

— Members of Supervisory Board committees receive additional fixed remuneration of EUR 5,000 for each membership of a committee. The chairman of a committee receives three times this amount, while the deputy chairman of a committee receives one and a half times this amount.

— Remuneration is payable quarterly after the end of each quarter. Supervisory Board members not in office for the entire quarter receive their remuneration pro rata temporis.

— Members of the Supervisory Board also received performance-based remuneration geared towards the company's long-term success in previous years. After the end of the Annual General Meeting, a situation was simulated whereby the company invested a notional amount of EUR 5,000 in shares of the company for each member of the Supervisory Board on the basis of the average of the unweighted Xetra closing prices of the shares on all trading days in the previous fiscal year. The notional investment amount for the Chairman of the Supervisory Board was EUR 15,000, while the notional investment amount for the Deputy Chairman was EUR 7,500. After the end of the third subsequent Annual General Meeting, the average of the unweighted Xetra closing prices on all trading days of the respective previous fiscal year is calculated. If this comparison of the average price in accordance with sentence 2 and the average price in accordance with sentence 4 showed an increase in the company's share price, the respective Supervisory Board member was paid an amount equivalent to the increase in the value of the virtual shares acquired in accordance with sentence 2. This performance-related remuneration was payable on the first working day after the third Annual General Meeting in accordance with sentence 4. Share-based remuneration is included in total remuneration at the fair value at the grant date. The performance of the virtual stock options and the amounts paid are shown separately within the remuneration report. Supervisory Board members not in office for the entire three-year period receive this performance related remuneration on a pro rata basis at the end of the three-year period.

In fiscal year 2015, the ninth and last remaining tranche of the share-based remuneration with long-term incentive effect, which ran from January 1, 2012 to December 31, 2014, was out to the members of the Supervisory Board (at the time of assignment) in the amount of:

— KEUR 3.3 to the former Chairman Lutz Mellinger
— KEUR 4.9 to the Deputy Chairman Dr. Stephan Kremeyer
— KEUR 3.3 to each member who was in office at the grant date

There were no further virtual stock options outstanding as of December 31, 2015.

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

**f) Related party disclosures**

In addition to the Management Board, related parties as defined by IAS 24 include the Supervisory Board and shareholders. Transactions between the company and its subsidiaries considered as related parties are eliminated by way of consolidation and have not been described in these notes. Several members of itelligence AG's Supervisory Board are or were employed in responsible and influential positions at other companies with which itelligence AG maintains ordinary business relationships. Purchase transactions for software and services with these related parties are conducted at arm's-length conditions.

NTT DATA Corporation, Japan, granted itelligence AG the following loans to finance new buildings and the acquisition of international and German consulting companies:

| KEUR | Interest rate in % | Total | of which current | of which non-current |
|---|---|---|---|---|
| Loan from Oct. 1, 2009/10-year term | 3.596 | 0 | 0 | 0 |
| (Previous year) | | (3,784) | (784) | (3,000) |
| Loan from Jul. 15, 2010/10-year term | 3.055 | 0 | 0 | 0 |
| (Previous year) | | (6,692) | (1,192) | (5,500) |
| Loan from Jun. 13, 2011/10-year term | 3.715 | 0 | 0 | 0 |
| (Previous year) | | (9,283) | (1,483) | (7,800) |
| Loan from Jun. 30, 2011/5-year term | 3.084 | 0 | 0 | 0 |
| (Previous year) | | (1,219) | (619) | (600) |
| Loan from Dec. 15, 2011/5-year term | 2.3597 | 0 | 0 | 0 |
| (Previous year) | | (1,201) | (601) | (600) |
| Loan from Jul. 15, 2011/10-year term | 3.514 | 0 | 0 | 0 |
| (Previous year) | | (3,743) | (586) | (3,157) |
| Loan from Jan. 31, 2012/10-year term | 2.2161 | 0 | 0 | 0 |
| (Previous year) | | (5,074) | (722) | (4,352) |
| Loan from May 14, 2014/3-year term | 1.245 | 0 | 0 | 0 |
| (Previous year) | | (18,771) | (147) | (18,624) |
| Loan from Feb. 27, 2015/3-year term | 0.839 | 68,445 | 480 | 67,965 |
| (Previous year) | | (0) | (0) | (0) |
| Loan from Jun. 22, 2015/252-day term | 0.673 | 5,520 | 5,520 | 0 |
| (Previous year) | | (0) | (0) | (0) |
| **December 31, 2015** | | **73,965** | **6,000** | **67,965** |
| **December 31, 2014** | | **(49,767)** | **(6,134)** | **(43,633)** |

The interest rates are standard market interest rates.

