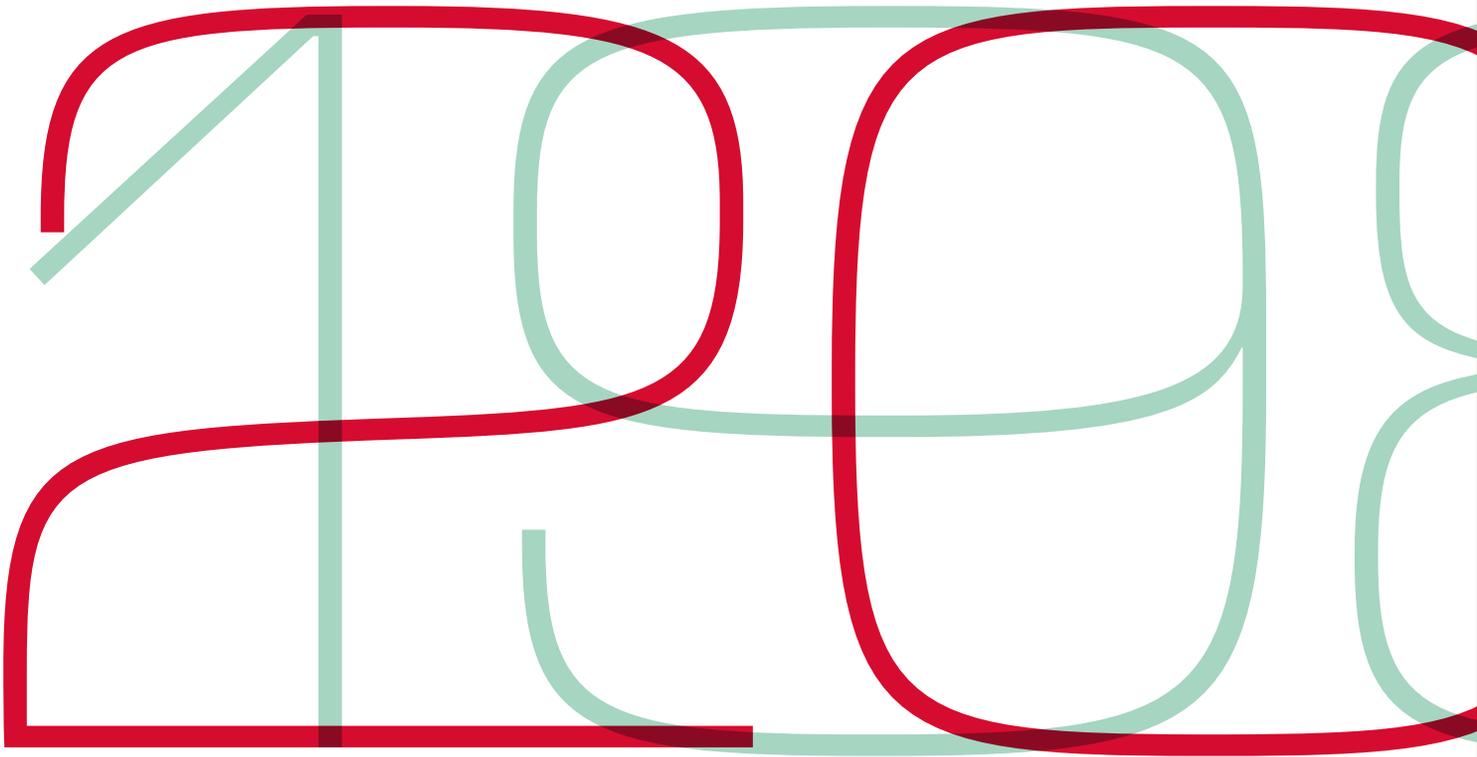


30
YEARS

itelligence NTT DATA Business Solutions

Annual Report 2018



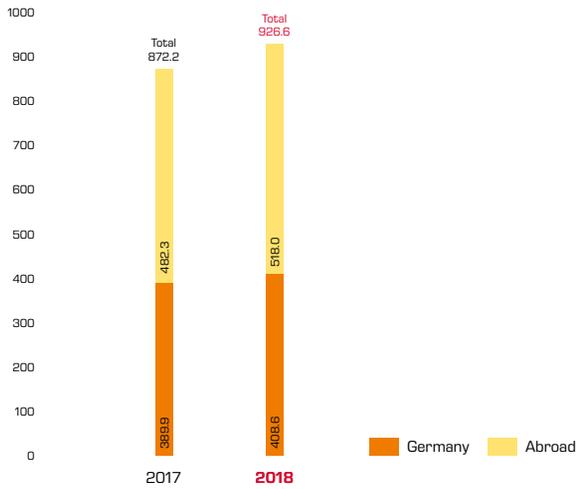
We Transform.
Trust into Value

ITELLIGENCE KEY FIGURES

MEUR	IFRS 2018	IFRS 2017	IFRS 2016	IFRS 2015
Total revenues	926.6	872.2	777.9	696.2
Revenues by area				
Consulting	389.1	358.2	331.4	310.1
Licenses	81.6	87.9	79.0	69.4
Cloud Subscription	19.7	14.1	6.5	2.7
Managed Services	431.6	408.5	360.2	310.6
Other	4.6	3.5	0.8	3.4
Revenues by segment				
DACH (Germany/Austria/Switzerland)	444.1	417.9	364.6	321.2
Western Europe	131.7	115.6	108.2	103.5
North and Eastern Europe (NEE)	184.6	172.3	152.7	125.9
America	141.9	145.2	135.7	130.8
Asia	17.4	14.3	12.5	10.7
Other	6.9	6.9	4.2	4.1
EBIT in MEUR				
EBIT margin	2.2%	3.9%	4.5%	5.2%
EBITA in MEUR	31.0	44.1	42.2	42.9
EBITA margin	3.3%	5.1%	5.4%	6.2%
EBITDA in MEUR	55.1	67.4	64.0	62.5
EBITDA margin	5.9%	7.7%	8.2%	9.0%
Earnings IFRS				
Earnings per share	0.35	0.56	0.56	0.63
Cashflow per share	1.11	-0.22	0.11	0.50
Return to sales	1.4%	2.2%	2.3%	3.0%
Cashflow in MEUR	33.4	-6.7	3.4	15.1
Balance sheet total in MEUR	671.6	578.0	544.7	459.3
Equity in MEUR	192.2	174.5	165.8	155.0
Equity ratio	28.6%	30.2%	30.4%	33.7%
ROE (Return on equity)	6.6%	10.7%	11.0%	13.6%
ROA (Return on assets)	2.3%	4.5%	4.4%	5.8%
ROCE (Return on capital employed)	3.2%	6.1%	6.2%	8.6%
Investments in MEUR	57.5	60.7	45.5	37.9
Employees as of December 31				
Average	7,533	6,450	5,276	4,422
– Germany	3,152	2,795	2,653	2,040
– Abroad	4,752	4,188	3,024	2,662

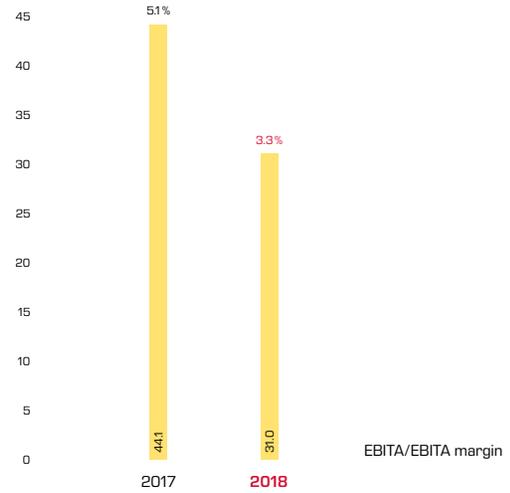
REVENUE DEVELOPMENT

MEUR



GROWTH IN EARNINGS

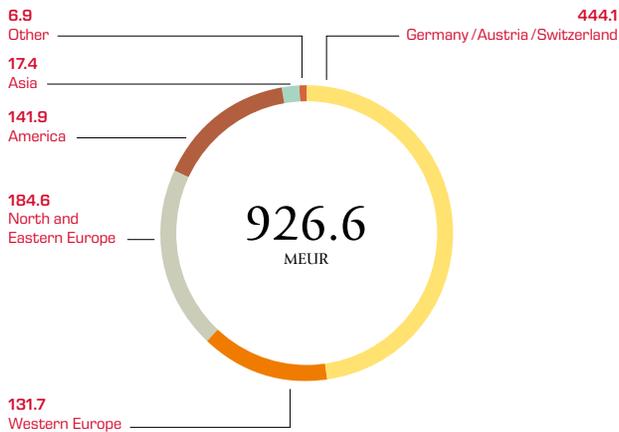
MEUR



REVENUE DEVELOPMENT BY SEGMENT

MEUR

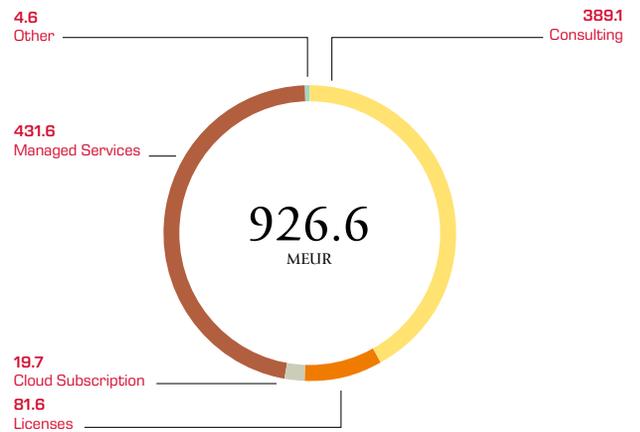
2018



REVENUE DEVELOPMENT BY DIVISION

MEUR

2018



Change	+6.2%
D/A/CH	+6.3%
Western Europe	+13.9%
North and Eastern Europe	+7.1%
America	-2.3%
Asia	+21.7%
Other	+/-0%

Change	+6.2%
Consulting	+8.6%
Licenses	-7.2%
Cloud Subscription	+39.7%
Managed Services	+5.7%
Other	+31.4%

1989–2019: 30 YEARS ITELLIGENCE

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30 Years of itelligence

AN EXPRESSION OF OUTSTANDING BUSINESS PERFORMANCE –
AND AN INCENTIVE FOR THE FUTURE

Dear readers,

Do you know the average life span of a company? I've done some research, and found some interesting figures: according to a study, the average German company is eight to ten years old, and another analysis shows that only one in seven firms makes it to its 30th anniversary.

You've probably guessed what I'm getting at: itelligence's 30th anniversary is more than just a date to me. It's a testament to outstanding business performance that the whole itelligence team can be proud of – from our founders Herbert Vogel and Wolfgang Schmidt to our youngest employees.

I'd like to thank everyone involved for their dedication, their ideas, and their commitment to itelligence. I firmly believe that our fantastic employees all over the world, some of whom are introduced in profiles starting on page 14, are our key success factor – now and in the future.

We transform. Trust into value

But what groundwork do we need to do now in order to continue our success story and keep on attracting the best employees? Even a successful past is no guarantee of a successful future.

For this reason, as well as celebrating the past, we look firmly ahead in this annual report – and explain why we are investing heavily in employees (see the interviews starting on page 8), what promising innovations we are pursuing (page 38), and how we aim to step up our global presence even further.

The overriding aim of our work is clearly defined in our new mission claim "We transform. Trust into value": itelligence is actively pursuing technical and social digital change. We help our customers with their digital transformation measures. In doing so, we create value, including through trust-based long-term partnerships with our customers, with SAP, and with our service providers.

I hope you enjoy reading our annual report.



Yours, Norbert Rotter



30
YEARS

itelligence

#30yearsitelligence



Norbert Rotter at this year's
itelligence employee day

Herbert Vogel together with Norbert Rotter on the panel of this year's intelligence employee day



The corporate culture is crucial

itelligence founder Herbert Vogel would rather look ahead than back. However, he made an exception for us. He talked to us about major milestones, prominent companions on his journey, and his wishes for the future.

Mr. Vogel, at the beginning of your career, you worked for two long-established and prestigious German companies – Blaupunkt and Bertelsmann. Did you have an inkling back then that you wanted to become an entrepreneur yourself? No. But I did experience two totally different corporate cultures back in those days. I benefited from this later on as an entrepreneur.

What were the differences? At the time, Blaupunkt had just lost its most important customer, and was enveloped in a major crisis. Morale was low, the atmosphere was unpleasant – in short, it wasn't a fun place to work. The situation at Bertelsmann was completely different. The company was thriving, and employees were shown respect and appreciation. Reinhard Mohn in particular epitomized this. I modeled myself on him later on.

At Bertelsmann, you rose from programmer to head of department in the eighties, handling projects such as the introduction of SAP. So why did you choose to go it alone? At some point, I had a new boss I didn't really get on with. In addition, my future business partner Wolfgang Schmidt suggested that we form a small IT consulting firm together. But I was skeptical at first, as I had just become a father and had a family to support.

Some two years later, you relented, and in 1989 you both set up the IT consulting firm S&P Consult, which later became itelligence AG. Did you already have the ambition to build up a big company back then? No. Our first target was to have ten employees. Then we kept on growing and set new targets.

Intensive discussions with Dietmar Hopp

When you look back at the initial phase, what factors were particularly important to the company's growth?

One of them was definitely our strong contacts with Bielefeld University, through which we recruited some outstanding mathematicians, in line with the maxim "always try to hire

people who are better than you". We also managed to retain these people, mainly because of the corporate culture. I placed great emphasis on a collaborative leadership style and always tried to be approachable.

The upward trajectory continued throughout the nineties. What would you say were the key milestones? After just a few years, we focused almost entirely on SAP consulting, and in the mid-nineties, we held intensive discussions with SAP co-founder and then-CEO Dietmar Hopp. That was the basis for our excellent close relationship with SAP.

How did you convince Dietmar Hopp? You'd have to ask him. But one thing is clear: he saw us as the paradigm of an SAP consulting firm in the SME segment, and treated us on a par with IBM, HP and other major consultancies. After that, we decided to focus fully on SMEs and stop supporting big companies. In our situation at the time, that was a significant change of direction.

When did the company start to expand outside Germany? That was also in the mid-nineties – looking back, that was a really important phase. We opened our first branch in 1995 in the United States, which remains the most important foreign market for itelligence. Branching out abroad eventually proved to be a vital step: without the strong US business, we probably wouldn't have survived our severe crisis at the start of the new millennium.

My biggest business mistake

What happened? In 2000, we decided to merge with APCON AG, a Hamburg-based software firm. That was my biggest business mistake, and took us to the brink of disaster. It soon transpired that APCON was worth far less than we had been led to believe. We failed to do proper due diligence beforehand, and really got our fingers burned.

How did you turn things around? I put my nose to the grindstone for two years, in some cases working round the clock. We gradually parted company with all APCON managers and constantly had to cope with tricky situations where money was tight. Without the income from the USA and Switzerland, I would probably have had to file for insolvency at some point. Looking back, this was a defining phase; it certainly taught me a lesson in humility.

After the APCON episode, you turned all your attentions back to SAP consulting, and starting in 2004, there were several strong years of constant growth. Why did you decide to get NTT DATA on board as an investor and owner? I was and still am convinced that NTT DATA is the ideal partner for long-term growth. And I wanted to lay the foundations early on for the company to grow and move forwards independently of me as its founder.

You stepped down as CEO in 2016. How hard was it to do this? Something like that doesn't come easily. But it was the right time, especially as an outstanding successor was on hand in Norbert Rotter. And those who know me will know that there's no chance of me getting bored.

You are a keen sailor. What else keeps you occupied? I have a demanding position as Chairman of the Supervisory Board of NTT DATA Deutschland, an affiliate of itelligence. There are also other Supervisory Board and consultancy roles as well as voluntary commitments.

What are these commitments?

I am Chairman of the German handball league team TBV Lemgo and Managing Director of the Bielefeld Research and Innovation Campus (BRIC), an initiative involving the University, the University of Applied Sciences, the city council and the Chamber of Industry and Commerce. Our aim is to locate innovative start-ups right next to the universities and strengthen Bielefeld as a business location.

Where would you like to see itelligence in 30 years?

In fast-moving times like these, it's particularly hard to look so far ahead. To me, itelligence is all about a clear focus on SAP and a first-class corporate culture. If the company continues to find and retain good people, I am really confident that it will maintain its upward trajectory. ■



In 1989, Herbert Vogel established a small IT consulting firm with Wolfgang Schmidt that went on to become itelligence AG. He held the role of CEO until June 2016.

“We invest in people”

30 YEARS AFTER IT WAS FOUNDED, ITELLIGENCE IS JUST ABOUT TO BREAK THE BILLION-EURO REVENUE BARRIER. NORBERT ROTTER AND BENITO VÁZQUEZ BLANCO TELL US WHAT DEFINES THE COMPANY – AND WHAT GROUNDWORK THEY NOW AIM TO DO IN ORDER TO MAINTAIN ITS SUCCESS.

Mr. Rotter, you have been at itelligence for over ten years, and succeeded founder Herbert Vogel as CEO in mid-2016. What would you say are the key factors for the company’s success?

Rotter There are definitely several factors that have enabled itelligence to develop successfully and that have shaped the company for 30 years now. Obviously, I must emphasize the close partnership with SAP, the world’s leading provider of enterprise software. To me, our corporate culture, shaped by our founders Wolfgang Schmidt and especially Herbert Vogel in his many years as CEO, is another key element here. Even after three decades, we have an open, trust-based approach and give our employees scope to make their own decisions. The clear guiding principle is “people first”. This has been a central pillar of the company’s success in the last 30 years, and gives us an important competitive edge when it comes to finding and retaining new talents, especially when there is a shortage of specialist staff.

But good people must also be paid well.

Rotter You shouldn’t underestimate how important corporate culture is to young talents in particular. But I know what you’re getting at: we actually invest heavily in people and their expertise, including in the form of training. This money is put to excellent use. We have lost profitability in complex projects in Germany and abroad, especially last year. We need to do something about this. The solution is extremely

well-trained employees, for example experts who manage these challenging projects.

Vázquez Blanco That’s right. itelligence is growing strongly, and is also in the midst of an important transformation process: the company needs to adjust to SAP’s cloud strategy as well as digital transformation. All this requires lots of investment – especially in people, as Norbert rightly said. Recently, this has affected profitability, but is essential to long-term success.

You reorganized the company last year in order to integrate the international subsidiaries more closely, leverage synergy effects through standardization, and improve the transfer of expertise from Germany. Is this paying off already?

Rotter We have opted for a matrix organization. In addition to the regions, the Consulting, Sales, it.Products, and Managed Services lines now have global responsibility, too. We have made substantial progress in terms of the future global standards. Now we need to keep on rigorously pursuing the initiatives we have started. It’s important to me to point out that the reorganization is by no means only about cutting costs: we believe that we can leverage considerable growth potential through more intensive transfer of expertise to our subsidiaries. To this end, we must provide local training for our employees who understand and sell our innovations. That costs money, but it will pay off in the long term.

“We say what we think”

Mr. Vázquez Blanco, you joined the itelligence Supervisory Board in 2018. How is the collaboration with the Management Board going?

Vázquez Blanco I get the impression that our work is based on the same values: we say what we think – and we do what we say. To me, this is just what we need to overcome the forthcoming challenges together.

Rotter I fully endorse Benito’s view. We are on the same wavelength and have similar views about good enterprise management. Our working relationship is based on a high level of trust.

You announced in January that itelligence will break the billion-euro revenue barrier in the current fiscal year. Are you still on track for this?

Rotter Yes, I am really confident. In addition, we aim to grow more quickly than the market and more strongly than last year – with an EBITA margin of around five percent. However, there are some macroeconomic uncertainties. That’s why, instead of getting complacent about our healthy orders on hand, we must work to attract customers every single day. What makes me optimistic is the fact that more and more companies are pressing ahead with digital transformation – and relying on SAP technology. That is a huge opportunity for itelligence: we can and will help even more companies and thus create genuine value, as we promise with our new mission claim “We transform. Trust into value”.

“itelligence is responsible for the entire SAP business”

Mr. Vázquez Blanco, you have been CEO of NTT DATA EMEA since 2018, with responsibility for Europe, Middle East, and Africa. What role will itelligence play in the NTT DATA Group in the future?

Vázquez Blanco I believe that the positioning of companies should be based on their greatest strength. And in this case, it is SAP expertise: itelligence is undoubtedly one of the most highly-regarded consultancy firms on the global market here. We aim to keep on building on this.



Norbert Rotter, CEO, itelligence



Benito Vázquez Blanco, CEO, NTT DATA EMEA

What exactly do you mean by that?

Vázquez Blanco intelligence will be responsible for the entire SAP consulting business worldwide – with major customers as well as SMEs. There are still a few overlaps with other NTT DATA companies that we aim to gradually eliminate. The individual companies of the NTT DATA network will then complement each other even better than they do already.

Rotter We believe that we are predestined for this role on account of our expertise and our excellent relationship with SAP. NTT DATA's decision means recognition and incentive for us at the same time.