In fiscal year 2015, companies of the itelligence Group generated the following income and expenses from activities with companies of the NTT Group that are not also companies of the itelligence subgroup:

| INCOME | |
|---|---|
| Consulting | 5,225 |
| Licenses | 9 |
| Application Management | 1,281 |
| Outsourcing & Services | 4,742 |
| Other | 135 |
| | **11,392** |

| EXPENSES | |
|---|---|
| Consulting | 4,286 |
| Outsourcing & Services | 537 |
| Administration | 1,362 |
| Other | 98 |
| Interest expense | 711 |
| | **6,994** |

The negotiated prices are standard market prices for third parties.

With TBV Lemgo, itelligence AG has an advertising agreement with an annual volume of KEUR 200. It runs to June 30, 2016.

**g) Risk management**

**Market risk**
As an international full-service IT provider for SAP, itelligence is exposed to risks from the ordinary course of business and from general conditions.

**Resource risk**
As a full-service IT provider, itelligence has focused on the traditional and upper midsize market in the SAP environment. As a result of this strong relationship with SAP in terms of content and strategy, the company is also highly dependent on SAP. This dependence greatly influences itelligence's net assets, financial position and results of operations.

Customer-side market risks and supplier-dependent or resource-dependent market risks are additional risks that are not within the company's control.

Resource-dependent risks include primarily risks relating to human resource management. Employees and managers form the basis of the company's success. Accordingly, ensuring the loyalty of highly qualified employees to the company in the long term and attracting new highly qualified staff is of the utmost importance to itelligence.

**Currency risk**
The operating companies of the itelligence Group predominantly settle their activities in their respective functional currency. Managing these income and expenses within local currency provides a natural hedging of cashflows, as a result of which the currency risk within the Group can be rated as low. Differences from the translation of financial statements in foreign currency into Group currency as part of the preparation of the consolidated financial statements do not influence currency risk as the respective changes in foreign currency are shown outside profit or loss in equity.

**Interest rate risk**
Interest rate risks arise from fluctuations in interest rates on money and capital markets and as a result of market changes in exchange rates.

The Group is subject to interest rate fluctuations on both sides of its statement of financial position.

On the assets side, income from investments of cash and cash equivalents in particular is subject to interest rate risks. On the equity and liabilities side, interest expenses on current financial liabilities in connection with the utilization of credit facilities and other debt items are exposed to the risk of changing interest rates. Given the low utilization of current credit facilities (KEUR 2,271 as of December 31, 2015 and KEUR 5,593 as of December 31, 2014), 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 for 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 2.87% by 100 basis points would have resulted in a reduction or increase in market value of KEUR 1,547.

For the purposes of goodwill impairment testing, individual capital costs are recognized for the underlying units in order to determine the present value of future cashflows. The same applies to the measurement of put-call options. Fluctuations in capital costs on the capital markets can result in future valuation risk for itelligence.

**Credit risk**

Within its business activities and individual financing activities, itelligence is exposed to a credit risk that lies in the non-fulfillment of contractual agreements by its partners. Credit risk arises from trade receivables. itelligence limits this risk by assessing its partners primarily on the basis of external ratings. There are no significant risks with any individual business partners.

The monitoring of the credit risk in operating activities is based on past data and external ratings. Outstanding amounts are monitored on an ongoing basis. Credit risks are taken into account on the basis of individual analyses and the maturity structure of receivables with specific and portfolio valuation allowances of KEUR 4,373 (previous year: KEUR 4,884). 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 maximum credit risk for Germany is KEUR 5,067 (previous year: KEUR 3,427). Outside Germany, the carrying amounts of trade receivables of KEUR 107,173 is equal to the maximum credit risk (previous year: KEUR 98,368). Where write-downs are recognized due to customer insolvency, the respective adjustment account is eliminated against the written-down carrying amount of the receivables when the insolvency proceedings are completed.

The maturity structure of current trade receivables as of December 31, 2015 is as follows:

| **TOTAL** in KEUR | Up to 20 days | Up to 40 days | Up to 80 days | Up to 100 days | Over 100 days |
|---|---|---|---|---|---|
| 138.305 | 111,639 | 10,232 | 5,418 | 1,992 | 9,024 |
| 100% | 80.7% | 7.4% | 3.9% | 1.4% | 6.5% |
| of which impaired | | | | | |
| 4.373 | 0 | 0 | 0 | 0 | 4,373 |

The Management Board assumes that the amounts up to 100 days past due will be paid in full. This assessment is based on past payment behavior and extensive analyses in respect to the customer credit risk. This includes customer ratings, to the extent they are available.

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

On December 31, 2015 the Group held cash and cash equivalents of KEUR 54,518 (previous year: KEUR 38,764). This figure is therefore also the maximum credit risk in connection with these assets. Cash and cash equivalents are deposited only with banks or financial institutions of good to very good credit quality.