For a long time, the focus was firmly on SMEs. How hard will it be to convince major companies, too?

Rotter We are already seeing initial success, and prevailed against much larger global consulting firms just a couple of weeks ago to win a contract with a Swiss group. We are now seeing similar success in the USA, UK, Benelux, the Scandinavian countries, and Turkey. But of course, we need even more major customer expertise if we intend to keep on growing in this field. I believe that we will benefit enormously from the partnership with NTT/NTT DATA here.

Vázquez Blanco I believe that, too. intelligence employees are already supporting major customer projects of subsidiaries with considerable success.

“SMEs are still our basis”

By implication, does that mean that you see no more growth potential with SMEs?

Rotter No, on the contrary. SMEs are still our basis. We aim to grow here as well, and will do so. And we will continue to stand out from large consulting firms that often offer formulaic solutions. That's why standardization doesn't mean “one size fits all” to us: one of our most important strengths is our industry expertise, which enables us to discuss with our customers on an equal footing and develop bespoke solutions.

Vázquez Blanco I think it's important to point that out. International companies expect uniform standards – regardless of whether they hire intelligence in Australia or the Netherlands. At the same time, flexibility and understanding of the local situation are required. Intelligence strikes the right balance

here, and I believe this gives us a decisive edge over major competitors that we need to keep making the most of.

We have already talked about the profit margin (EBITA), which recently stood at 3.3 percent. To what extent are savings measures required to get it back to five percent as planned?

Rotter It's basically simple – revenues need to rise more quickly than costs. Increasing reporting requirements and new regulations, such as the General Data Protection Regulation, are driving up our administrative expenses. For this reason alone, we need a certain amount of cost discipline. And we aim to significantly reduce the number of projects that make little or no profit. At the same time, I will say quite clearly: our employees are our biggest asset. Providing them with an attractive job is a constant motivation for us.

intelligence acquired more companies in 2018. How satisfied are you with the new additions?

Rotter We have strengthened sensibly, for example with the acquisition of Sybit GmbH, through which we have gained outstanding expertise and resources in e-commerce and customer relationship management. The new cloud suite SAP C/4HANA is a strategic growth area for us. And of course, we plan to make further purchases in the current year. However, we aim to break the billion-euro revenue barrier solely through organic growth.

“We need the courage to go in new directions”

What regions or companies are currently on your radar?

Rotter We are on the lookout in South America, for instance. But we also aim to strengthen with specialist expertise in countries where we already have a branch. We are particularly interested in highly specialized companies that have reached the limits of their growth on their national market. In April 2019, we strengthened our presence in the UK and acquired another CX partner.

We have talked about standardization, transfer of expertise, and acquisitions. What other groundwork does intelligence need to do now in order to continue the success story of the past 30 years?

Vázquez Blanco Norbert has already referred to corporate culture and the importance of our employees. I agree that itelligence must make every effort to find and retain the best people. This is about mindset as well as specialist expertise: in the age of the digital revolution, companies need employees who think in an enterprising and disruptive way. To be of interest to these people, itelligence must continue to be an open, flexible company – and have the courage to go in new directions.

Rotter We have developed exciting innovations in recent years, and are making progress with further projects. But it shouldn't stop there: we need to develop further ideas and have the courage to implement them – Benito is absolutely right.

“We need more women in managerial positions”

Can the Management Board force good ideas?

Rotter No, but they can ensure that people with different skills and perspectives come together. That's why I am firmly committed to ensuring more diversity. One thing we need in order to achieve this is more women in managerial positions.

Mr. Vázquez Blanco, you talked about having the courage to go in new directions. Could you give a specific example?

Vázquez Blanco I firmly believe that we need to act even more strongly as a partner for our companies, and not just as a provider. Why shouldn't we get involved in projects of our customers as a co-investor, for example in the form of joint ventures?

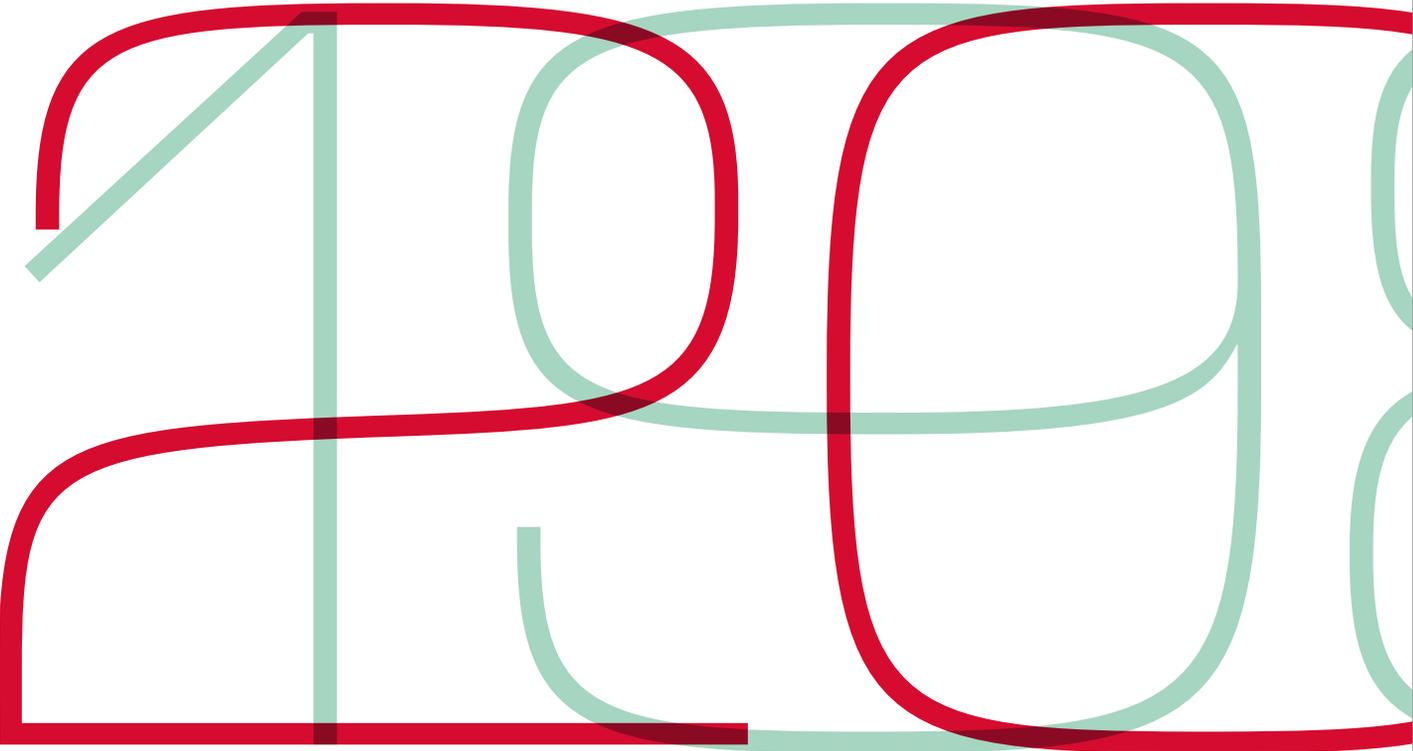
Final question: how optimistic are you that itelligence will continue to grow successfully?

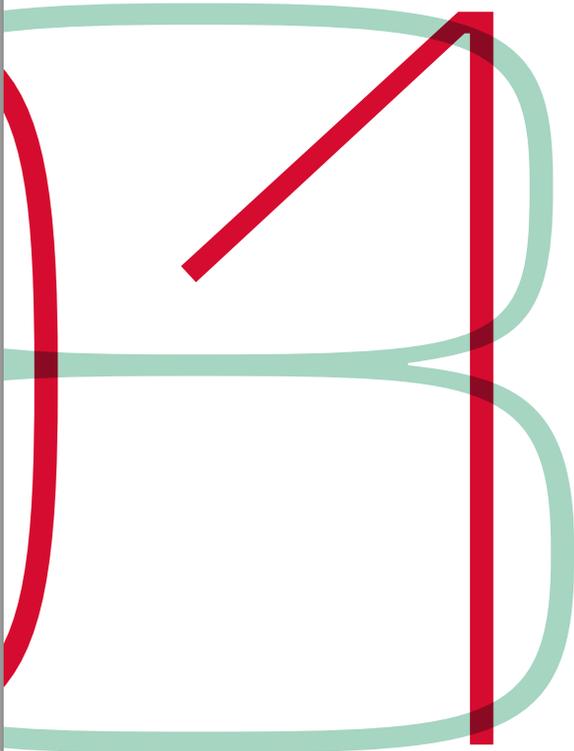
Rotter I am confident that we will meet our ambitious growth targets. We expect to see double-digit growth rates again in the next three years. In addition, we are optimistic that the profit margin will rise beyond the five percent targeted for 2019 if our initiatives and investments take effect. And this money will in turn be invested in growth. We are in full agreement with our owner NTT DATA on this.

Vázquez Blanco We have got everything we need to be successful – in particular, a strong business model and an owner that thinks long-term and respects and supports us. So whether we succeed is entirely down to us. I'm very optimistic about this. ■

Norbert Rotter previously worked as an auditor and consultant for KPMG in Bielefeld and New York. He joined itelligence as CFO in 2008, and worked closely with the company's founder Herbert Vogel. He succeeded him as CEO in 2016.

Benito Vázquez Blanco is the founder of the Spanish IT consulting firm everis, which has been part of NTT DATA since 2014. He has been CEO of NTT DATA EMEA (Europe, Middle East, Africa) since April 2018. Vázquez Blanco is also a member of the itelligence Supervisory Board.





ITELLIGENCE MILESTONES
1989–2019



MILESTONES

1989

- Wolfgang Schmidt and Herbert Vogel establish S&P Consult, a small IT service provider with three employees. One of its first customers is Benteler

Peace agreement for
SAP is floated on the New York Stock E



1994

Market release of R/3 on Windows NT 

1997

Handover of Hong Kong 
13,000 SAP employees 
The hundredth R/3 introduction is completed 

1992

Maastricht Treaty (EU) 
SAP is 20 years old 
Renamed as SVP GmbH (Schmidt, Vogel & Partner) 

1996

SAP unveils its Internet strategy in conjunction 
with Microsoft
Intelligence grows at international level and opens 
branches in England, Switzerland, and the USA

1991

Abolition of apartheid in South Africa 
First applications of the R/3 system 

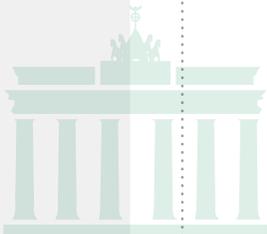
1995

Austria, Finland, and Sweden join the EU 

Global
Fear
CEO Hal
20,000
Renamed as S
Portfolio covers IT strate
licens

1990

German unification 



1989–1999

Curiosity, passion, growth

1998

Northern Ireland
Exchange (NYSE)



2002

Euro currency goes into circulation
SAP's 30th birthday



2001

Terror attacks in the USA (9/11)
Acquisition of TopTier, Shai Agassi becomes a director
Revenue of over MEUR 100



2005

Apple switches to Intel processors for the Mac
Nokia unveils its 770 Internet Tablet
Just under 39,000 employees, revenues of BEUR 8.5

2000

Partnership with Commerce One
Merger with APCON AG under the name itelligence



2004

Tsunami in the Indian Ocean
Mark Zuckerberg launches Facebook
Start of construction of the Burj Khalifa (828 meters)
SAP NetWeaver goes on sale

1999

World population reaches 6 billion people
Y2K problem (Y2K bug)
Hasso Plattner announces mySAP.com
5.1 employees and revenues of BEUR 5.1
SAP AG and IPO on the "Neuer Markt"
Strategy consulting, SAP implementation,
system integration, hosting, and
application management



2003

AOL Time Warner drops AOL from its name
Last flight of Concorde
Hasso Plattner steps down from the Executive Board of SAP
itelligence becomes an SAP Global Service Partner
for the first time

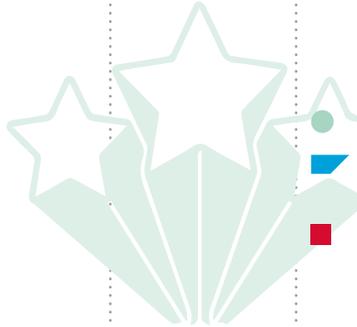


2000–2009

Crisis, turnaround, upturn

2006

- New York calls its first-ever heat emergency
- ▀ SAP announces general availability of SAP ERP



2009

- Barack Obama becomes President of the USA
- ▀ Henning Kagermann leaves SAP, Léo Apotheker becomes sole CEO
- Acquisition of 2B Interactive (Netherlands)
- Expansion of head office in Bielefeld

2008

- ▀ Integration of Business Objects is completed
- itelligence joins forces with the Japanese firm NTT DATA
- Branch in Shanghai, China, opened
- New data centers in Bautzen and Salzenforst (Germany) as well as Kuala Lumpur (Malaysia)
- Acquisition of SAPCON a.s. in Prague

2007

- Start of the financial crisis (subprime)
- ▀ Unveiling of SAP Business ByDesign



2010

- China becomes the world's second-largest economy
- Wikileaks
- ▀ SAP intends to acquire Sybase for around USD 5.8 billion
- Acquisition of Chelford SAP Solutions (UK), RPF Consulting (USA), and ADELANTE (Canada and France)

NTT DATA

2013

- Edward Snowden
- Bitcoin is worth \$120
- ▀ Acquisition of Hybris to SAP HANA
- Wholly owned subsidiary in India
- Acquisition of ASG Software AG (North America)
- Opening of the itelligence office in London
- Internal IT moved to SAP HANA

2012

- Felix Baumgartner jumps from 39 km
- ▀ Acquisition of Ariba and investment in SAP HANA
- New North American head office and SAP HANA
- Acquisition of Elsys (Turkey) and Bluewin Systems (UK)



2011

- Arab Spring
- ▀ The first customers implement the SAP HANA platform
- Acquisition of 2C change (Nordics) and Contemporary

2010–2019

Globalization, acquisitions, focus

2014

- Crimea crisis
- Acquisition of Fieldglass and Concur, Bill McDermott becomes sole CEO
- itelligence turns 25
- Acquisition of GISA (Germany), Symphony Management Consulting (USA), and 4C Management Consulting (Denmark)
- First "twinterview"



- discloses NSA documents
- 90 dollars
- ris, SAP Business Suite switches
- bsidiary of NTT DATA EUROPE
- ter Group (USA) and the SAP unit of Software (ca and Eastern Europe)
- elligence AddStore
- s to SAP Business Suite powered



- ometers
- in China
- d data center opened
- reprint Management

2015

- Wave of refugees in Europe
- SAP S/4HANA, the next-generation enterprise software
- Acquisition of Artaud, Courthéoux & Associés ACA (France), IT.Perform (UK), and Pontech (Czech Republic)

2018

- Bitcoin is worth 3,200 dollars
- Summit between Kim Jong-un (North Korea) and Donald Trump (USA)
- Acquisition of Qualtrics, unveiling of SAP C/4HANA
- More than 7,000 employees for the first time
- Creation of the Innovation Technologies unit
- Acquisition of Sybit GmbH (Germany), EINS Consulting (Sweden), and the SAP business unit iStone Sapience AB (Sweden)
- itelligence Denmark acquires the business unit of NTT DATA Denmark
- itelligence and scc establish a joint venture (Austria)



2017

- Trump (US) and Macron (F) become president
- Record transfer fee of MEUR 222 for Neymar
- Bitcoin is worth 20,000 dollars
- Partnership with Google, SAP Leonardo portfolio expanded
- More than 3,000 itelligence employees on LinkedIn
- Acquisition of Goldfish ICT (Netherlands) and vCentric Technologies (India)



2016

- UK votes for Brexit
- Partnership with Apple, acquisition of Roambi
- Herbert Vogel, founder and long-serving CEO, retires
- CFO Norbert Rotter becomes the new CEO
- Acquisition of BIT.Group (Germany) and itml GmbH in Pforzheim (Germany)

- Historic events
- SAP events
- itelligence milestones

30
YEARS

WWE

transform trust into value

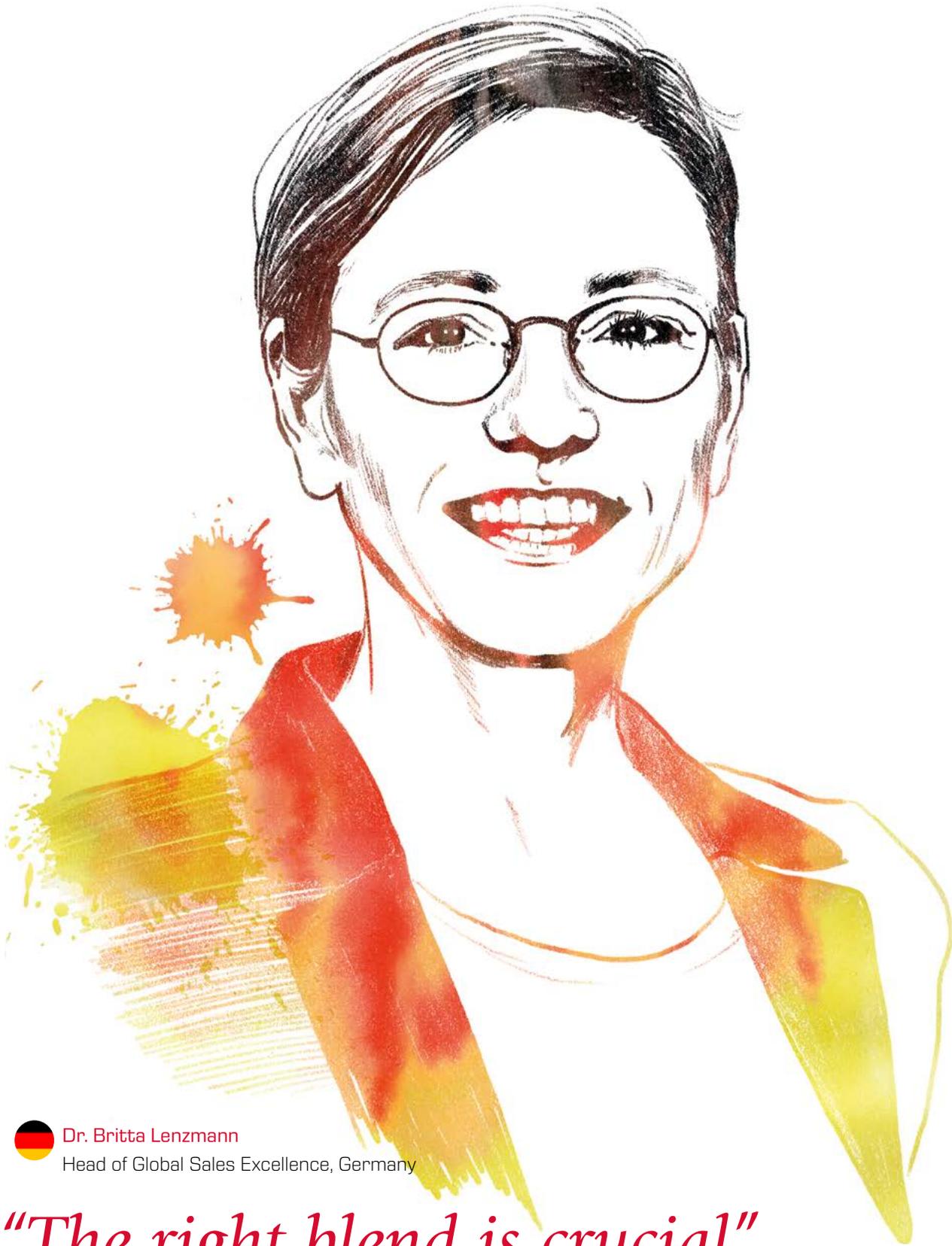
Over the past 30 years, itelligence has been sustained, shaped, and taken forwards by people. Without them, itelligence would not be itelligence. Approachable. Open. Reliable.

In the early days, there was a small team in Germany. Now, there are more than 8,000 colleagues worldwide whose character and capability are key ingredients in the company's success. We are going to introduce some of them in the next few pages.

Each one is a thread in the rich tapestry that is itelligence.

They all share the belief that trust is essential to creating real value. Trust is the basis for every customer relationship and the basis for collaboration. Trust generates opportunities. And trust breeds the courage to take these opportunities.

That is where itelligence's strength lies.



Dr. Britta Lenzmann

Head of Global Sales Excellence, Germany

“The right blend is crucial”

“What makes itelligence so special is the right people,” says Britta. But how to find the right people? People who are a good fit for the company, who embody the openness and customer focus of itelligence? People who can trust and be trusted? Britta has been working for itelligence for 20 years, and is now Head of Global Sales Excellence. She has been addressing questions like these throughout her itelligence career. After all, it is the individual people and their dealings with each other and our customers that shape the company.

I just love the verve, the boldness that I see in the young generation

“Character and expertise: the right blend is crucial,” says the doctor of IT. “That’s why we are also open to career changers.” A confident manner, enthusiasm, and a thirst for knowledge are important. Britta is particularly keen on career entrants: “I just love the verve, the boldness that I see in the young generation.” She wants to encourage them, entrust them, and help them to find their own way. Just as she found her own way.

In Britta’s 20 years at itelligence, she has become familiar with various tasks and gradually taken on more responsibility. “I have always been encouraged and supported,” she says. “Now, I want to pass on what I have received from others.”

First degree, doctorate, six years in the USA. Britta started her career in 1998 as an SAP consultant at the US branch. Two years later, she gave birth to her daughter. To cut down her traveling, she moved to customer service. “Back then, our service department was still called the Call & Smile Center,” she recalls. But the name didn’t do the trick. “It wasn’t exciting enough.” Britta looked for new challenges, left itelligence, and went to a competitor.

But not for long. In 2003, she returned to Germany and itelligence. “To my favorite company,” she laughs. She was in charge of the Installed Base sales unit for several years, taking responsibility for revenues and margins for the first time. Five years later, she became a member of the Supervisory Board, representing the interests of her colleagues. Next, she helped introduce in-house CRM, and became team leader in contract management. “That may not have been my true vocation,” she says in retrospect. “But the financial and contractual knowledge I gained helps me to this day.”

We walk the last mile for our customers

Britta is now responsible for global sales processes. She gears them towards the requirements of the itelligence countries and their customers. “Instead of technology, we sell innovation, solutions, and value.” It’s about being on hand for customers to help with all issues, like a partner. itelligence must be able to provide support on organizational and technical matters alike. “Customers can be sure that we will walk the last mile with them. We can do that because we have lots of great people with all kinds of skills.” The blend is right. ■

“Always competing for new business”



Tim White

Senior Account Executive, USA

“I was probably itelligence USA’s second sales person,” reckons Tim. He started out at itelligence in the USA as an Account Executive 20 years ago, and still performs the same role. The only difference is that itelligence USA employed around 20 people back then. Now, there are around 300. “That may not sound like massive growth,” says Tim, but a look at the revenue figures shows that the US business has made huge progress. The subsidiary now generates revenues of around USD 200 million.

It’s just a different way of doing things

Tim is a sales man through and through. “I love competing for new business and getting to know as many different companies and industries as possible.” Right from day one, he has worked from his home office in Detroit – unless he is away on business. It’s the ideal combination, as he has enough time for his family despite going away so much.

The nearest itelligence office is five hours away. Modern tools mean that conference calls and videoconferencing span the distance. Tim misses personal interaction with his colleagues but has adapted over the years. “It’s just a different way of doing things.” Like him, many of his colleagues have been working for itelligence for a long time. “That’s really unusual for our industry,” he says. This loyalty is testament to itelligence’s

strong culture. “It says a lot about a company if its employees stay there so long.”

Successfully competing against global players

The early days in North America were by no means easy. itelligence wanted to focus on SMEs, but SAP was regarded as a system for larger corporations. Efforts to gain a foothold with international corporations were only moderately successful. Regularly being customers’ second preference was all well and good, but it didn’t earn any money. “We just couldn’t get over the final hurdle.”

Things are now much better. itelligence’s reputation and ability to compete against the largest System Integrators has improved dramatically over the years. SAP is the market leader, and itelligence is a well-known brand within the ecosystem. “We are global, effective, and respected for our deep industry expertise,” explains Tim.

Projects are on the go all over the world and integration in the NTT DATA Group has been a particular factor in this development. For Tim, this is a perfect combination of the global strength and scale of NTT Data of the Japanese with deep specialization and market focus of itelligence. And itelligence is still itelligence: the company where Tim has been living out his passion for 20 years. ■





“Innovation never runs entirely smoothly”



Nicola Fankhauser

Senior Expert SAP Consultant,

Senior Manager – Business Unit Business Technology, Switzerland

“Customers want innovative, yet robust solutions.” That’s what Nicola works on. But it’s easier said than done. And that’s precisely why working at itelligence is and always has been “a really exciting environment” for the 40-year-old computer scientist. Much has happened since he joined itelligence in Switzerland in 2005: customers have become more professional, the requirements of the specialist departments and competitors have increased – and: “SAP is a jungle.” Nicola aims to lead his customers through this jungle. That requires trust. “Our customers must sense that we want to support and accompany their organization.” This in turn is possible only because itelligence is constantly evolving, consistently at the forefront of the market, identifying trends at an early stage, and responding to signals promptly.

Our customers don’t get just SAP

Interaction of solutions is now one the biggest reasons for SAP, for coordinated processes, for tools that make work easier, and for innovations that move the company forwards. “The new S/4 suite is hugely successful in Switzerland,” relates Nicola. Everything is even more integrated, even faster, and even more efficient. However, he adds, “Our customers should not get just SAP from us. Whatever is a good fit for their

individual landscape is successful.” That’s why he prefers to look at the bigger picture. “My team and I are always looking for the solution with the most added value for the customer.”

I like to be hands-on

Nicola doesn’t have a purely theoretical approach to customer requirements, market developments, or technology trends. “I like to be hands-on,” he says. “It helps me to stay technologically on the ball and to check the suitability of innovations more effectively.” He works at national and international level. Previously, he worked as a developer, project manager, architect, coach, and scrum master. He delivered presentations, and published blogs and specialist contributions. For instance, he single-handedly implemented a small-scale project for Swiss Post by converting a cumbersome paper-based process into an elegant digital solution.

The objective isn’t always achieved straight away, especially in the case of new solutions. This is only to be expected. As Nicola acknowledges, “innovation never runs entirely smoothly.” But he has a simple formula for when it doesn’t: “Stay calm and composed, and learn from the mistakes.” ■



Raquel Piqué

Head of Financial Accounting & Controlling France, Spain

“Trust breeds stability”

Raquel describes the team in Spain as “like a big family.” Someone brings biscuits or other treats nearly every day. “There’s always a reason to be together.” Raquel and her colleagues manage all the finances for France, Spain, UK and Benelux from Barcelona, where the service center for Western Europe is based.

When she joined itelligence nine years ago, the service center had just started up with a three-strong team. Now, there are ten of them. Initially, there was a simple but good reason why Raquel was assigned to France: she speaks French fluently.

It’s never dull

The work is challenging, especially during month-end closing, when it’s all hands on deck. But that’s precisely what Raquel enjoys. “It’s never dull,” she laughs. After all, her department controls the finances for around 700 colleagues in Western Europe, making sure that the figures are correct, that all invoices are in place, and that costs are settled. Every two months or so, she goes to Paris to work directly with the employees there – her customers. “In addition, I prepare reports that the management needs on a daily basis,” she points out.

At the moment, preparing reports is particularly time-consuming – and with good reason: in the middle of last year, the management of itelligence France changed. To give her new bosses an overview of the situation, Raquel is helping them with numerous reports and current financial ratios. She’s happy to do this: it is one of the ways in which she justifies the trust the management places in her.

Much more than just a show of confidence

Initially, the news of the top-level changes in France caused a stir in her team. “We didn’t know whether they would carry on using our services.” At the end of the year, they got a very welcome message. France would be happy to keep on using the service from Barcelona. Even better: Raquel was also asked to become team leader for the finances of the national subsidiary.

Although she works a long way away, the management there relies on her and her small team. “That is much more than just a show of confidence,” she enthuses. Yet it’s hard to trust someone from the distance. For the busy Spaniard, this is another incentive to do her job perfectly and meet expectations. Despite the changes in France, much remains as it was before. The trust has provided the stability required for working together. “And it enables me to deliver genuine value for my internal customers.” That’s great, as for her they are part of her family, too. The whole big itelligence family. ■

“Everyone has responsibility”



Christian Brink

Vice President, Head of Global Managed Services
Business Development, Germany

“I still feel as comfortable as on my first day.” Even after nearly ten years, the words trip off Christian’s tongue. He studied business IT, then spent a few years at SAP and other IT service providers before finally joining itelligence. Now, as a member of the Core Leadership Team, he is one of the senior figures in the Global Managed Services division.

“The market potential is there,” says Christian. It took a few years for cloud technologies to get going, but the market is now moving at a rapid pace. In conjunction with NTT DATA, itelligence is perfectly placed here: the parent company’s strong global presence also opens the doors to new, larger customers in new regions. The trend is apparent worldwide: cloud computing and managed services are becoming a “facilitator for business”. “Our customers want more efficiency in their systems, but they also want more opportunities and options for their business.” With our slogan “We manage your cloud” and our range of managed services, we ensure efficiency and stability combined with flexibility and agility in our customers’ cloud world, and give companies greater scope for core tasks and innovations.

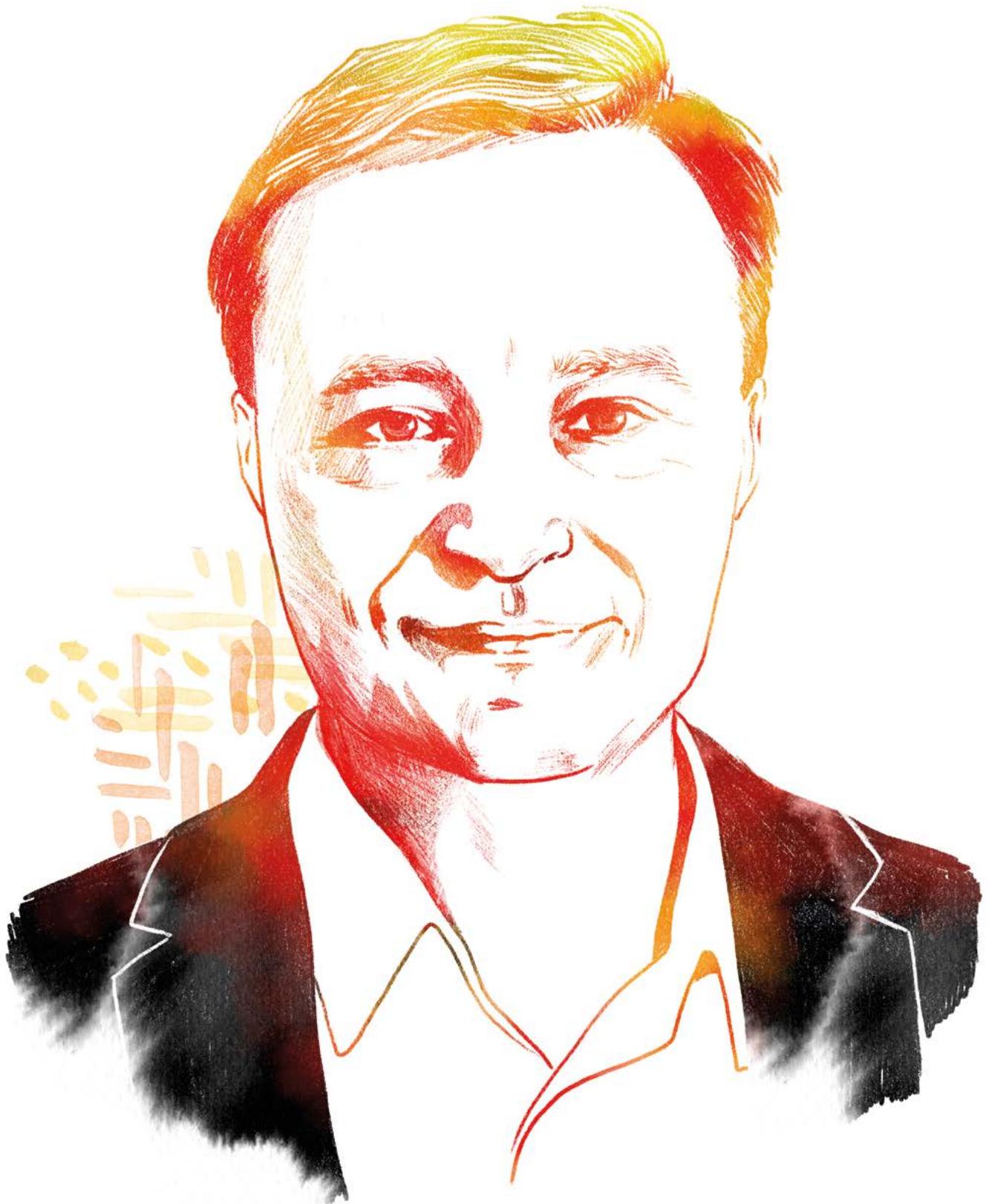
“Innovations”: that is Christian’s catchword. He enjoys constantly learning and trying out new things. It spurs him on. “I would rather try something that fails than see us miss

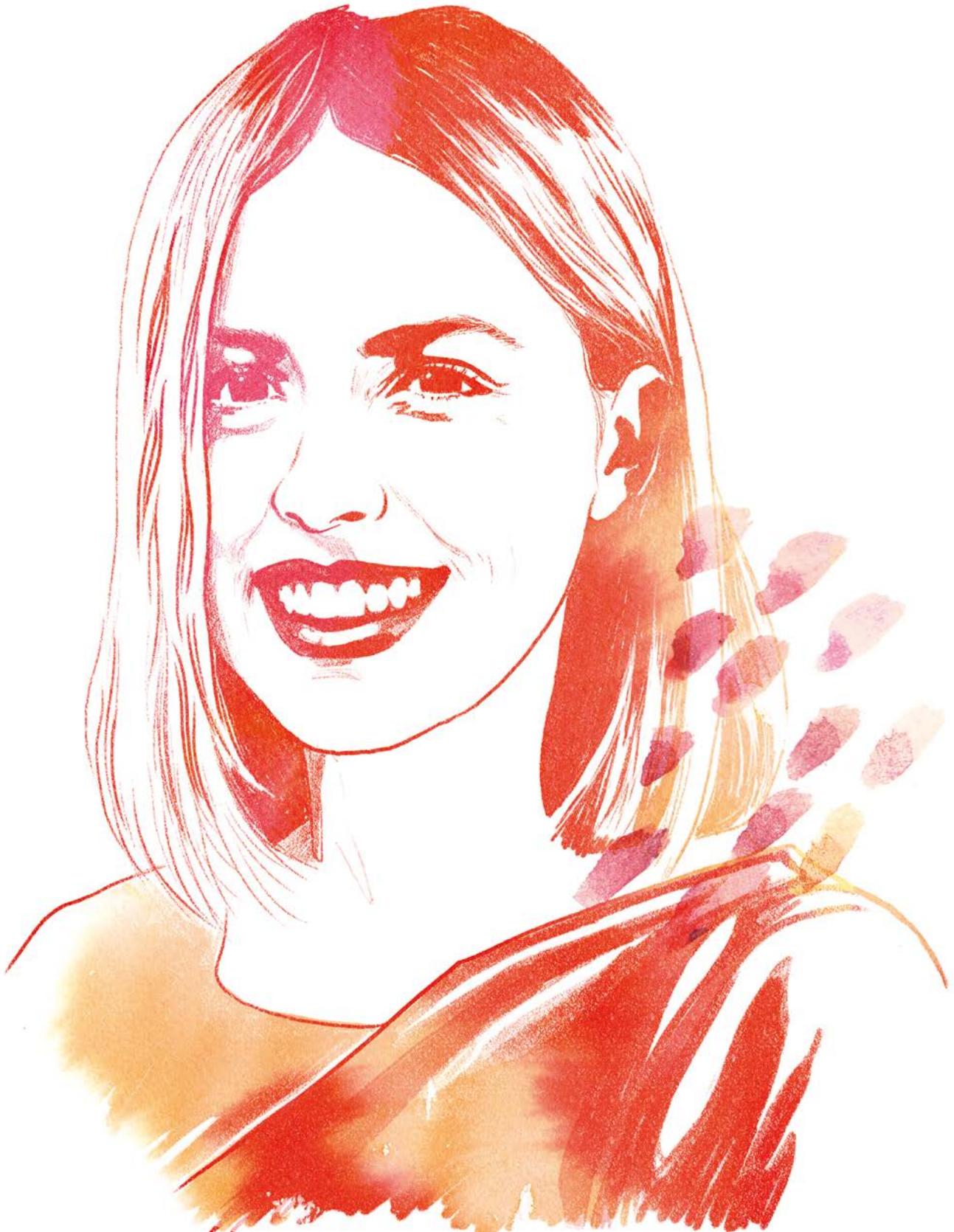
out on a market opportunity,” he states. itelligence provides precisely the right environment and atmosphere for this. It’s a blend of creativity and pragmatism, and the courage to take responsibility in your own department – whether you’re an employee or a manager. To Christian, itelligence is “like lots of entrepreneurs in one company.”

Team spirit across all boundaries

The unifying factor is the culture, in particular the management culture: “The management style at itelligence is different from that at other companies.” There is no apparent hierarchy, and the management is supportive rather than controlling. However, when the time is right, it also decides to set the direction of travel. But most importantly: “We trust our colleagues’ ability.” This enables itelligence to create team spirit throughout the whole company, across functions, teams, and countries.

“I enjoy the room for maneuver,” says Christian. itelligence allows this. Everyone at itelligence has the chance to take responsibility. They just have to want it. It was clear to Christian that he wanted it. “I want to get things going with my colleagues,” he says. And he does. That’s why what he enjoys most is the fact that no two days are alike. ■





“We hold our customers’ trust in our hands”



Cansu Ünalır

Business Solutions Manager, Turkey

The tip came from her parents. They both work in IT, and were familiar with itelligence. “If you want to do something with SAP, go there,” advised Cansu’s mother. Cansu studied computer and industrial engineering in Istanbul, and also attended universities in Germany and Hong Kong as part of exchange programs. She completed various internships at the likes of IBM and Daimler, but they didn’t suit her. “It just wasn’t right,” she says. Working for a major brand may look good on the CV, but job satisfaction matters most. “If you don’t enjoy your job, then it’s just not right for you.”

Everyone genuinely has a voice here

So Cansu applied for an internship at itelligence, in sales. As her mother was well aware, soft skills are Cansu’s strength. She approaches people, and is communicative, professional, and enthusiastic. And she says what she thinks. The two-month internship was enough for her to know that she wanted to stay. She particularly likes the way management is practiced at itelligence: “Managers help us as much as they can.” They are open to ideas, and listen. “Everyone genuinely has a voice here.” This suits the 26-year-old, who says of herself: “I want to enthuse others and be enthused myself.” So she stayed, and worked part-time as a pre-sales executive alongside her studies.

You can just call up more than 8,000 colleagues all over the world

Her studies are long behind her, but she has never stopped learning. Cansu has now got to know lots of customers. Turkey is an exciting environment. itelligence is regarded here as a major local and global player. The approx. 700 employees can handle virtually all subjects. “I see how the companies work, which solutions they use, and which ones they need.” itelligence is a company, but it feels like a big family – one with lots of expertise. “It’s great to have over 8,000 colleagues all over the world who you can just call up if you want to know something.”

Cansu is now a Business Solutions Manager: in this new department, she has ownership for the cloud solutions and itelligence’s internal products in Turkey. Specifically, this means that she is familiar with the pipeline, the technologies, and the SAP road map. “But first and foremost, I deal with how and where we can get more out of the solutions.” To her, the most exciting question is: does our customer still need more than the standard solutions?

After all, Turkish customers are demanding. “They want it all, and they want it now.” itelligence has to be a partner for them. Or, as Cansu puts it: “We hold our customers’ trust in our hands. We need to treat it carefully and turn it into value.” ■

“A unique company with special people”



Thomas Stig Nielsen

Vice President, Head of Strategy and Management Consulting, Nordic Region

“2C change” became part of itelligence in 2011. Thomas had founded the Danish SAP service provider with a few former colleagues, and successfully established it on the market in under ten years. “We were proud of our company and culture.” So why did he cede control and become an insignificant part of a global group?

There was no guarantee of success. “Lots of acquisitions fail,” acknowledges the strategy expert. But... “It felt right.” Both companies have a strong culture, the same mindset, and an informal atmosphere. “We have a similar way of doing things.” In order to grow, to receive exciting major international orders, it was necessary to take the next step. The feared loss of control never materialized. On the contrary, itelligence sent out a clear message: “We will help and support you, but you make the decisions, because you know best!”

Today – eight years on – Thomas’ hopes have all been fulfilled: itelligence has continued to enjoy strong growth in Northern Europe. There are now around 600 employees in Denmark, Sweden, and Norway. Projects have become more stimulating. And the customer base includes large and multinational corporations.

All projects are about transformation, IT is just an enabler

The market is challenging – but most of all, Thomas finds it exciting. To him, technology and business are intrinsically linked. Things have come full circle for the 49-year-old. “I’ve always tried to understand why a company works in the way it does, how it works, before I look for solutions.” These days, a holistic look at all areas is more important than ever. “We need to take people with us, to explain why processes are changing now, to teach them how to work with the new tools.” It is no longer about selling and implementing software. Or, put simply: “All projects are about transformation, IT is just an enabler.”

This also means that itelligence has to change. And the prospects are good: “We have lots of colleagues with extremely in-depth knowledge,” says Thomas. This will make it possible to keep on generating significant momentum. He firmly believes that “itelligence is a unique company with special people.” So, the region’s success story is set to continue. ■





He's a big fan of the football giants Liverpool FC and Borussia Dortmund. For a Chinese person, this passion mainly means losing sleep, as it's night-time in the Middle Kingdom when matches are played in Europe. "Of course, I used to get up in the middle of the night," laughs 37-year-old IT and finance expert Michael. He was able to do that as a student, but not any more.