**Liquidity risk**

The liquidity risk consists of the company being unable to meet its financial obligations from, for example, loan agreements, leases or trade payables.

| KEUR | Up to 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| Financial liabilities | 25,775 | 85,178 | 1,532 | 112,485 |
| Trade payables | 54,305 | 0 | 0 | 54,305 |
| Interest payments | 1,020 | 1,137 | 41 | 2,198 |
| **Cashflows from financial liabilities as of December 31, 2015** | **81,100** | **86,315** | **1,573** | **168,988** |

Working capital, which represents the net current assets of an entity (current assets less current liabilities), amounted to KEUR 51,723 as of the end of the year (previous year: KEUR 20,931). 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 financial management system for global liquidity management. Its overriding aim 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, 2015, the Group had cash and cash equivalents of KEUR 54,518 (previous year: KEUR 38,764), consisting of current account balances and cash in hand.

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

**h) Auditor's fees and services**

At the Annual General Meeting on March 26, 2015, the shareholder of itelligence AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor of the separate and consolidated financial statements of itelligence AG for fiscal year 2015.

In the current fiscal year, the itelligence Group paid the following fees to the auditor as defined by section 319(1) sentences 1 and 2 HGB:

| KEUR | 2015 | 2014 |
|---|---|---|
| Fees for audits of financial statements by KPMG AG | 223 | 215 |
| Fees for tax advisory services | 109 | 87 |
| Fees for other services | 205 | 63 |
| | **537** | **365** |

**i) Group affiliation**

NTT CORPORATION, Tokyo, Japan, prepares the consolidated financial statements for the smallest and largest group of companies.

## 34. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

Bielefeld, March 17, 2016
itelligence AG, Bielefeld

**Herbert Vogel**
CEO

**Norbert Rotter**
CEO

# AUDITOR'S REPORT

We have issued the following unqualified auditors' report:

**"Auditors' report**

We have audited the consolidated financial statements prepared by itelligence AG, comprising the consolidated statement of financial position, consolidated income statement and statement of other comprehensive income, consolidated statement of cashflows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with the group management report, for the financial year from January 1 to December 31, 2015. 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 Section 315a (1) of the German Commercial Code [HGB] are the responsibility of the Company's Executive Board. 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 Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [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 the Executive Board, 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 and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Bielefeld, March 17, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

## INCOME STATEMENT
### GERMAN COMMERCIAL CODE

| EUR | | 1.1. – 31.12.2015 | | 1.1. – 31.12.2014 |
|---|---|---|---|---|
| 1. Revenues | | 160,919,995.83 | | 147,081,859.82 |
| 2. Decrease in services in progress | | 7,455,830.51 | | 1,307,948.70 |
| 3. Other operating income | | 14,901,022.35 | | 15,273,085.38 |
| 4. Cost of materials | | | | |
| a) Cost of purchased merchandise | -15,577,118.36 | | -13,419,157.64 | |
| b) Cost of purchased services | -69,698,945.31 | -85,276,063.67 | -60,689,578.82 | -74,108,736.46 |
| 5. Personnel expenses | | | | |
| a) Wages and salaries | -72,185,818.38 | | -66,099,747.38 | |
| b) Social security, post-employment and other employee benefit costs – of which in respect of old-age pensions EUR -24,000.88 (previous year EUR -83,129.88) – | -10,190,142.56 | -82,375,960.94 | -9,302,763.77 | -75,402,511.15 |
| 6. Depreciation, amortization and write-downs | | | | |
| a) Amortization and write-downs of intangible assets and deprecation and write-downs of tangible assets | -1,790,385.79 | | -1,705,978.59 | |
| b) Write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation | -182,624.40 | -1,973,010.19 | -1,879,602.87 | -3,585,581.46 |
| 7. Other operating expenses | | -31,942,855.65 | | -30,630,506.68 |
| 8. Income from long-term equity investments – of which in respect of affiliated companies EUR 3,988,595.58 (previous year: 1,191,449.27) – | | 4,005,270.10 | | 1,192,216.21 |
| 9. Income from profit and loss transfer agreements | | 24,799,987.29 | | 19,558,866.91 |
| 10. Other interest and similar income – of which in respect of affiliated companies EUR 1,624,136.78 (previous year: EUR 1,531,287.10) – | | 1,697,826.21 | | 1,547,803.19 |
| 11. Interest and similar expenses – of which in respect of affiliated companies EUR -740,658.03 (previous year: EUR -1,255,846.24) – | | -1,335,482.51 | | -1,619,643.98 |
| **12. Result from ordinary activities** | | **10,876,559.33** | | **614,800.48** |
| 13. Extraordinary income | | 322,664.29 | | 0.00 |
| 14. Income taxes | | -3,425,473.76 | | -1,472,536.75 |
| **15. Net loss for the year (previous year: Net profit for the period)** | | **7,773,749.86** | | **-857,736.27** |
| 16. Retained profits carried forward | | 7,513,501.42 | | 8,371,237.69 |
| **17. Net accumulated profits** | | **15,287,251.28** | | **7,513,501.42** |