There's too much to do at itelligence China

There's too much to do at itelligence China. When the Shanghai office was started up in 2009 with two employees, the main focus was on assisting European customers in application support from there. Michael has been on board since 2014. "Since then, business has boomed, and we are also growing in other areas," he says.

Now, local Chinese firms are spreading their wings worldwide. Having evolved into major corporations in their home country, they are keen to gain footholds in other markets. This presents exciting opportunities for itelligence, as these firms are likely to opt for SAP. "SAP enjoys a great reputation here," explains Michael. It is a proven solution that works in an integrated manner across all departments and can be used worldwide.

"The multilingual capability is a great advantage." This makes it easier for Chinese customers to export their products and expand internationally.

Happy to help

"We're a big bunch of young colleagues," says Michael, describing itelligence China. The team has grown entirely organically, and now comprises 120 people working at three locations in the country. "We work for the Chinese high-tech industry, for the automobile industry, and for mechanical and systems engineering firms." Michael plays his own part. He brings experience in several areas to the table: having worked in SAP for seven years before joining itelligence, he knows SAP and the market well. Michael has international experience, as he also spent several years working with US people and in short-term assignments in Singapore. And he is keen to pass on what he learned. "People at itelligence are really happy to help each other," he states.

To him, this willingness to help is the most fascinating thing about his company. "If you ask for help, everyone makes an effort, whether they are managers or not," Michael points out.



Michael Yang

Global Business, China

"Everyone helps, whether they are managers or not"

“It’s like being at a start-up”



Manish Sharma

Vice President Central Operations, India

“We are well-known in India for our training, development of latest SAP skills and, of course, real project delivery for both on-prem and cloud.” Manish knows what he’s talking about: as Vice President Central Operations at itelligence India, training and further education are a key part of his responsibility. He lives and works in Hyderabad, a technology hub in southern India. It is the ideal environment for high-tech companies, as the necessary specialized staff can be found there.

India’s economy has grown rapidly since the end of the 20th century

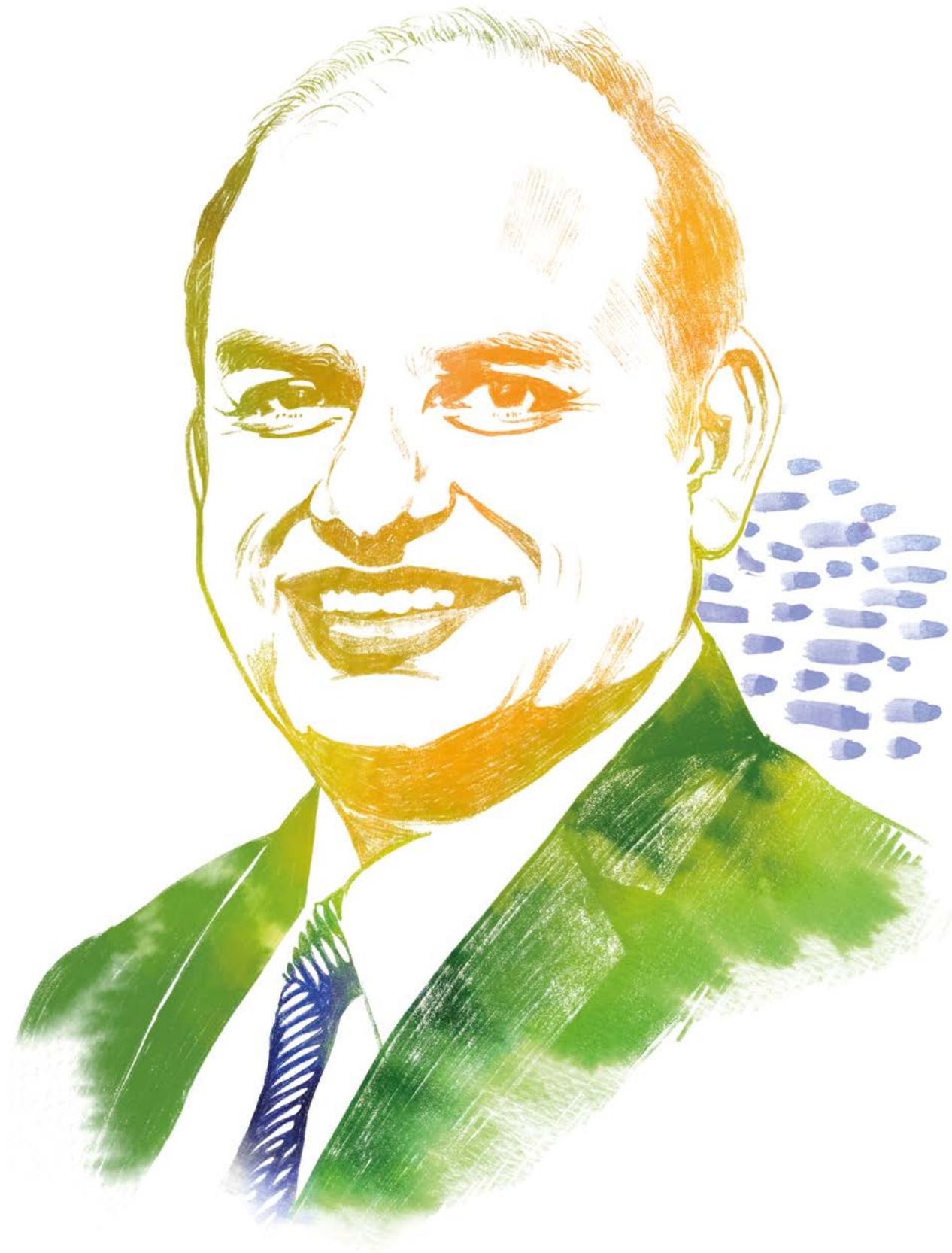
India’s economy has grown rapidly since the end of the 20th century, however, for a long time, Manish saw this only from afar. He lived and worked in the USA for eleven years. In the early 2000, the countries could not have been more different. “Now, there are many similarities.”

When Manish and his family returned home in 2010, there was no itelligence office in India. Initially, he worked for itelligence USA as one of their first itelligence offshore employees in India. But then – in typical Indian fashion – everything moved quickly: itelligence opened its first office in 2013, and today has around 1,400 employees on board. 600 colleagues serve the huge local market, the others assist NTT DATA and itelligence worldwide with their offshore services.

The challenge is to retain employees

“It’s like being at a start-up”, Manish relates. The strong internal growth, the rising demand of the affiliates, the increasing requirements on the market. Two years ago, the focus was broadened to include large enterprise customers. Responsibility for the Middle East was added: the demand of these countries is managed from India.

Manish spends roughly a third of his working hours with customers. The bigger part of his time, he concentrates on resource management and resource development, a key task for itelligence. “I ensure that our people are well trained, that they complete the requisite training, and that we meet their expectations and the market requirements.” After all, although there is an abundance of skilled resources in India, the challenge for local companies is to retain well-trained employees. Its advanced training courses, working on real projects and serving customers either through delivery or support, are clearly beneficial to itelligence. But there is something that matters even more to his colleagues. “We care,” says Manish. And not only about their own employees. A CSR team helps children in need and gets involved in public awareness campaigns. There are sports teams and even an in-house music community. And of course, friends and relatives are invited along to company events. It’s the itelligence way of thanking everybody: “Ultimately, our employees can only do such outstanding work because their loved ones support them.” ■





The Germans have a saying: “Two hearts beating as one”. At the beginning of the year, Joscelin spent five weeks in Spain. Yes, she works there, but it is remotely and for her home market, the UK. Joscelin is here to train. The 31-year-old is a semi-professional racing cyclist. Dashing through the streets in a team is one of the project manager’s two great passions. The other is SAP projects at itelligence.

Even during her training camp in southern Europe, she manages to combine the two: “I train in the morning and work in the afternoon.” Even though her two passions are very different, they have a lot in common. Cycle racing and project management involve teamwork. In both cases, tactical ability also comes into play, endurance is essential, and occasionally you fall off – then get back on and carry on riding.

**The happier you are with your life,
the better you will be at your job**

And in both cases, Joscelin is successful. In cycle racing, she has competed against professionals and performed superbly. She particularly excels at hill cycling: at the end of 2017, she claimed her first national title at the British National Hill Climb Championships.

“I’m incredibly lucky to be able to do both things,” Joscelin acknowledges. She would never be able to choose one above the other. In turn, she can apply her analytical thinking in her job. Joscelin enjoys working in an environment that she can help shape, where new things are constantly happening, and where partnership-based collaboration is the norm. “Our managers are always willing to promote new initiatives.”

The support I have received is phenomenal

The Briton is certainly an SAP consultant like no other. But she firmly believes that she has found the right path, and is grateful that itelligence lets her do it: “The support I have received is phenomenal.” She wants to encourage others, especially young women, showing them by her own example that anything is possible if you put your mind to it. In her view, everyone wins that way. “Because the happier you are with your life, the better you will be at your job.” ■



Joscelin Lowden
Project Manager, UK

“I’m incredibly lucky”

“Make the world a little bit better”



Mark Arts

Operations Director Education,
Netherlands/Benelux

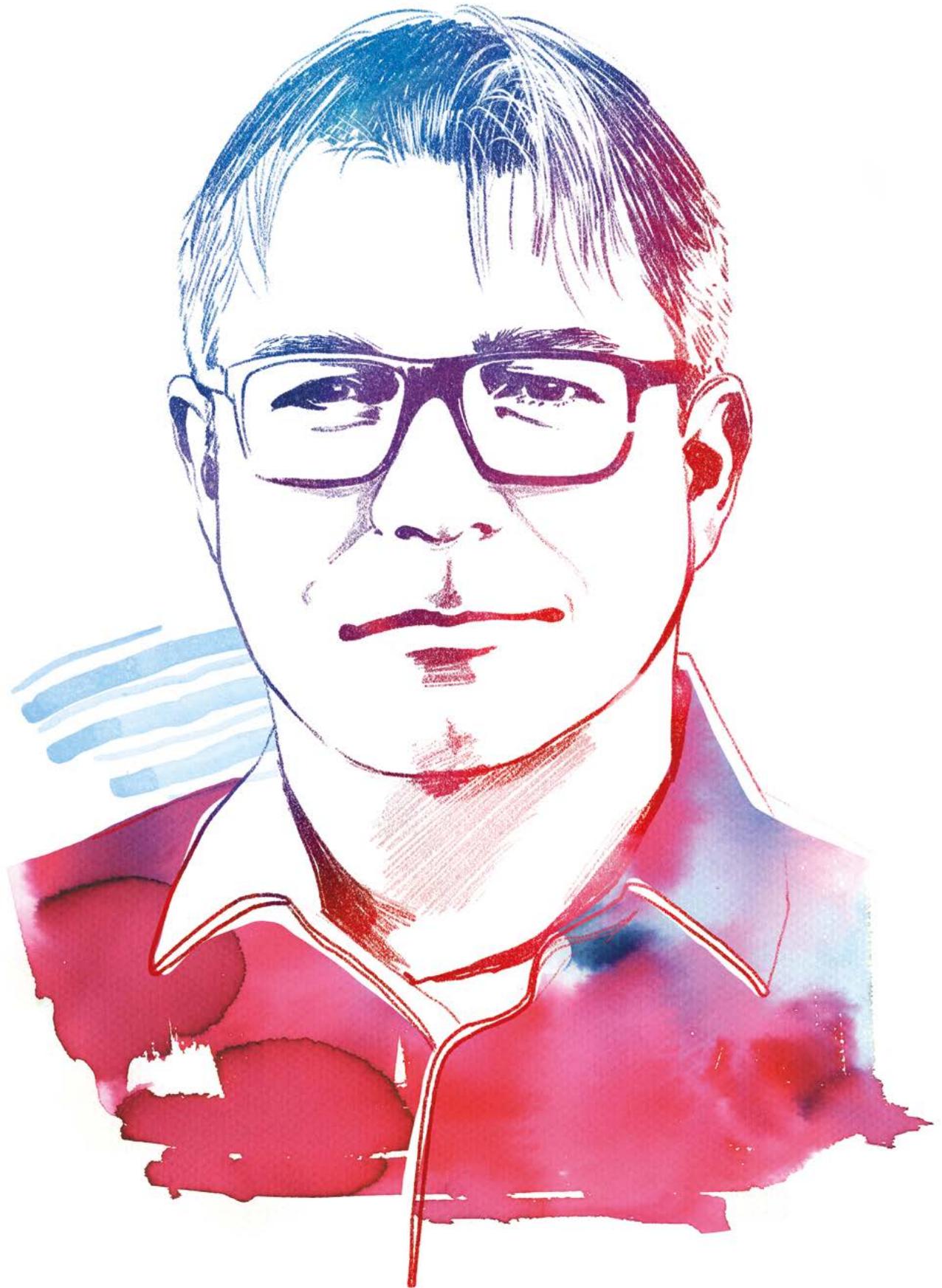
When life gets tough, thinking of Sierra Leone restores his sense of perspective. Mark has had links with the small West African country, one of the poorest nations in the world, for several years now. Along with his family, he set an orphanage and a school there. In a country where daily meals and clean drinking water, let alone going to school, can't be taken for granted. A country where more than half the population are unable to read or write.

Learning is his vocation. Indeed, Mark's life and work in the Netherlands revolve around education. After graduating in international business studies in the late 1990s, he stayed on at university, initially in order to teach, and then to implement various IT programs as a project manager. Next, he became an SAP service provider, focusing on the education sector. In 2009, Mark joined itelligence Benelux. Since May 2014, he has been a member of the local management team as Director of Education & Research. He and his team of around 40 people are responsible for business relating to the itelligence industry solution it.education, a system for managing education institutions.

The market for the solution is still well-structured. Developed in the Netherlands, the solution is used there and in other countries, such as Germany, France, and the United Kingdom. The Education team has also done work in countries, such as Saudi Arabia, Greece and Cyprus, too. “Places where there is competition in the education sector are the main sources of demand,” explains Mark. Universities there are also business-oriented organizations that have to work efficiently and rely on attracting students. This is par for the course in the Netherlands and the UK, but not, for example, in Germany. Well, not yet.

Education is the opportunity for a better future

All indicators point to growth, and Mark is only going to get busier. He helps educational institutions make progress in the areas where he works, so that people can learn and do research, develop and broaden their horizons. Education is a human right, but most of all, it is the opportunity for a better future, in Europe as well as Africa. With the Stichting Henk Arts foundation in Sierra Leone, Mark gives orphans targeted, direct help to prepare for the future, with no fuss. It may only be on a small scale, but as he says, “We can't improve the whole world”. Even so, we can always hope. Thank you! ■



We

TRANSFORM

trust into value





New
Solutions
to Old
Problems

Giant hogweed, an invasive plant, is posing huge problems for flora in Europe and North America. Now, rescue from the air is at hand: a global team from itelligence and NTT Data has connected drones, cameras, AI, SAP and Hadoop in order to track down the rural invader automatically. By seeing the bigger picture, other industries can develop disruptive application scenarios, too.

The invader was introduced to Europe from the Caucasus as a gift around 200 years ago, was planted in royal parks, and is now one of the most dangerous species of domestic flora. Known as giant hogweed, it also has the Latin name *Heracleum mantegazzianum*. The plant is highly adept at survival, stifles everything in its path through poisonous roots and shade, contributes to erosion, spreads across large areas, and acts aggressively towards enemies – merely touching the stem or leaves can cause painful burns.

British newspapers regularly report on the “nightmare”, Germany has a “General ruling on the control of giant hogweed on grass verges”, and nearly 50 years ago, as lead singer of the band Genesis, Peter Gabriel sang of the invader’s power in the visionary song “The Return of the Giant Hogweed”: “Turn and run, Nothing can stop them, Around every river and canal their power is growing, Stamp them out, We must destroy them”.

These were prophetic words from Genesis – giant hogweed has become a serious problem for many municipalities and landowners in Europe and North America. Yet before it can be rooted out completely, it has to be found. Although it can reach heights of up to three meters, it is hard to detect this giant, as it tends to grow around bodies of water, by railway tracks or on fallow land rather than in fields. However, ignoring it is not an option: in Denmark, for example, municipalities are required to document any signs of the invader. This only works if biologists actively seek out the plants or if hikers report them. Even so, the manual process is not particularly efficient, and it is not possible to investigate all areas.

Looking at the bigger picture presented the alternative: a drone with a camera combined with artificial intelligence that evaluates landscape images after the flight. The idea is the brainchild of Danish itelligence employees in the Innovation Technologies unit. They were aware of the dangerous “Kæmpe-Bjørneklo”, had contacts in the drone community, and were familiar with the many opportunities of the SAP portfolio. “IT experts who think laterally to find new solutions are in demand in my unit,” says Mark Albrecht, Global Head of Innovation and Head of itelligence’s Innovation Technologies unit. Using the design thinking approach, the project was ultimately developed from the idea of the flying eye in “creative sessions” – and the drone now monitors an area of around 500 square kilometers, five times the size of the Danish capital Copenhagen. “How many biologists would you need just for that?”, asks Albrecht.

The AI system does not yet work without real biologists – they have to help the algorithms distinguish common hogweed from giant hogweed.

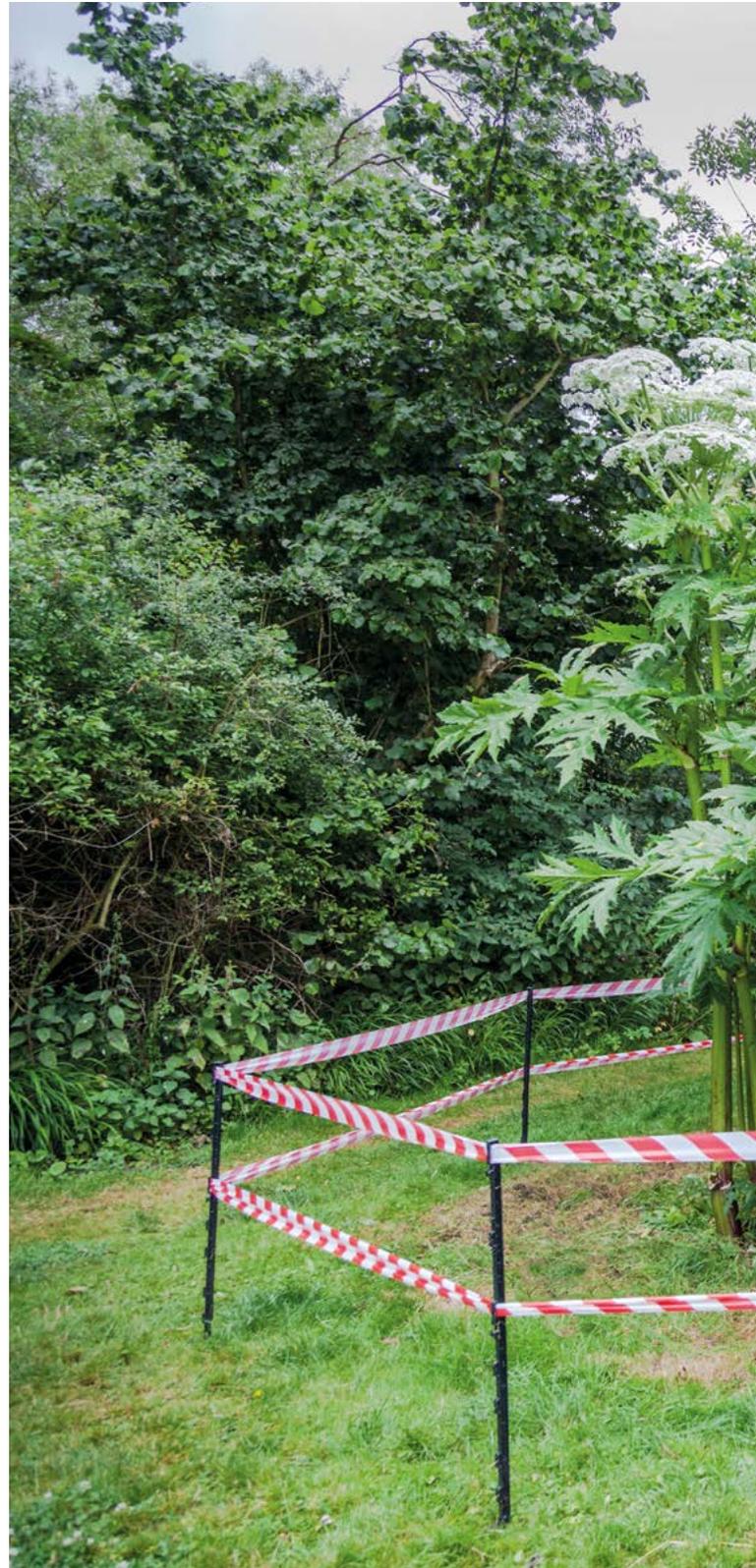
“We have developed image recognition programs that see like people and can recognize the plants in the landscape,” relates Thomas Nørmark, Global Head of AI Practices at itelligence. If they are well trained: the training process is based on “manual labeling”, classification of the plants in the images by human experts via a specially developed HTML5 application. Along with the images, the image captions “Hogweed present” and “Hogweed not present” are then entered into an SAP HANA database, where they are used for supervised learning of AI. “As they feed an algorithm with several thousand images, preparation for training alone took several months.”

According to Nørmark, machine learning via a convolutional neural network (CNN) itself can take hours or weeks depending on the computing power.

“But the quality and quantity of the training data are crucial – each suitable example makes the AI that little bit better.” At present, several municipalities in Denmark are using the system to accelerate detection of hogweed and improve the reliability. At any rate, the algorithm is more accurate than its human sparring partners. Nørmark says that real biologists attain a confidence score of around 70 percent – seven of every ten detected plants truly are giant hogweed. “Our computer model recognizes between eight and nine plants out of ten.”

However, there were initially too many “false positives”, false alarms, for instance caused by inadequate training data, explains the intelligence AI expert. Discrepancies between images from different regions and development stages of the plant are factors here. “In addition, we didn’t want a hogweed to slip through the net, which is why we set the thresholds of the algorithm lower.” Therefore, quality control is performed by humans in the “last mile” in order to detect errors in the software. Furthermore, some of the manually evaluated images are used to validate and check the accuracy of the AI results.

Yet the step from the ground to the air was crucial to the solution’s success: “The combination of flying and detection is a big step forward.” To this end, intelligence’s partner ProDrone evaluated various altitudes, zoom levels and image resolutions to determine the best results. However, the current solution is not an “online scenario” with an Internet connection, as the photos are only uploaded to the cloud – Amazon S3 – and processed there after landing. “We don’t need real-time processing for hogweed,” argues Nørmark. Of course, this is entirely possible for use in other applications and industries, from sick plants in fields and forests, to the 5,400 kilometer-long Dingo Fence in Australia, to rust patches on bridges or the condition of wind turbines: “Many processes in nature that rely on the human eye could be automated with drones and machine learning.”







The flying eye – the use of drones makes it possible to monitor a far larger area.

Ultimately, moving away from old standard solutions is also a major milestone for Mark Albrecht, Head of the Innovation Technologies unit. “With open-ended matters like hogweed, we open drawers and can show customers what is technically possible.” The change also relates to the traditional perception of SAP as an ERP system: “At Innovation Technologies, we have deliberately left the conventional sectors and are working to establish SAP on the market as an innovation platform.” Following a conversation, many traditional industrial customers are surprised at what kind of problems can be solved with the tools. This also relates to areas, such as IoT, where production IT meets enterprise IT.

Albrecht describes the hogweed technology with Hadoop and the analysis tools in combination with SAP HANA as “the biggest challenge of the project”. The successful work was made possible by a global grouping of itelligence experts who developed the mobile app, the infrastructure, algorithms, and the data pipeline. For instance, the ten members of the hogweed team come from Denmark, Germany, and the R&D center of the parent company NTT Data in Japan. “Everyone has put a lot of work into the hogweed project,” relates AI expert Thomas Nørmark.

Building bridges between different worlds is becoming increasingly important in today’s connected economy, adds Albrecht: “SAP is open to non-SAP components, and within the Group, itelligence employees are working ever more closely with their colleagues from different countries and IT disciplines.” Combining existing solutions to achieve new ones is a key factor here. One of these fields is image recognition, and giant hogweed is “just one example of this development”. For instance, an itelligence project from the previous year, the automated “FarmBot” with a connection to SAP, is based on the processing of images in nature. “Population growth, rising demand for foodstuffs, and the call for sustainability – with digital twins in agriculture, I can connect all trending topics and create new solutions for automation of manual processes.”

itelligence has no plans to develop a robot for digging out giant hogweed for the time being – people in protective clothing are still the first choice here. And sheep, because they love to eat the invader. ■

Technical Platform

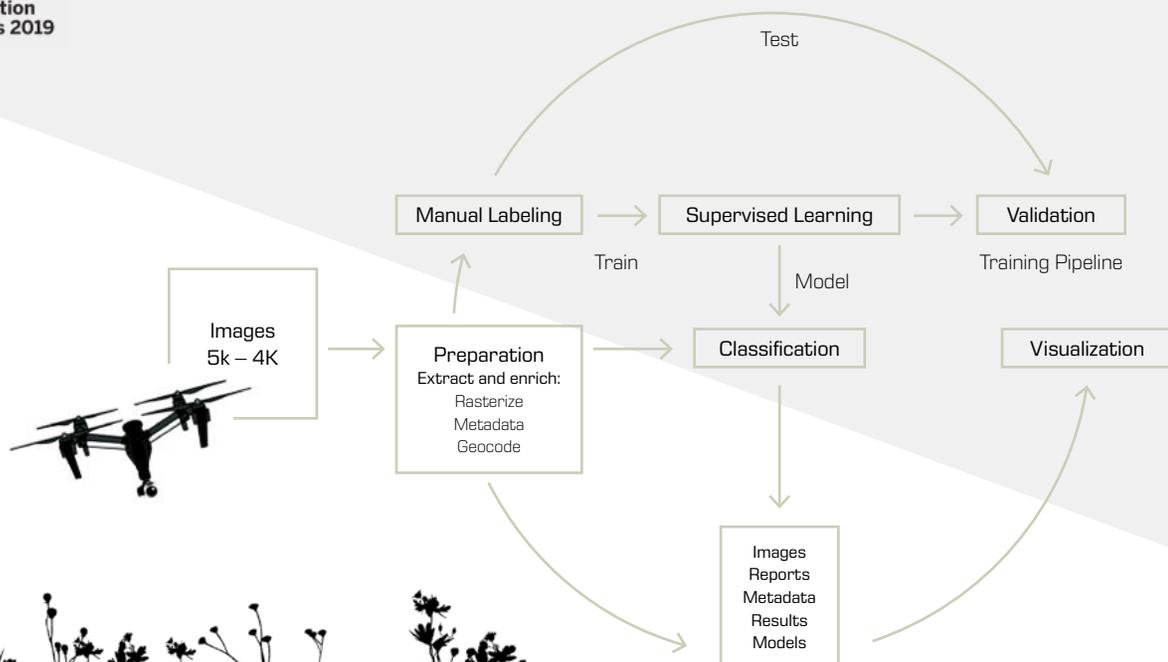
The itelligence solution for detecting giant hogweed plants in aerial images was implemented using Amazon Web Services (AWS) and consists of the SAP stack from the SAP HANA platform plus an open source platform based on the Apache Hadoop framework. TensorFlow was added to the latter in order to support the deep learning model. "By combining SAP HANA and the Hadoop framework to form a flexible data processing platform, we can use the various properties of the technology stacks effectively in order to set up a modern data platform for a wide range of use cases," says Søren Ravn Andersen, Head of Big Data and Advanced Analytics Practice at itelligence Nordics.

The system enables three variants of hybrid use of SAP HANA and Hadoop in order to process three types of data. These are structured data, for instance from tables, semi-structured data from documents, and unstructured data, for example audio files, such as voice recordings and images.

In this specific use case, the Hadoop stack was used to process unstructured image data with deep learning algorithms – a task that is impossible in SAP HANA alone, relates Danish data scientist Andersen. "In return, we used SAP HANA as an application database and platform because the system has the performance and stability

that is hard to achieve with Hadoop alone."

The project was centered on proving that the final software environment is able to deliver a bespoke, optimally adapted solution to meet the requirements of all kinds of challenges. In Andersen's view, the success was also down to the global teamwork of itelligence and NTT Data – which initially required training just as the learning algorithms did. "The fact that we met up a couple of times and got to know each other certainly helped here."



Focusing on innovation for **30 YEARS**

For exactly 30 years, intelligence and BENTELER have been united under a common goal: driving innovation. The joint platform for this is SAP. Nonetheless, every project is different: new technologies, paradigms, services, contacts and requirements keep the long-standing relationship fresh.



The BENTELER Group is a real success story – established in 1876, the Paderborn-based company has continuously grown. It now has around 30,000 employees and over 140 locations on all continents. And BENTELER is also a success story as itelligence's longest-standing customer, relates Gerd Psiuk, Vice President Large Enterprises in Bielefeld: "BENTELER has the second accounts receivable number that we assigned." In 2011, when Psiuk became the customer's Account Manager, Apple had just brought Siri to life, and the first customers were implementing SAP's in-memory platform HANA.

Thomas Tusch, Client Manager at itelligence, has been servicing BENTELER for 15 years now: in 2004, before the advent of the iPhone, the competition between IBM (Websphere) and SAP (Netweaver) was at its peak. Digitalization of the world was also in its early stages: Facebook was founded on February 4 of that year. BENTELER and itelligence's relationship has lasted for a comparative eternity – 30 years, equivalent to the pearl wedding anniversary. By Tusch's calculation, in a 20-year

period alone, over 110,000 hours of consulting have been chalked up, more than 260 projects have been implemented in various BENTELER departments, and over 200 different itelligence consultants have worked for the Group. Furthermore, since 2017, itelligence has supported over 80 IT systems of the BENTELER Group, including 29 ERP applications and 12 BI applications. "A trust-based relationship lasting three decades is definitely a rarity in the IT industry," says the Client Manager.

30 years ago, everyone involved benefited from the initial collaboration: itelligence was just starting out, BENTELER was taking its first steps into the world of SAP, and both parties were preparing to move forwards.

"Now, we accompany them from the first phase of the introduction of SAP through to digitalization and into the S/4HANA business – always in a spirit of fairness, openness and partnership," explains Tusch. Account Manager Gerd Psiuk also talks



BENTELER investing in targeted innovation management: The new BENTELER Electric Drive System 2.0 is a series-ready platform solution for electric vehicles. And a showcase for our entire technological competence and collaborative approach to development.





BENTELER is a leading global partner for the automotive industry and offers first-class engineering and metal-processing competence combined with production excellence. From components and modules for chassis, body-in-white and engine and exhaust applications to modular e-mobility system solutions.

The long-standing partnership between BENTELER and itelligence is no coincidence – after all, the focus has always been on lasting collaboration, reliable relationships, and innovative solutions. A pioneering spirit in IT has spurred on both parties: from R/3 to S/4, from an in-house server to the cloud, and from East Westphalia to the world. Our current migration to S/4HANA forms the basis for the enhancement and digitalization of the industrial processes and for the partnership with itelligence in the years ahead.

Dr. Stefan Melchior, CIO of BENTELER

of a “partnership” that brings lots of advantages: “Instead of changing supplier as soon as things start to get tough, we think on a long-term basis.” This is particularly apparent in projects where something goes awry, as “both parties know how they need to interact with each other and how reliable their opposite numbers are.”

They share a common language and home. It is no coincidence that the region where BENTELER and itelligence come from has lots of hidden champions, often family-run, that think in terms of generations and value sustainable enterprise development more than short-term opportunities. Yet the customer has always been innovative and bold, says Psiuk: “We have always learned a lot from them, as BENTELER is characterized by entrepreneurial spirit and inventiveness.” After all, the Group has to hold its own on the global market against major competitors from India and China, and tap into or defend new business fields.

The tasks that itelligence has performed for BENTELER over the years show that IT has been a key factor in BENTELER’s success story. They range from SAP services and conventional project business for new functions or release updates to services with which consultants and developers help their “colleagues” on-site at BENTELER to fulfill their service mandate. In addition, itelligence performs application management services, for instance in payroll processing or time management. It also hosts BENTELER systems, and another contract for all-round SAP maintenance was concluded at the end of 2018. Psiuk points out that the orders are not automat-

ically placed with itelligence: “Every bid is a challenge; we are always competing with other bidders.”

At present, BENTELER is undertaking the transformation from conventional SAP to S/4HANA, relates Client Manager Tusch: “There is lots of advance strategic work on the master data structure or sourcing in which we assist the customer.” The whole transformation program is being steered by BENTELER. All this involves the usual aspects such as digitalization, standardization, and simplifi-

cation, adds Psiuk, who calls the project a “once in a lifetime” opportunity: “They aim to use the transformation process to streamline their evolved ERP systems, decouple standalone solutions as much as possible, and use standards.” The future target operating model for IT operations is also a factor here. Focal points include modern user interfaces, the transition to the cloud, and the handling of individual programs.

Day-to-day business goes on alongside this, although it is far from routine.

“You have to keep on creating innovations in the real world, too,” states Psiuk. For instance, itelligence is helping BENTELER’s Steel/Tube division to set up a new customer portal. This e-commerce solution is aimed at enabling customers to manage their delivery volumes and statuses, ordering options, and configurations. The team is “making good progress here; the first phases are released and live.” And with the new general ledger (SAP New GL), BENTELER’s Automotive division is carrying out a preparatory project for the S/4HANA transformation with what remains the largest SAP system. “This is a critical project, as it involves a substantial level of transformation and migration work.” Through the tremendous dedication of itelligence consultants and BENTELER colleagues, the final phase has been reached; a weekend has already been firmly scheduled for the “big bang”.

According to Tusch, the S/4HANA transformation and the move from the old SAP system to the new one are “essential to the ability to handle IoT topics involving the high-speed

processing of bulk data." Therefore, BENTELER started program planning around three years ago in order to create transparency regarding its requirements and find expedient solutions. "We have been implementing the program and taking BENTELER into the S/4 world for over a year now."

There has been no hint of routine or boredom in the past 30 years – after all, says Tusch, the contacts have changed occasionally, and SAP's range of products and services has grown considerably over the decades.

"It wasn't just a case of introducing the FI and CO modules every year." The new tools and solutions from Walldorf are definitely a challenge for both partners, and every project bid is a clean slate with the acceptance of the requirements, the bid, and the task of convincing the customer: "This means we must be committed, professional, and give our all at all times."

The fact that the companies' key locations are just half an hour apart is a real bonus, adds Sales Manager Psiuk: "Our consultants don't need to stay in a hotel, and we don't have to jump through hoops to arrange meetings." In addition, top management occasionally have discussions, and there are even staff transfers now and then, in both directions. "But the most important thing is that the customer trusts our ability to fully understand and deliver what they need." Ability to deliver also means giving an honest answer if a job just isn't possible, says Psiuk. "Honesty pays off, because you only get work over a 30-year period if the customer trusts you." ■

BENTELER

BENTELER is a global, family-owned company serving customers in the automotive, energy, and engineering sectors. As a strategically innovative partner, BENTELER designs, produces, and distributes safety-relevant products, systems, and services. Its products include components and modules for the automotive industry for the chassis, body, engine and exhaust systems plus system solutions for electric vehicles. The company develops technical systems for leading automotive suppliers and for the glass-processing industry. Also, based on more than 140 years of experience in steel, BENTELER develops seamless and welded quality steel tubes.

Under the management of the strategic holding company BENTELER International AG, headquartered in Salzburg, Austria, its around 30,000 employees at over 140 locations in around 40 countries provide first-class manufacturing and distribution expertise. In fiscal year 2018, revenues totaled EUR 8.072 billion.

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More

CONTROL,

Less

ENERGY



Automation promises major cost-reduction effects, particularly in the process industry. A service provider in the process industry has fully embraced digitalization: with an IoT project, the company aims to optimize the efficiency of its systems and units in order to reduce wear, electricity costs, and unscheduled downtimes.

Despite all the efforts in recent years to optimize industrial processes, the potential for savings remains vast. For instance, the German Environment Agency estimates that electric drives in industry and commerce are responsible for nearly 40 percent of the country's total electricity consumption. In particular, units for compressed air, pumps, and ventilators still have huge cost-reduction potential: 26 billion kWh per year could be saved by using energy-efficient pumps, lights, and ventilation and compressed-air systems. That is as much as Luxembourg and Estonia use, combined with all German data centers.

XERVON Instandhaltung GmbH is aware of the problem: pumps and ventilators account for around two thirds of its electricity costs. The company's activities include provision of cooling water for its customers' processes at a chemical park in Cologne – the correct volume and at the desired temperature. To this end, the maintenance service provider operates three cooling towers to meet demand in accordance with the weather and production capacity utilization. However, there is always the question of whether the semi-manual control system causes inefficiencies. XERVON's vision is to equip its systems and units with technologies of the Internet of Things (IoT) and machine-learning algorithms in order to analyze sensor data and control pumps and cooling devices smartly. Ideally, this will reduce wear, electricity costs and, via predictive maintenance, unscheduled maintenance windows. The latter are critical, as the production capability of XERVON's customers must be ensured at all times.

“As one of Germany’s leading industrial service providers, we are always looking for ways in which the opportunities of digitalization can improve our processes. Last fall, we faced the specific question of how we could achieve a higher level of efficiency and greater planning reliability of our customers’ systems by using new technology – itelligence’s IoT initiative came along at just the right time for this.”

Tim Grylewicz, Head of Digitalization at XERVON Instandhaltung

“As one of Germany’s leading industrial service providers, we are always looking for ways in which the opportunities of digitalization can improve our processes. Last fall, we faced the specific question of how we could achieve a higher level of efficiency and greater planning reliability of our customers’ systems by using new technology – itelligence’s IoT initiative came along at just the right time for this,” explains Tim Grylewicz, Head of Digitalization at XERVON Instandhaltung. “Taking part in the competition gave us the opportunity to analyze our specific challenge with an experienced partner in a short space of time and implement the right solution for us through state-of-the-art SAP tools. The intensive and effective advice and support from itelligence in the ongoing project was particularly valuable to us in the implementation phase.”

In the itelligence of Things initiative, pioneering projects in industry were sought in the context of a competition in order to transform traditional processes digitally (see box). The winners’ projects are supported by itelligence consultants – and there are good reasons why XERVON was among the winners: “They demonstrated a clear vision for the project, and gave a detailed description of how they would proceed,” says itelligence project manager Adrian Kostrz, recalling the decision. In addition, the company had also fulfilled many essential technical prerequisites in advance, defined the topics of IoT and digital twins as part of its strategy, and launched its own IoT project. “This convinced us to support XERVON on its journey.”

Adrian Kostrz has assisted ERP launch projects himself in the past, and has been working at itelligence for over ten years. In the Innovation Technologies unit, he actively deals with new

topics and applications. His specialist subjects include machine learning, robotics, and artificial intelligence, “in order to develop new products and solutions for us and our customers on the basis of SAP”. This case is about automating the semi-manual control circuit of the cooling systems to a large extent. “To do this, we need to make the data of the process visible, and create a digital twin for the system in the software.” The objective is a control circuit supported by

machine learning: algorithms track the conditions, and make statements on the efficiency of the units, says Kostrz. “Essentially, the software should eventually have the experience and gut instinct of human experts.” However, there are no plans to eliminate people from the system entirely. “But we need to determine the critical variables in the project in conjunction with the operators, and digitalize employees’ knowledge of the dependencies of the values.”

According to Kostrz, around 20 key figures are recorded, including temperatures, flow rates, pressure levels, fill levels, and the data of the ventilators and pumps, including their vibrations, which have a significant influence on the service lives of the seals or bearings. In addition, there is an existing weather station whose data was taken into account separately in the past. “We aim to bring all the information together and use it to establish an optimum interaction of the components within their framework conditions.”

Along with energy optimization, this also involves predictive maintenance, so that unscheduled downtimes of the system can be avoided and maintenance measures can be coordinated with the customers.

Apart from Adrian Kostrz, several itelligence consultants are involved in the project, including an IoT expert in technical interfaces, and two data scientists who analyzed the data and used it to build up the components of the machine-learning model. This is also about designing the cockpits for the customer and the various evaluation elements. Furthermore, the best system environment for the task was identified in conjunction with SAP – in this case, the chosen solution was SAP

PdMS – Predictive Maintenance & Service. “The predictive maintenance application is our core for data import, machine learning, evaluation, and the output of information,” says Kostrz, describing the actual setup. The cloud application is fed via a gateway and special IoT interfaces provided by SAP. The agile approach to the project meant that the individual elements were developed relatively closely with the customer in order to arrive at a consistent process. However, it will still take a while to get to the final expansion stage. In the pilot phase, a process was mapped in order to record the sensor data of the cooling towers, send the data to the cloud, visualize it, and apply a machine-learning algorithm to it. “In the event of anomalies, the process sends a message or triggers an alarm so that a human expert can cast an eye over the system.” According to Kostrz, everyone involved could learn from the process, and thus get closer to the ideal control circuit. Ultimately, further development also depends on the actual savings potential. “At any rate, the people feel that they have already configured the system in an optimum manner.” So as the project progresses, it will become clear what has the edge: experience and gut instinct, algorithms and machine learning – or both together. ■

Project goal: Automate control loops in systems using machine learning.



itelligence of Things Initiative – The Competition Involving IoT and Industry 4.0 Scenarios

Framework conditions and influencing factors in the economy have changed enormously in recent years. Many new technologies, systems, and architectures have supplemented or replaced the customary structures. Industry 4.0 and the Internet of Things (IoT) have given rise to a whole new inventory: trackers, the cloud, the HoloLens – a multitude of terms and tools suddenly emerged, waiting to be organized. And in SAP Leonardo, there was also a tool for countless opportunities. Levels of interest were high, but only a few companies were bold enough to undertake the complex implementation process. In 2018, this resulted in the idea of the itelligence of Things initiative, to promote practical experience and advance the transformation. IoT scenarios of mid-market SAP users were sought in order to increase the efficiency of business processes.

itelligence received a total of 25 applications, including ten with specific ideas for IoT and/or Industry 4.0 projects. The two main winners were BHS Corrugated Maschinen- und Anlagenbau GmbH and the industry service provider XERVON Instandhaltung GmbH. They won consultancy services from itelligence and NTT DATA, enabling the submitted project to be implemented promptly. The success was augmented by the opportunity to engage with other pioneers, access research institutions, expand in-house expertise, achieve a competitive edge, and enhance their media presence.