## BALANCE SHEET

GERMAN COMMERCIAL CODE

| ASSETS EUR | | Dec. 31, 2015 | | Dec. 31, 2014 |
|---|---|---|---|---|
| **A. Fixed assets** | | | | |
| **I. Intangible assets**<br>Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets | | 1,799,457.00 | | 1,559,685.00 |
| **II. Tangible assets** | | | | |
| 1. Land, land rights and buildings including buildings on third-party land | 6,479,109.00 | | 6,679,585.00 | |
| 2. Technical equipment and machinery | 125,738.00 | | 201,736.00 | |
| 3. Other assets, operating and office equipment | 2,371,888.00 | | 2,343,246.62 | |
| 4. Advance payments and assets under development | 203,784.00 | 9,180,519.00 | 0.00 | 9,224,567.62 |
| **III. Long-term financial assets** | | | | |
| 1. Investments in affiliated companies | 101,643,916.99 | | 94,862,363.70 | |
| 2. Loans to affiliated companies | 19,654,087.34 | | 16,728,941.91 | |
| 3. Investments | 10,225.84 | 121,308,230.17 | 10,225.84 | 111,601,531.45 |
| | | **132,288,206.17** | | **122,385,784.07** |
| **B. Current assets** | | | | |
| **I. Inventories**<br>Work in progress | | 34,910,853.76 | | 27,455,023.25 |
| **II. Receivables and other assets** | | | | |
| 1. Trade receivables<br>– thereof with a residual term of more than one year EUR 2,557,328.23 (previous year: EUR 2,591,642.36) – | 26,221,094.35 | | 25,429,003.31 | |
| 2. Receivables from affiliated companies<br>– thereof with a residual term of more than one year EUR 4,410,633.87 (previous year: EUR 2,758,527.40) – | 32,770,178.12 | | 28,579,448.35 | |
| 3. Other assets<br>– thereof with a residual term of more than one year EUR 78,136.56 (previous year: EUR 139,200.22) – | 773,437.82 | 59,764,710.29 | 494,709.39 | 54,503,161.05 |
| **III. Cash in hand, bank balances and checks** | | 13,608,033.69 | | 279,940.71 |
| | | **108,283,597.74** | | **82,238,125.01** |
| **B. Prepaid expenses and deferred income** | | 1,860,147.45 | | 1,526,981.99 |
| | | **242,431,951.36** | | **206,150,891.07** |

| **EQUITY AND LIABILITIES** EUR | **Dec. 31, 2015** | **Dec. 31, 2014** |
|---|---|---|
| **A. Equity** | | |
| **I. Subscribed capital** | 30,014,838.00 | 30,014,838.00 |
| **II. Capital reserves** | 45,880,856.84 | 45,880,856.84 |
| **III. Net accumulated profit** | 15,287,251.28 | 7,513,501.42 |
| | **91,182,946.12** | **83,409,196.26** |
| **B. Provisions** | | |
| 1. Provisions for pensions and similar obligations | 1,214,642.00 | 856,316.00 |
| 2. Tax provisions | 2,337,000.00 | 1,278,800.00 |
| 3. Other provisions | 20,250,048.17 | 16,382,401.38 |
| | **23,801,690.17** | **18,517,517.38** |
| **C. Liabilities** | | |
| 1. Amounts due to banks | 0.00 | 3,839,697.60 |
| 2. Advance payments received<br>– thereof with a remaining term of less than one year EUR 35.312.423,27 (previous year: EUR 26.138.793,38) – | 35,312,423.27 | 26,138,793.38 |
| 3. Trade payables<br>– thereof with a remaining term of less than one year EUR 10.187.584,32 (previous year: EUR 11.340.159,28) – | 10,187,584.32 | 11,340,159.28 |
| 4. Liabilities to affiliated companies<br>– thereof with a remaining term of less than one year EUR 9.107813,68 (previous year: EUR 12.630.564,99) – | 77,072,962.98 | 56,263,077.45 |
| 5. Other non-financial liabilities<br>– thereof with a remaining term of less than one year EUR 4.008.263,11 (previous year: EUR 3.968.886,71) –<br>– thereof relating to taxes EUR 3.104.695,10 (previous year: EUR 3.780.988,64) –<br>– thereof relating to social security EUR 17.903,01 (previous year: EUR 2.129,23) – | 4,019,930.11 | 6,064,196.15 |
| | **126,592,900.68** | **103,645,923.86** |
| **D. Prepaid expenses and deferred income** | 854,414.39 | 578,253.57 |
| | **242,431,951.36** | **206,150,891.07** |

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