EVOLUTION TRANSFORMATION DISRUPTION

Swabian mechanical engineering firm INDEX is adding a digital platform to its product range. Its purpose is to give customers added value in the form of innovative services. The solution is being implemented by Sybit. Since 2018, the customer experience (CX) experts have been part of the intelligence team, specializing in designing the interface between the industry and its customers.



In recent years, large platforms, such as Google, Alibaba, Facebook and Amazon, have shown that tailored digital services can be worth more than the production of goods. No wonder the platform economy is now also regarded as a perfect path to growth in more traditional sectors. This highest expansion level of the digital transformation, which goes beyond the automation of individual processes, is geared toward disruption of the market. According to a 2018 study by auditors KPMG, 95 percent of global CEOs see disruption as a source of opportunities, and more than half are actively pursuing it. Hannover Messe, an international industry barometer, is also advocating the platform economy in 2019, calling it the “heart of the digital revolution” that leads to “phenomenal growth figures”.

However, to reach this happy end, traditional companies must first travel a long and winding road involving uncomfortable truths, risks and investment.

The INDEX Group, based in the Greater Stuttgart area, decided at an early stage to embark on the journey and complement their lathes with a digital platform. For this company with over 2,200 employees, digital services and new business models are an increasingly important way of warding off possible internal and external disruption in its industry. Upheaval in the automotive sector is having a big impact on production machining and therefore the requirements of INDEX customers; at the same time, conventional traits, such as speed and precision, make it hard to stand out from competitors at this high level.

Sybit, a company acquired by itelligence in 2018, is partnering INDEX in its transformation toward the digital platform “iXworld”. “We are heavily focused on mechanical and systems engineering in the upper mid-size market and at large companies,” says Sybit COO Marco Werth, describing the target customers of the IT service provider which, like INDEX, is based in Baden-Württemberg. In addition, customer-oriented processes for commerce, sales, service and marketing are a strategic focal point for the company. Its expertise ranges from the front-end with design and user experience to integration of the individual solution in ERP and CRM systems, all on the

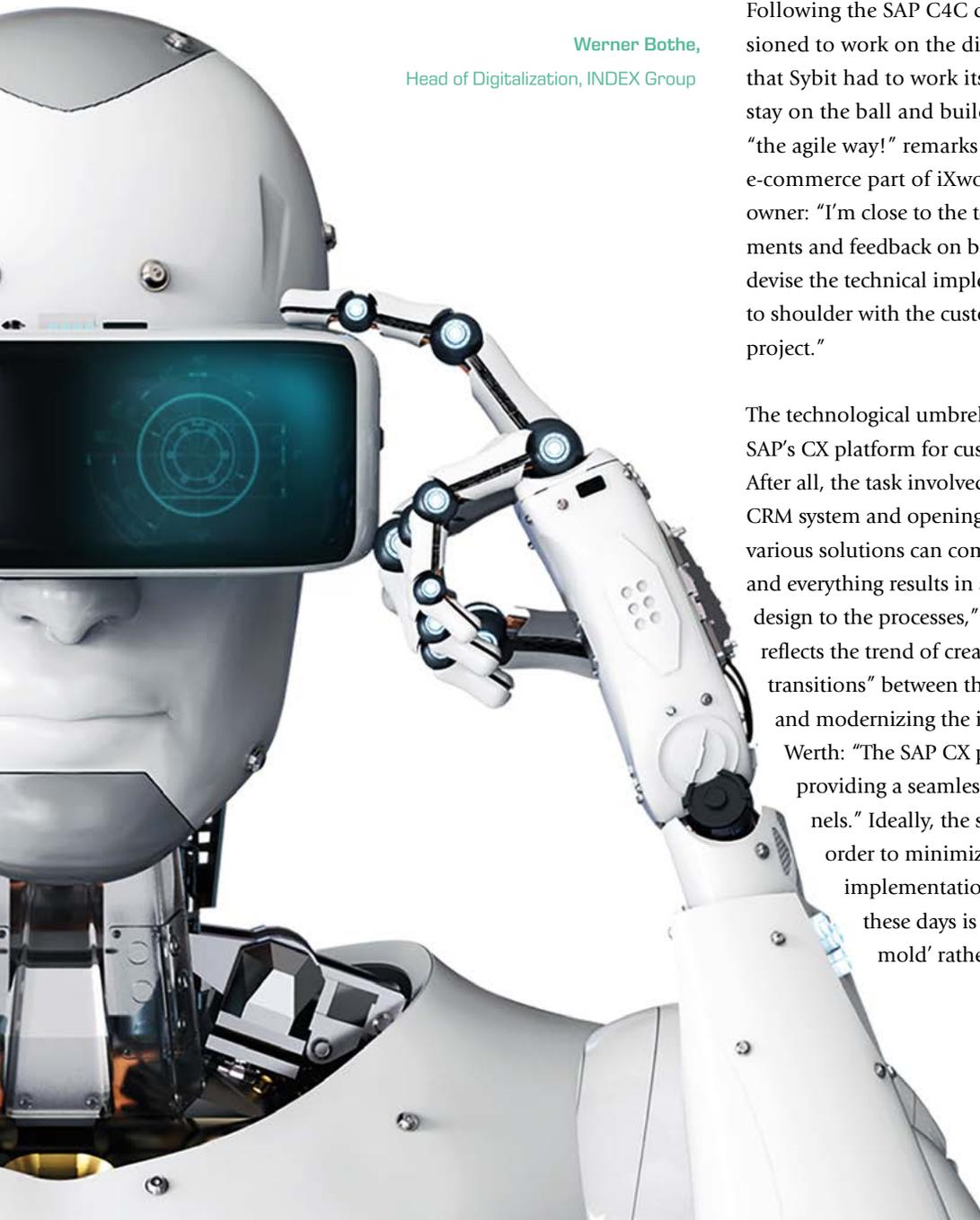
“With iXworld, we are developing a platform that helps our customers significantly improve the productivity of our machines and thus give a lasting boost to their business success. Sybit has been a great support to us here, from strategic planning, implementation and integration to UX design, thus helping to make the project a success. We look forward to continuing to work with them.”

Werner Bothe,
Head of Digitalization, INDEX Group

basis of the SAP portfolio. INDEX, too, is strategically reliant on SAP, explains Werth: “That’s why INDEX’s digital platform was an ideal project for us.”

The obvious basis for such a complex undertaking is the mutual trust that has to be developed in the context of a project, says project manager Rolf Gehring, recalling spring 2018, when Sybit introduced a CRM solution from SAP for sales and service at INDEX as an initial step. “We started the CRM project, and impressed the customer with our performance.” Following the SAP C4C design phase, they were commissioned to work on the digital platform iXworld. This meant that Sybit had to work its way from milestone to milestone, stay on the ball and build up the mutual trust even further – “the agile way!” remarks Gehring, who also manages the e-commerce part of iXworld in an agile manner as product owner: “I’m close to the team and the customer, take requirements and feedback on board, formulate user stories and help devise the technical implementation. By standing shoulder to shoulder with the customer, we enable such a successful project.”

The technological umbrella of the fully integrated solution is SAP’s CX platform for customer experience management. After all, the task involved more than simply replacing an old CRM system and opening a new shop. “It is crucial that the various solutions can communicate with each other smoothly and everything results in an integrated overall system from the design to the processes,” states product owner Gehring. This reflects the trend of creating a uniform basis with “smooth transitions” between the systems rather than consolidating and modernizing the individual IT pillars, adds Sybit COO Werth: “The SAP CX platform has all the ingredients for providing a seamless customer journey across all channels.” Ideally, the system comes from a single source in order to minimize the number of suppliers and implementation partners. “What customers want these days is an individual solution ‘from a single mold’ rather than best of breed.”



No off-the-peg technical solution or disruptive business model is available for this. Werth talks of a mutual “learning effect” of the partners as they navigate uncharted territory throughout the project: “We are on a journey with INDEX in which we plan and adapt our project and learn lessons on the way.” This paradigm stems from the agile methodology with its short feedback cycles, which allow constant reviewing of ideas and concepts. “From the initial visions, the path that makes the most sense for the customer becomes increasingly clear and feasible.” The pace is dictated by two major trade fairs for the INDEX Group in spring and fall: “We devise and implement digital innovations for the platform together in this cycle.” In addition, new features of the platform are published every three weeks with improvements, further smaller functions and bug fixes.

One advantage is that the agile approach is a good fit for INDEX, says product owner Gehring: “For example, INDEX has been bold enough to develop small solutions and test them on the market with its customers at an early stage in order to achieve targeted improvements.” By extension, according to Gehring, this also means that “rather than coming to an end, the platform project is continuously enhanced.” After all, its market penetration is intended to grow rapidly so that it eventually benefits from the network effect. To this end, INDEX must learn from the market, assess feedback and develop new services.

As far as Sybit COO Werth is concerned, the iXworld platform is currently “unique in its segment in terms of structure and functions.”

Feedback from the market and SAP has also indicated this. The common errors of starting with the handbrake on, thinking small and failing to plan coherently were avoided. “From the outset, INDEX expressed the aim of spearheading the market and laying down clear markers with innovations.” It has achieved this: the “heart of the digital revolution” is beating. ■

The INDEX platform

With the “iXworld” platform, the INDEX Group has digitalized its customer processes in order to give users and operators of its lathes an optimum customer experience and clear economic benefits. Customers can obtain information, buy products and spare parts and monitor and manage their machines digitally. Current and integrated SAP technologies form the technical basis for this: SAP C/4HANA in combination with SAP AIN and SAP AE from the Leonardo range. SAP Gold Partner Sybit supported the project from consulting and introduction of the SAP Sales Cloud, SAP Service Cloud, SAP Commerce Cloud and SAP AIN to system integration and UX design.

The network effect

The network is the promised land of the digital economy – for users and operators alike. The network effect means that the benefits of a network grow exponentially as the number of users increases. Examples are the retail platform Amazon or Facebook: the greater the number of network nodes, the greater the potential of each individual for communication and revenues. This can lead to a snowball effect. In addition, as a platform grows more widespread, people are less inclined to leave it. That is how standards and monopolies become established in the market, such as a dominant social network or a leading office software product. The term for this is a “winner-takes-it-all market”. Companies with relevant products and services gradually join the “ecosystem” around a platform, making the whole package all the more attractive. And so the curiosity and trust of a few end up benefiting everyone.

Data-driven Potatoes



Solynta, a Dutch company, has begun building a data platform – for potatoes. As in conventional industry, it is all about time to market, variant configuration, and customized offers. The challenge is that disruptive technology is required in addition to the data platform in order to revolutionize traditional crop farming.

The digital transformation of industry is in full swing, and the food industry is also getting on board. This is affecting not only the usual issues like process efficiency and product safety, but also beginning much earlier: in the fields, under the ground. The example of the humble potato shows that the agricultural industry is much further advanced than many city-dwellers might believe.

One driver of the change is the Dutch start-up Solynta, which for some years now has been working on the disruption of the sector, a real game-changer. Ridiculed at first, it is now becoming increasingly clear that the idea of the hybrid potato will take the company a long way – along with humanity's food supply. With its disruptive approach, the biotech firm is able to cultivate new varieties much faster than before and to use seeds instead of seed potatoes as the basis of a crop. The ramifications are comparable to developing cars that drive without combustion engines. So it is no wonder that the Dutch Ministry of Economic Affairs chose Solynta as a "National Icon" in 2014.

Martijn van Giessel, project manager at itelligence in the Netherlands, is also talking about a "revolution." However, this will not end with spuds on a plate – Solynta intends to establish a comprehensive data platform on which all parameters in the life of a potato variety can be stored and analyzed: when were the seeds sown, when were they watered and fertilized, when did it rain, what is the condition of the soil, how warm was it? The biotech firm is growing potatoes in numerous fields in Europe and Africa and wants to find out which potato properties are ideal for certain conditions, says van

Giessel: "On the basis of the information gathered, they can then advise customers on which potatoes they should plant – a data-driven service as a valuable decision-making tool."

For the data to be added to the platform, it currently still has to be collected manually on site. "We have developed an app for Solynta that can be used to record the parameters in the field," reports van Giessel. The technical basis is the low-code platform Mendix. This method is a good approach for developing applications quickly: "You can organize design-thinking sessions and agree the design directly with the users without everything having to be coded." As soon as the finished design is agreed, says the manager of the innovation project, the database model can be created in the background – so users already know what kind of tool they are getting. The information is passed from smartphones and tablets to the SAP Cloud Platform, where it is compiled.

According to van Giessel, the application will be ready for use in all Solynta fields over the course of 2019. The biotech firm will then be able to begin its analyses across all cultivation areas on the data platform. In a second step, increasing automation will be made possible with the appropriate sensors – a kind of IoT system for potato fields. There are also plans for an application to focus on demand in regional markets in the future. "In order to do that, lots of analysis data from various sources must be combined with the data from the fields," says van Giessel. This step is the foundation for a data-driven business model – Solynta can sell its information or provide firms with cultivation advice. "That is their vision of how to revolutionize the potato business."

A report by the UN Food and Agriculture Organization (FAO) and the International Grains Council (IGC) from April 2019 shows that the agricultural and food industries are in urgent need of change. The report claims that the annual grain harvest is not enough to cover the needs of the world's growing population. Moreover, the majority of people are living in urban conurbations, which poses a logistical challenge. This can be helped by linking smart cities and industrialized agriculture. For example, itelligence developed a sensor system last year in the Farmbot innovation project and paired it with SAP Leonardo components in order to "automate" the cultivation of lettuces on small plots – such as in the city. The food can therefore be grown close to the customers, either in gardens, on roof terraces, or in industrialized greenhouses.

"The Farmbot project was also about creating a data platform for the future," says the itelligence project manager. The Solyn-ta project – an application that can be adapted to various customer requirements in agriculture – fits perfectly into this vision of the smart city. "We have to develop numerous digital communities for the future in order to ensure an efficient and environmentally friendly food supply for billions of people in cities," urges van Giessel. The humble potato is a key success factor here. ■

A field is not just fertile ground for potatoes, it also supplies data and thus forms the basis for digital agriculture.



Energy Source

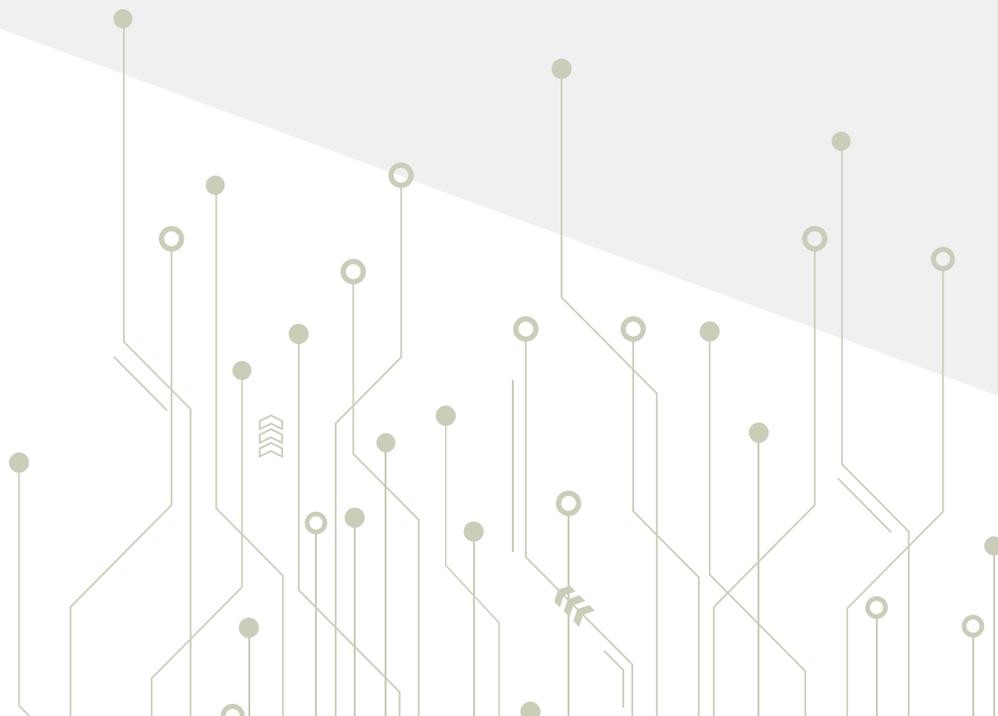
Solanum tuberosum, the potato, along with wheat, rice, corn, cassava, sugarcane, and soybeans, is a staple food crop. Unless they are drenched in hot fat or processed into convenience food, spuds are very healthy. They are considered pivotal for supplying the world's steadily growing population with food; around 390 million tons are harvested every year. The largest potato exporter is the Netherlands.

There are around 3,000 potato varieties worldwide – small, large, long, round, blue, and red. Each year sees a few new varieties for various climate zones, soils, precipitation rates, temperatures, and resistances. Resistance to disease is the most important factor: experts say that around one-third of the global crop falls victim to pests. Late blight alone causes billions of crop failures every year.

The problem is that it takes 10 to 20 years until a new variety is ready. This is because of "reproduction" via clones, as each plant produces between 5 and 15 genetically identical potatoes in the following year. Millions of tons of seed potatoes must therefore be brought to the fields as seedlings every year, and healthy source material is the most important requirement for healthy crops. Hybridization is difficult, however, as the plant's four sets of chromosomes mean there are numerous variations that have to be weeded out in a lengthy process. So it is no wonder that the USA's favored potato, the Russet Burbank, was developed 150 years ago.

The Dutch start-up Solynta has been working on a revolution in the potato market for several years: the plants have been modified so that hybrid varie-

ties can be crossbred to feature the positive properties of the parental lines. Moreover, seeds instead of the usual tubers can be used for a new crop of hybrid potatoes. The advantages are obvious: seeds are smaller than tubers, are not infected with diseases, and can be stored longer. While tubers are currently sent to farmers in shipping containers, seeds will fit inside a Tupperware container. According to Solynta, it is possible to develop a new variety tailored to customers' specific requirements within two years. The start-up is monitoring growth conditions in dozens of test fields around the world – all the data is being brought together on a platform for analysis, so that the perfect plants can be recommended to customers.



BSH'ye hoş geldiniz

"Burada, büyük ve başarılı uluslararası bir şirketin farklı departmanları ve çalışma alanları hakkında bilgi edinebilme imkânına sahibim."

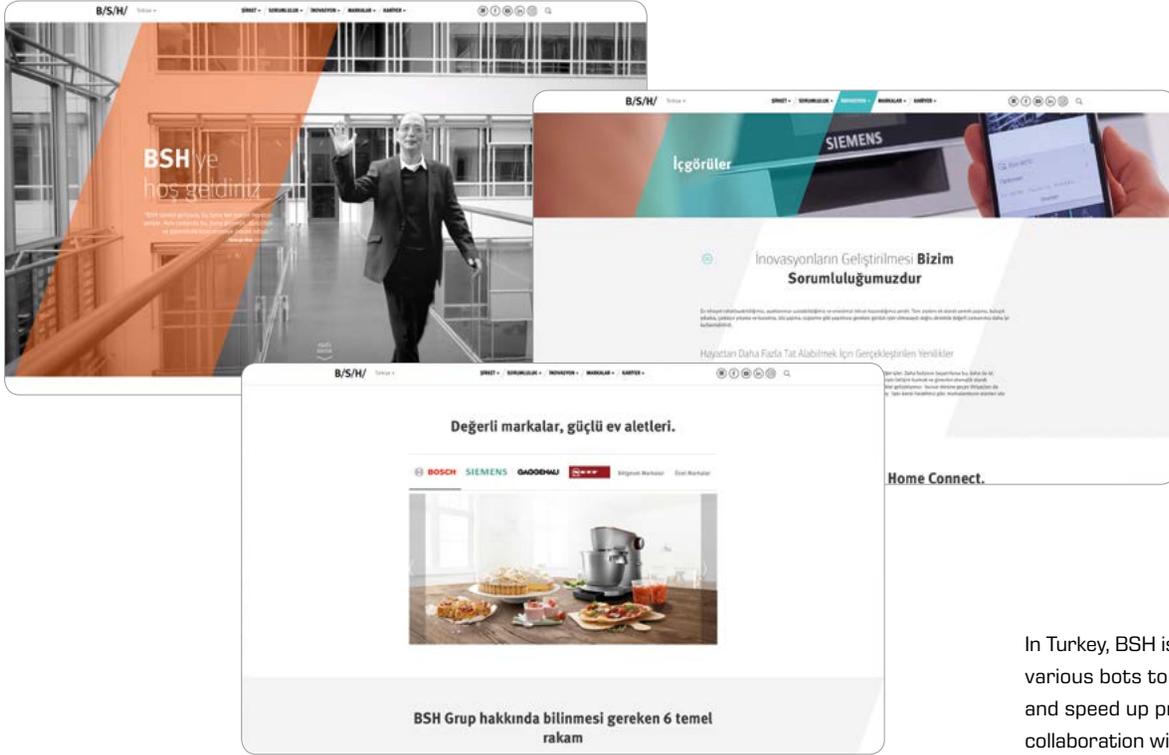
Annika Dieling Stajyer

BSH STEPS UP PROCESS EFFICIENCY



BSH is the one of the largest producer of household appliances in the world, with more than 60,000 employees and revenue of BEUR 13.4 (2018). The Group operates more than 40 factories and is present in approximately 50 countries on all continents. Its IT organization delivers services from Germany HQ and with four competence centers in India, Poland, Spain and Turkey. The competence center in Turkey formed a strategic partnership with itelligence: "We provide application support and management services for various areas of BSH," says Dr. Amere Oakman, Managing Director for Project Services & AMS at itelligence in Istanbul. There are almost 100 full-time positions here that work for BSH, supporting global and regional applications all the way from China to USA, from Russia to Africa – "not a small team," as Oakman puts it.

The Home Appliance group Bosch Siemens Hausgeräte (BSH) has four IT competence centers, as an addition to IT HQ in Germany. Each competence center operates globally on certain topics. Turkey is one of those centers. In Turkey IT center, the focus is predominantly on business intelligence and data analytics. BSH built a partnership with itelligence – to provide those services. The scope of services is expanding, following a successful experience in the original scope, with new topics i.e. Robotics Process Automation, enterprise service bus and others.



In Turkey, BSH is developing various bots to automate and speed up processes in collaboration with intelligence.

The IT department of BSH Turkey provides global services to the BSH world and uses intelligence as a strategic external partner on those services. Following a comprehensive tender process, intelligence won the support of SAP and major non-SAP areas for BSH IT services. The scope is also expanding with new additions, such as RPA. The services and support structures as well as knowledge management practices are progressing as planned. Some hiccups are happening but the positive attitude of intelligence and BSH management enables a productive relationship, where problems and issues are solved.

Berke Menekli, Vice President IT T-MEA_CIS at BSH Turkey

By setting up the competence centers, BSH aims to put an end to the practice of having all competences available in all regions and wants instead to focus specifically on topics key to success. The centers are therefore not only used as an extended workbench, but also for their high-quality skill sets. intelligence's Turkish organization maintains over 80 software environments and 37 central applications as part of the AMS task, reports Ömer Dağyeli, the AMS Director in Istanbul. Examples of these include SAP support, project support and basis services, as well as Java/.NET support and run services. "Our processes and methods comply with the COBIT and ITIL frameworks," says Dağyeli. Support covers 35 countries with around 25,000 BSH users accessing a ticket system from intelligence.

BSH opted for a step-by-step approach when bringing the partners together to align the necessary process expertise and maturity at both organizations. "We developed plans and made contractual arrangements for the takeover of the various areas of the agreement," comments Oakman. The approach was successful and itelligence recently assumed non-SAP services as a managed service. The agreement also includes some specific tasks in Russia for which BSH requires on-site support for legal reasons, the manager reports: "For this reason, we are currently also managing itelligence colleagues in Russia who work directly for BSH systems."

According to AMS Director Ömer Dağyeli, a crucial part of success depends on a close dialog between the two sides: "Exchanging information and constantly learning from each other brings many new opportunities for improvement." Discussions are currently underway to transfer further software environments to itelligence. In addition, a team is working on projects including optimizing processes at BSH and freeing up resources. A good way of doing this is to use tools for robotic process automation (RPA). "International colleagues presented best practice examples from customer projects as part of one of our Innovation Days," recalls Oakman. One session focused on RPA: the customer wanted a follow-up, and consulting activities led to the creation of various bots for process improvement.

These applications make it possible to automate manual processes and speed them up, as well as to cut process costs. Business areas, such as accounting, procurement, IT services, after-sales, quality management and supplier management are all currently benefiting from this. The usage of RPA in the processes help speed up the organization, boosting user satisfaction. "BSH's Turkish organization is very ambitious," says Oakman. AMS Director Dağyeli is also confident that the relationship with BSH is a key driver of growth in Turkey thanks to the services that itelligence has provided: "Both sides are benefiting and developing further." ■

Bot #1 – Database Upgrades

Version Upgrades and patch management was happening manually for over 2,000 databases worldwide, as Turkey IT team is responsible for SQL database management globally. The effort moved to bots and now users receive an e-mail during office hours for their region and the upgrade is then checked. In the efficient process, the user can decide whether to approve or reject the proposed time by sending an e-mail to the bot. If users do not suggest a new time, the bot notifies the database administrators of the pending upgrade and the user's reply.

The advantages of this are real-time reporting of database upgrades and better integration between users and database administrators.

Bot #2 – Supplier declarations

Declarations on the origin of production materials from over 800 suppliers are monitored in the SAP ERP system, including names, ABC classification and past data. This report is generated from the SAP system in PDF format for each supplier and send by e-mail to obtain and manually update declarations for the next quarter. In an efficient process, the bot generates the PDFs, sends them to the suppliers, scans the information using OCR and updates the SAP ERP system.

The advantages of this are shorter processing times, less manual work and better operational relationship management with suppliers.

We transform



TRUST

into value

NTT DATA



YO HONMA
PRESIDENT AND CEO
NTT DATA

"The itelligence team has done a great success over the years, so I would like to congratulate itelligence and itelligence's colleagues on their 30th anniversary. I firmly believe that this will remain the case in the next stage, and on behalf of NTT DATA, I would like to say that I look forward to continuing to work with itelligence. I truly value our collaboration, and expect that itelligence is taking a lead of our SAP consulting business worldwide in the NTT DATA Group and NTT Group. Your collective effort will help us provide services as a Trusted Global Innovator that clients truly appreciate and value."



TOSHI FUJIWARA
REPRESENTATIVE DIRECTOR &
SENIOR EXECUTIVE VICE PRESIDENT
NTT DATA

"On behalf of the entire NTT DATA, I would like to congratulate all who have contributed to itelligence's success on their 30th anniversary. I really appreciate the great accomplishments that our colleagues have achieved since itelligence became a part of NTT DATA. I believe NTT DATA would not have been what we are today without the people and leadership team at itelligence. Keep driving SAP consulting business worldwide in NTT DATA. Keep collaborating closely with sister companies and colleagues across the group. Keep helping our clients' businesses succeed through 'long-term relationships' with our clients and partners. I am sure that by working together we can elevate NTT DATA to the next stage, the Global 3rd Stage as a "Trusted Global Innovator"."



KOJI ITO
EXECUTIVE VICE PRESIDENT,
DIRECTOR OF THE BOARD
NORTH AMERICA, EMEA AND LATAM
NTT DATA



"I would like to congratulate our friends at itelligence on their 30th anniversary. It brings me great pleasure and I believe that NTT DATA's global business had started with the partnership with itelligence back in FY2008, and I am delighted to say that the business success we achieved with itelligence has helped accelerate the global growth of NTT DATA group. I truly hope that itelligence will continue to drive their business further collaboratively with not only NTT DATA group companies but also NTT sister companies, for our new mid-term target and Global 3rd stage."



NTT DATA Business Solutions
itelligence



MICHAEL KLEINEMEIER
MEMBER OF THE EXECUTIVE BOARD
SAP SE

"itelligence and SAP can look back on many years of successful partnership in a spirit of mutual trust. This can justifiably be described as extraordinary – especially in fast-moving times like those in which we live. The appreciation that the entire SAP team has for our cooperation is underlined every year at the Pinnacle Awards for SAP partners, where itelligence is traditionally one of the companies that wins multiple awards. I am happy to pledge my wholehearted support to itelligence in the continued expansion of our partnership and the business between our companies."



FRIEDRICH FLEISCHMANN
CHAIRMAN OF THE SUPERVISORY BOARD
ITELIGENCE AG

"With its restructuring of the company in the past year, the Management Board has laid important foundations that have the unconditional support of the Supervisory Board. Now we need to stay on course and systematically implement the initiatives we have started. I have every confidence that those responsible will succeed – and that itelligence will continue to enjoy strong growth over the coming years."

REPORT OF THE SUPERVISORY BOARD

LADIES AND GENTLEMEN, DEAR FRIENDS OF THE COMPANY,

Fiscal year 2018 was a challenging year for itelligence AG and one in which it delivered excellent revenue growth. As forecast, total revenue last year was within the corridor of MEUR 920 to MEUR 930, and climbed by more than MEUR 50 or 6.2% as against the previous year to MEUR 926.6. This further positive performance clearly underlines itelligence's strong market positioning. In terms of earnings, EBITA amounted to MEUR 31.0 after MEUR 44.1 in the previous year. This decline was mainly on account of a project in the US. Various processes were implemented in response to this in order to significantly reduce the risk of this happening again. Overall, we expect a significant improvement in the current fiscal year of 2019 and have budgeted for this accordingly. Our goal for the coming years is to continue our dynamic growth, but to become more profitable as our customers' business models become increasingly digitalized.

In the 2018 fiscal year, 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 also thoroughly examined, extensively discussed and ultimately voted on the reports and proposed resolutions of the Management Board.

In all cases, the reporting by the Management Board met the requirements of the Supervisory Board in full. The Supervisory Board received detailed, timely information from the Management Board in both written and verbal form on the Group's position. There was a particular focus on the development of the net assets, financial position, 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. Furthermore, the Chairman of the Supervisory Board was regularly informed about current business developments, the medium-term outlook and other key issues. Potential future scenarios and the future focus of the divisions were also discussed with

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

The Supervisory Board held a total of five meetings in fiscal year 2018. 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 2017
2. Commissioning of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for fiscal year 2018
3. Budget definition and budget review for 2018
4. Investments and planned acquisitions
5. Election of new Supervisory Board members and composition of committees
6. Monitoring of the early risk detection system established by the Management Board
7. Management Board matters
8. Oversight of projects in the Finance department and of escalation projects

In fiscal year 2018, the Audit Committee met on March 20, 2018, April 5, 2018, and December 18, 2018. 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, matters relating to the planning process and risk management and compliance issues.

The Personnel Committee met on March 20, 2018, and December 18, 2018, to discuss matters relating to employee development, the integration process for acquired companies and developments in the management team and the management structure.

The Strategy Committee also met on December 18, 2018. It primarily discussed the Company's orientation within the NTT DATA Group, investments and acquisitions plus optimization and reorganization projects initiated at the Company.

The Annual General Meeting on April 5, 2018, adopted resolutions on the appropriation of the unappropriated surplus, the approval of the actions of the members of the Management Board and the Supervisory Board and the election of the auditor of the single-entity and consolidated financial statements for fiscal year 2018. Furthermore, Mr. Benito Vazquez, Director and CEO of NTT DATA EMEA Ltd., London, was appointed to the Supervisory Board as a shareholder representative. He replaces Mr. Ken Tsuchihashi, to whom the Supervisory Board would like to express its heartfelt gratitude for his work on the Supervisory Board of itelligence AG and his commitment to the Company. The employee representative Mr. Mersun Sezer was elected as the Deputy Chairman on March 21, 2018, replacing Prof. Schumacher who had been holding the position on an interim basis.

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 2018. 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 19, 2018, 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.



Friedrich Fleischmann, Chairman of the Supervisory Board

The Annual General Meeting on April 5, 2018, elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditor of the single-entity and consolidated financial statements for fiscal year 2018. KPMG had previously declared to the Chairman of the Supervisory Board that there were no circumstances that could compromise its independence as an auditor. KPMG consequently audited the single-entity financial statements of itelligence AG and the consolidated financial statements and the management reports of itelligence AG and the itelligence Group. As stated in its unqualified audit opinions, these examinations 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,
- 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 21, 2019, the Audit Committee discussed the single-entity and consolidated financial statements for 2018 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 would approve and adopt the financial statements.

At the meeting of the Supervisory Board to adopt the financial statements on March 22, 2019, 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 subsequently did not raise any objections and consequently approved the findings of the audit by KPMG. The Supervisory Board thus 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, 2018.

The annual financial statements of itelligence AG have therefore 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.

As the Supervisory Board, we will continue to actively support itelligence AG’s strategic focus and course of business in the future, thereby making our contribution towards the further positive development of the itelligence Group together with the Management Board. In particular, the Supervisory Board would like to thank the employees around the world and the members of the Management Board for their high level of personal commitment and performance in a dynamic and challenging market environment. ■

Bielefeld, March 22, 2019
For the Supervisory Board



Friedrich Fleischmann
Chairman

CORPORATE GOVERNANCE REPORT 2018

The Management Board and the Supervisory Board of itelligence AG attach great importance to corporate governance. They believe that responsible company management is the only way to achieve a sustainable increase in enterprise value in the long term. Accordingly, both bodies are committed to the principles of the German Corporate Governance Code. The implementation of these principles is intended to stabilize the existing trust of customers, employees, and the public in the company at a high level. The Management Board and the Supervisory Board therefore largely complied with the recommendations of the Code again in fiscal year 2018.

Both bodies addressed corporate governance topics on several occasions during the past fiscal year and jointly submitted a revised declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) on December 19, 2018. According to this declaration, as in the previous year, itelligence AG continues to comply with the majority of the principles set out in the current version of the Code dated February 7, 2017, and deviates from these principles only where it has good cause on account of its size, structure, or other company-specific factors. The declaration is published 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 monitors the Management Board and is responsible for appointing and dismissing Management Board members. These two bodies of itelligence AG work together in a trustful and efficient manner.

In fulfilling its duties, 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 2018. This involved a particular focus on 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: Norbert Rotter (CEO) and Dr. Michael Dorin (CFO). There were no conflicts of interest within the Management Board in 2018.

The Supervisory Board of itelligence AG advises and monitors the Management Board in its management of the company and 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 expressed in the Code concerning diversity and appropriateness 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 2018. There were no conflicts of interest within the Supervisory Board in 2018.

Details of the remuneration paid to the members of the Management Board and Supervisory Board can be found in the notes to the annual financial statements and in the management report.

Further 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 in this annual report.

SHAREHOLDER STRUCTURE AND ANNUAL GENERAL MEETING

NTT DATA EUROPE GmbH & Co. KG is the sole shareholder of itelligence AG. itelligence AG therefore does not hold public General Meetings.

TRANSPARENCY

itelligence AG provides timely, comprehensive, and detailed information. The company's website – www.itelligencegroup.com – is the central communication instrument and is available in various languages, reflecting the company's international 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), thus ensuring a high degree of transparency and international comparability. The audit for fiscal year 2018 was conducted by the auditor chosen by the Annual General Meeting following the proposal of the Supervisory Board and the recommendation of the Audit Committee, namely 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 has ended in the fiscal year 2013.

itelligence AG acted in accordance with the recommendations of the German Corporate Governance Code throughout the 2018 financial year and will continue to do so in future based on the version of the German Corporate Governance Code last amended on February 7, 2017, 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. There-

fore, 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, PARA. 4: 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 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 PARA. 3 AND 4: DISCLOSURE OF THE COMPENSATION OF MANAGEMENT BOARD MEMBERS IN THE COMPENSATION REPORT

“The total compensation for a Management Board member shall be disclosed by name, divided by fixed and variable compensation elements. The same applies to commitments to benefits which are granted to a Management Board member in case of premature or regular termination of work as a Management Board member or which have been amended during the fiscal year.

In addition, 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 apply 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, the 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 by the Supervisory Board 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 AND WORKING OUT A PROFILE OF SKILLS AND EXPERTISE FOR THE ENTIRE BOARD

“The Supervisory Board shall specify concrete objectives regarding its composition and shall prepare a profile of skills and expertise for the entire board. For its composition, whilst considering the specifics of the enterprise, it should give appropriate consideration to 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. The particular provisions of the acts on co-determination are to be observed for the chosen employee representatives.

In listed companies for which the Co-determination Act, the Co-determination Act for the Iron and Steel Industry or the Co-determination Extension Act apply, the Supervisory Board shall comprise at least 30% women and at least 30% men. In other companies covered by the Equality Act, the Supervisory Board shall determine targets for the proportion of women.

Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account and at the same time strive to fill the competence profile for the full body. The status of the implementation shall be published in the Corporate Governance Report. It shall also provide information about what the Supervisory Board considers the appropriate number of independent members of shareholders and the names of these members.

For its proposals for the selection of new members of the Supervisory Board to the General Meeting, the Supervisory Board shall make sure that the particular candidate can afford the expected time expenditure. The candidate proposal should have a CV attached, which provides information about relevant knowledge, skills and experience; this should be supplemented by an overview of the essential activities alongside the Supervisory Board mandate and published with updates annually for all members of the Supervisory Board on the company’s website.”

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. No profile of skills and expertise will be worked out for the entire Board. Hence, there will be no publication of the objective and the state of implementation as well as the Supervisory Board’s estimate of an appropriate number of independent members of shareholders and

the names of these members in the Corporate Governance Report. A specification and publication of concrete objectives and their periodical amendment as well as working out a profile of skills and expertise for the entire Board 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 proportion of women in the Supervisory Board and the reporting thereon in the Management Report. Since no more public general meetings are carried out by itelligence AG, the election proposals and CVs of the candidates will not be published separately.

SECTION 6.2: TRANSPARENCY AND FINANCIAL CALENDAR; SECTION 7.1.1 AND 7.1.2: FINANCIAL REPORTING AND AUDITING

Section 6.2 "Within the framework of ongoing public relations work, the dates of publications of the Annual Reports and interim financial information as well as the General Meeting, of financial statement press and analysts' conferences shall be published in a 'financial calendar' sufficient time in advance on the company's website."

Section 7.1.1 "Shareholder and third parties shall be informed by the consolidated financial statement and the group management report as well as the interim financial information. If the company is not obligated to publish quarterly communications, it shall inform the shareholders during the year alongside the half-year financial report about essential changes to the business developments as well as the risk situation in a suitable form."

Section 7.1.2 "The consolidated financial statement and the group management report shall be drawn up by the Board of Management and audited by the annual auditor as well as the Supervisory Board. The Board of Management shall discuss the interim financial information with the Supervisory Board or its audit committee before publication. The consolidated financial statement and the group management report shall be made accessible to the public within 90 days after the end of the financial year, the obligatory interim financial informa-

tion within 45 days after the end of the reporting period."

itelligence AG does not publish a "financial calendar" and does not conduct financial statement press and analysts' conferences. As all shares in itelligence AG are held by NTT DATA EUROPE GmbH & Co. KG, dates of the General Meeting are not published either. The public will be informed about the course of business of itelligence AG through the annual report, the half-year report and press releases. Press releases are published on the itelligence AG website. itelligence AG no longer publishes quarterly reports or interim reports. itelligence AG no longer publishes other interim financial reports such as ad-hoc notifications. The company's website is the central communication instrument. Since no interim financial information will be published alongside the half-year report, any discussion of the same with the Supervisory Board or the audit committee shall also not take place before publication. ■

Bielefeld, December 19, 2018
itelligence AG



For the
Board of Management
Norbert Rotter



For the
Supervisory Board
Friedrich Fleischmann

GROUP MANAGEMENT REPORT

FOR FISCAL YEAR 2018*

→ KEY FIGURES FOR FISCAL YEAR 2018

CONSOLIDATED REVENUES RISE BY 6.2% TO MEUR 926.6

- Organic growth stands at 2.4%
- Revenues up 3.8% as a result of acquisitions
- Revenue distribution: 55.9% outside Germany, 44.1% within Germany

EARNINGS BEFORE INTEREST, TAXES, AND AMORTIZATION (EBITA) DOWN BY 29.7% TO MEUR 31.0 AFTER MEUR 44.1 IN THE PREVIOUS YEAR. EARNINGS BEFORE INTEREST AND TAXES (EBIT) AT MEUR 20.8 AFTER MEUR 33.8 IN THE PREVIOUS YEAR

- EBITA margin for 2018 as a whole amounts to 3.3% (previous year: 5.1%)
- EBIT margin for 2018 as a whole amounts to 2.2% (previous year: 3.9%)

GROWTH IN ORDERS ON HAND

- Orders on hand up 5.9%, from MEUR 927.8 at the end of 2017 to MEUR 982.1 on December 31, 2018
- Non-current orders on hand account for MEUR 181.9 (previous year: MEUR 221.3).

THE NUMBER OF EMPLOYEES WAS UP BY 13.2% TO 7,904 AS AT THE END OF THE REPORTING PERIOD (PREVIOUS YEAR: 6,983)

- Addition of 621 employees through new appointments and a further 300 employees through acquisitions
- Integration of the two acquisitions in Sweden has got off to a successful start
- Outstanding partnership-based collaboration with Sybit launched

FORECAST FOR 2019 AS A WHOLE

- Revenue growth to exceed 1 billion euros for the first time: revenues of BEUR 1.000 to BEUR 1.013 expected
- itelligence aims for continued organic and inorganic growth
- Improvement in EBITA to around 5.0% and EBIT margin to around 4.4% expected (before effects of IFRS 16 and expenses for strategic investments for long-term enhancement of profitability)

BASIC INFORMATION ON THE ITELLIGENCE GROUP

OPERATING 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. The main target group of itelligence AG is customers in the traditional and upper mid-market with a strong international presence. Today, itelligence operates at 81 locations in 25 countries, supporting more than 6,000 customers.

itelligence focuses on the sale of usage rights for SAP software solutions for mid-market companies and SAP consulting. For customers, itelligence sees itself as a long-term partner that shapes their IT business processes efficiently and flexibly, thus achieving a sustainable improvement in their company management and economic value added. In addition, itelligence offers SAP maintenance as well as global support and hosting services. These strategically important areas also make a substantial contribution to revenues. This is where a long-term, benefit-oriented relationship of trust with its customers is particularly valuable to itelligence.

itelligence has used its extensive industry and IT expertise to preconfigure 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, mechanical and plant engineering, steel and non-ferrous metal companies, the wood and furniture industry, food processing, the process and pharmaceutical sector, the service industry, retail, and expertise in the area of educational institutions. itelligence is also driving ahead digitalization and the industry-specific integration of mobile and analytical solutions.

ORGANIZATION

itelligence AG has undergone a reorganization process – both in the German unit and at international level. The Management Board announced a new global organizational structure on October 2, 2017. With this new orientation, the Management Board and the Global Executive Team (GET) are fostering cross-border collaboration. Sharing of the existing knowledge from the countries and divisions is to be stepped up. In addition, investment in future topics is being bundled in a more targeted way.

Since October 15, 2017 there have been four global areas of responsibility for the key pillars of the itelligence business model. The Global Business Functions (GBF) are handled by members of the GET (Global Executive Team) on top of their regional responsibility:

Sales – Dr. Andreas Pauls

Field Consulting Services – Stefan Ellerbrake

it.products – Nicolaj Vang Jessen

Managed Services – Lars Janitz – introduced back in 2014.

Furthermore, a function for Strategy and Portfolio Management was introduced on October 15, 2017. Urban Hopen is responsible for this function. On January 1, 2018, in addition to his responsibility for Nordics, Nicolaj Vang Jessen took charge of the Eastern European countries, which were combined to form the “Northern and Eastern Europe” (NEE) region under his leadership. China is being incorporated in the Asia region, and has been managed by Uwe Bohnhorst since January 1, 2018. Uwe Bohnhorst is taking on this responsibility on top of his role as COO, which covers marketing, innovation technologies, SAP alliances, and global cloud business development. With the new structure and the changes, itelligence aims to achieve lasting improvement in its global processes, customer service, and range of services.

itelligence continues to have a regional focus, and is represented by subsidiaries with local sales and consulting teams in the following regions:

D-A-CH (Germany, Austria and Switzerland), Western Europe (Spain, France, Belgium, Netherlands, United Kingdom, Ireland), Northern and Eastern Europe (Denmark, Norway, Sweden, Russia, Ukraine, Poland, Czech Republic, Hungary, Slovakia, Turkey), America (USA, Canada, Qatar), and Asia (China, Malaysia, India).

Including the acquired companies, the organizational structure of the itelligence Group encompasses a total of 47 subsidiaries around the world. The largest subsidiaries are located in Germany, the USA, India, 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.

The Global Managed Services business unit operates globally via a matrix organization in order to meet the requirements of local and international customers for a scalable, cost-efficient, and innovative range of services in the best possible way. itelligence provides managed cloud and application management services for more than 4,000 customers of all sizes from seven global off-shore and near-shore centers with local front ends in 24 countries. As a leading managed cloud provider focusing on SAP, itelligence operates state-of-the-art data centers in Germany, Poland, Malaysia, Denmark, Switzerland, and the USA, and works closely with the leading infrastructure-as-a-service (IaaS) hyperscalers. Close collaboration with affiliates of the NTT Group complements the geographical and portfolio-based structure.

With its International Sales & Operations, focused on international business, itelligence has a uniform, consistent global presence. This unit networks the various internal competence centers and develops and drives ahead global projects and initiatives. It is also focused on the development of a specific methodology for international projects based on the rollout of sector-specific solutions.

GROWTH STRATEGIES

itelligence's success is based on a clear 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.

As itelligence's customers are faced with intensive global competition and must constantly adjust to an extremely dynamic environment, continuous improvements to internal structures and the value chain are highly important. itelligence sees itself as a strategic partner that supports its customers in these challenges with innovative IT solutions. This particularly includes actively shaping the constantly 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:

- Transfer of the successful business model to 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 to 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

MANAGEMENT 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 presented under II.5.

ANNUAL AND MULTI-YEAR PLANNING FOR ALL REGIONS AND DIVISIONS

All management and control processes at itelligence are underpinned by an established planning process. Building on strategic multi-year planning, the Management Board manages the itelligence Group's long-term focus and 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 then 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 so that deviations from the agreed targets can be identified at an early stage and corresponding measures aimed at ensuring target achievement can be initiated 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 mid-market segment. itelligence provides its customers with a coordinated range of solutions and services over the entire lifecycle of an IT investment. The company's portfolio consists of consulting, development, and system integration in the SAP environment, sale of SAP licenses and cloud subscriptions as well as managed services. itelligence offers these products and services around the world. Alongside Germany, itelligence has a long-established market presence in Western Europe, Eastern Europe, America, and Asia. itelligence will continue to build up this extremely strong market position through both organic growth and targeted acquisitions.

ACQUISITIONS

itelligence recorded further growth in fiscal year 2018, both organically and through acquisitions. Consequently, itelligence is successfully continuing its expansion strategy of recent years with additional purchases and thus 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 and further consolidating this position.

GISA acquires majority stake in business consulting firm QUANTIC Digital

With effect from January 1, 2018, GISA GmbH, Halle, has acquired a 51% stake in Leipzig-based QUANTIC Digital GmbH. QUANTIC Digital was founded in 2015. With its interdisciplinary team of around ten employees, it is one of the top 15 digital business consulting firms in Germany – according to the business magazine "brand eins". The company's main areas of expertise are special digitalization methods and models as well as advice from a user perspective. With this strategic partnership, GISA and QUANTIC are aiming to bundle the digitalization expertise of both companies.

QUANTIC's roster of customers to date includes companies in the energy, administration, and transport sectors, such as GASAG AG, Stadtwerke München, Lichtblick SE, Verbundnetz Gas AG, RheinEnergie AG, Berliner Verkehrsbetriebe, Kölner Verkehrsbetriebe, DB Regio AG, Abellio, and AOK Plus.

itelligence AG acquires 60% stake in Sybit GmbH

In June 2018, itelligence AG announced the acquisition of Sybit GmbH, Radolfzell, Germany. itelligence is initially acquiring a 60% stake in the southern German Hybris and SAP Gold Partner Sybit. Sybit GmbH is a leading expert in the areas of customer relationship management (CRM) and e-commerce in Germany and has built up an excellent reputation for its consulting services, particularly among globally active hidden champions and corporations. Sybit GmbH is one of the few companies to be awarded Cloud Focus Partner status by SAP and is one of Germany's top 20 digital agencies. It was precisely for the CRM and e-commerce segment that SAP announced its new SAP C/4HANA suite at its global customer conference "SAPPHIRE" in Orlando, USA. With the acquisition of Sybit, itelligence is securing itself a leading position in this lucrative market in Germany.

itelligence AG recently received the coveted SAP Hybris Award for 2018 in the category "EMEA Service Delivery Partner of The Year". With Sybit on board, itelligence now has one of the largest and most experienced teams of consultants for cloud-based SAP customer relationship management (CRM) systems and e-commerce solutions in Germany, Austria, and Switzerland.

itelligence grows through acquisition of EINS Consulting in Sweden

itelligence Sweden announced the acquisition of EINS Consulting, Sweden, in March 2018. With this transaction, itelligence is further expanding its cooperation with Swedish and other Northern European companies and consolidating its position as the leading SAP full-service provider for the Nordics region.

EINS Consulting has been part of itelligence since April 1, 2018. EINS Consulting is an experienced SAP partner with expertise in enterprise resource planning, analytics, and change and transformation. It also has a skilled customer experience team for supporting clients with digitalization and the optimization of customer relationship management (CRM) processes.

itelligence Denmark acquires business unit of NTT DATA Denmark

itelligence A/S purchased NTT DATA Denmark on April 1, 2018. With this step, itelligence has added several customers to its hosting portfolio in the Nordics region, thus significantly expanding its hosting business. Furthermore, the purchase results in synergies in sales and production that lead to higher profitability. In addition to the hosting business, SAP consulting services of NTT DATA are also being integrated with the joint consulting services managed from itelligence Denmark. The administration teams have now been successfully amalgamated.

itelligence acquires SAP business unit iStone Sapience AB in Sweden

In July 2018, itelligence announced the acquisition of Columbus's Swedish SAP business unit. iStone Sapience is an experienced SAP partner in Sweden with a focus on HANA, mobility, information management, analytics, and application management. With this transaction – coming three months after the acquisition of EINS Consulting – itelligence is accelerating its growth in the Swedish market, allowing it to provide clients in the Nordics region with outstanding expertise across the board.

itelligence and scc establish joint venture

In December 2018, itelligence AG and the leading SAP partner in Austria, scc EDV Beratung AG, established a joint venture based in Vienna, Austria.

The shared aim of this start-up is to provide the best possible SAP portfolio for internationally operating Austrian companies with scc's local strength on the Austrian market and itelligence's international presence.

This start-up means that the joint venture has extensive project experience and a host of reference customers right from the outset. The joint venture is focused on Austria, where it has over 270 consultants. Consequently, the joint venture has the largest pool of experts on specialist topics across the entire SAP product and consulting spectrum in Austria.

PARTNERSHIPS

Partnerships are central to itelligence's business model. itelligence's focus is on its customers. With more than 6,000 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 various awards and obtaining the most important partner status titles that SAP currently confers to strategic partners. The most important awards include SAP Global Platinum Reseller (formerly SAP Global Value Added Reseller), SAP Global Strategic Services Partner, and Global SAP-Certified Provider of Hosting Services. itelligence is one of a select group of only nine SAP partners worldwide that are certified for these three global categories. In addition, itelligence is still an SAP Global AMS Partner and SAP Global Cloud Services Partner.

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

In February 2018, itelligence won the SAP MEE Partner Excellence Award 2018 for Digital Enterprise Platform Business. Awards were presented by SAP to the best-performing SAP partners in the MEE region that made outstanding contributions to advancing the digital transformation of SAP customers. Recipients of this year's awards have worked in partnership with SAP to help customers to develop innovations easily, achieve results quickly, grow sustainably, and work more easily with SAP solutions.

Nominations for the SAP Partner Excellence Awards are based on globally uniform criteria. A jury made up of regional and global SAP representatives identifies the companies that have achieved outstanding results in areas, such as revenues and performance. The awards are then presented for a wide range of categories, including total revenues, innovation, technology, services, and solution-specific areas.

itelligence received its award at the SAP Field Kick-Off Meeting 2018 in Barcelona, the annual meeting of SAP managers, SAP field staff, and partners.

In April 2018, itelligence announced its certification as a Partner Center of Expertise. As a certified SAP partner, itelligence can now offer support for SAP Business All-in-One, SAP Analytics, SAP HANA, mobile SAP solutions, database and technological solutions of SAP, and SAP Hybris Commerce in line with strict validation tests. Following an extensive inspection of itelligence's support organization, SAP confirmed that the support that itelligence provides for its customers meets SAP's latest technical and organizational standards.

The Partner Center of Expertise program covers certification of the support center by the SAP Digital Business Services division at SAP. This certification applies to the entire support center of a partner including support employees, support processes, and infrastructure. It confirms that the support organization of a partner meets the minimum requirements in place for high-quality support services for customers with regard to SAP Business All-in-One, SAP Analytics, SAP HANA, mobile SAP solutions, database and technological solutions of SAP, and SAP Hybris Commerce.

To qualify for the certification, itelligence uses SAP Solution Manager as a key element of its support infrastructure. This year, itelligence branches in 19 countries took part in the successful certification and recertification process. Certification as a Partner Center of Expertise is valid for two years.

In May 2018, itelligence scored a triple success, receiving three Pinnacle Awards for 2018: SAP Global Platinum Reseller of the Year, SAP SuccessFactors Partner of the Year – Small and Midsize Companies, and SAP Partner of the Year – Database and Data Management.

The SAP Pinnacle Awards are presented each year to leading SAP partners that have shown outstanding performance in the development and growth of their partnership with SAP and hence boosted their customers' success. The finalists and winners in the 29 different categories were selected on the basis of recommendations from the SAP segment, customer feedback, and performance indicators – two of the awards are Customers' Choice Awards (SAP partners nominated by customers).

itelligence AG has been one of SAP's closest partners and most successful SAP consulting firms for over 27 years. More than 6,000 customers worldwide trust in itelligence's in-depth expertise when implementing the most complex aspects of digitalization of their business processes.

The SAP Pinnacle Awards reward the most remarkable achievements by SAP partners and acknowledge their dedication to teamwork, their innovative approaches and their capacity to support customers in achieving their goals.

NTT DATA

The long-standing partnership with the Japanese NTT DATA Group is the strategic basis for itelligence to keep on significantly expanding its own international market position. itelligence AG is 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 operates independently within the growth-oriented NTT DATA Group, through its close relationship with NTT DATA, itelligence will 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 Deutschland GmbH and itelligence AG again achieved fifth place in the "Lünendonk List 2018" with their joint rating. Lünendonk & Hossenfelder GmbH has been rating the leading German service providers for over 20 years, publishing the results in its annual "Lünendonk List". This year, Lünendonk assessed 65 IT consulting firms in Germany – including NTT DATA and itelligence AG. Both companies moved up to fifth place in the Lünendonk List back in 2017.

Alongside NTT DATA, itelligence was therefore among the top five IT service providers in Germany again in 2018. itelligence considers this award to be a confirmation of its rigorous pursuit of growth, which is clearly reflected by revenues and headcount.

NTT DATA and itelligence: NTT DATA Business Solutions Company

NTT DATA and itelligence bundle 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 solution-based SAP service providers in the world.

Norbert Rotter, CEO of itelligence AG, coordinates the activities of the Business Solutions Company. 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. The Business Solutions Company bundles solution-based SAP services worldwide in a single global unit. For itelligence, these activities mean expanding its own range of SAP consulting services in the Asia Pacific region (APAC), a significant cornerstone of its own global presence.

Customers in the APAC region have access to the world's largest jointly coordinated network of SAP consultants. The organization in the APAC region therefore serves as the point of contact for global and multinational companies, government agencies, and internationally active SMEs, thus 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

In October 2017, itelligence AG announced a strategic partnership with Amazon Web Services (AWS) at a global level. The aim is to offer customers solutions for migrating, implementing, monitoring, managing, and optimizing their entire workload via the SAP HANA platform, SAP Hybris Commerce, and SAP S/4HANA on AWS.

The joint itelligence and AWS solutions include the complete migration of SAP S/4HANA and other SAP solutions to AWS and the provision of fully managed services by itelligence on AWS. Corresponding scenarios with proofs of concept for all SAP solutions based on AWS services are already available.

The solutions will enable customers to seamlessly integrate AWS services into their SAP software strategy and run end-to-end managed services for SAP S/4HANA on AWS. For web-focused eCommerce platforms like SAP Hybris Commerce, itelligence and AWS provide a joint solution with increased flexibility. Thanks to the proofs of concept and smooth switching between itelligence and AWS, customers can obtain a quick overview, generate forecasts more quickly, and free up the corresponding resources in order to focus on innovation.

itelligence is also standardizing AWS for the business continuity/disaster recovery (DR) strategy. This enables customers to use AWS to mitigate the risk to their SAP workload within their data centers with full support from itelligence. At the same time, itelligence can offer additional DR functions and services from its own hosting centers in more countries.

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 CUSTOMER PRODUCTS AND DEVELOPMENTS

Licensing and Consulting

2018 was a good year for itelligence AG that again included numerous SAP awards and innovative customer projects. itelligence's new customers rely on the in-depth industry expertise and SAP know-how of its consultants.

One major new customer in Turkey is Tirsan Kardan. The company specializes in the technical development, design, and manufacture of drive shafts, steering columns, gear shafts, and axle shafts.

As the flagship of the Tiryakiler Group of Companies, Tirsan is the preferred tier 1 supplier of numerous customers worldwide. Tirsan Kardan has two production facilities – one in Turkey and one in Russia – and reliably provides its customers with innovations and new solutions through its top-quality certified Research & Development department. Our project covers the likes of SAP S/4HANA, C/4HANA, and SuccessFactors. Four Tirsan Kardan companies at three different locations will be involved. The project will go live in 2020, as scheduled.

Global Managed Services

With just under 1,500 employees at five GMS centers in Europe and Asia, in conjunction with the associated local teams in the countries concerned, Global Managed Services (GMS) focuses on stabilizing and further developing customer relations in managed cloud services (MCS), application management services (AMS), and maintenance services.

2018 saw a further improvement in operational excellence and competitiveness. Focal points were the further expansion of the range of services based on increased access to the major customer segment and the significant changes on the IT market, optimization of sales processes, and efficiency enhancement of itelligence delivery capacity and internal processes.

In the context of the “AMS@LE” (“AMS for the Large Enterprise Market”) task force initiated in conjunction with the six largest AMS countries, the AMS portfolio was enhanced and service components significantly expanded with a view to the special requirements of this segment. Technological innovations of the IT market were adapted and service management processes optimized accordingly. Consequently, the value proposition for our customers was significantly expanded and the sales teams were trained accordingly.

In addition, pre-sales capacity and processes were optimized and collaboration with affiliates of the NTT Group was stepped up. This has given itelligence an even broader and more flexible basis for meeting the growing requirements of customers in the managed services sector.

The division stepped up its implementation of the Cloud Services Strategy 2020 with the defined commitment “We manage your cloud”. Related measures by GMS here included building up its partnerships with the leading IaaS hyperscalers AWS and Microsoft Azure for the joint positioning SAP on IaaS platform services, and further optimizing its cloud management. An additional global initiative launched in 2018 is intended to harmonize and optimize the global managed cloud landscapes.

In the first half of the year, the division’s employees moved into the highly innovative new data center in Bautzen-Salzenforst, opened in 2017, taking with them all customer and demo systems from older German data centers. Customer operations were entirely unaffected. This has made itelligence’s cloud landscape, with data centers in six countries on three continents, even more innovative and flexible.

To further increase the cost efficiency and scalability of our service delivery, integration of the GMS Center in India was pursued. In addition, in the GMS Center China, a second location in Changzhou was opened alongside the existing location in Shanghai. It supported the significant expansion of joint business with SAP and its customers, particularly with regard to cloud infrastructure services.

Overall, the recurring business of itelligence AG – consisting of application management services (AMS), managed cloud services (MCS), maintenance, and cloud subscription – was expanded further in 2018 with stable profitability, reaching MEUR 451.3 (previous year: MEUR 422.6). This equates to a further increase in the revenue share to 48.7%.

In 2019, Global Managed Services and the national organizations will again be jointly focusing on further increasing scalability and cost efficiency, expanding the range of services, and further improving customer access. Our customers and employees will be even more at the forefront here.

International Sales & Operations

To remain competitive, companies need to undergo constant change. Digitalization has been presenting itelligence AG's customers with new challenges for some time now. It is necessary to identify potential for digital business models and bring it to life through the use of digital and innovative technologies.

Digital transformation is therefore intrinsically linked with the companies' IT. IT puts in place the essential conditions for new digital business models or aligns existing processes with constantly new requirements through the targeted use of digital platforms and tools. itelligence AG's customers rely on its proven applications and best practices in conjunction with the outstanding innovation of SAP, and have built their technology investment around SAP's products and itelligence's associated services for many years.

Work here is centered on modernization of the SAP application landscapes, including cloud-based applications and platforms; consolidation of SAP system landscapes to increase efficiency; improved performance and ease of use; and the ability to respond more quickly and flexibly to changes in business requirements. Specialist departments are also making new demands, particularly with regard to designing new digital business processes. itelligence has also increasingly geared itself towards these requirements in recent years.

However, digitalization is also changing itelligence's requirements and range of services as well as the necessary skill set of its consultants. According to the analysts at Gartner ("The Opportunity in SAP Services Lies in Supporting Clients' Digital Strategies", 2017), some 50% of global service revenues of SAP partners will be based on the new SAP products and technologies, such as S/4HANA, SAP SaaS solutions or the innovation framework Leonardo in 2020.

As well as learning how new SAP products can be used by customers, this particularly involves developing advanced specialist skills in dealing with data and digital applications as well as cross-function expertise, flexibility, and individual responsibility.

The International Sales & Operations (IS&O) organizational unit performs a central role here as a link between the development of the company-wide strategy and implementation and scaling in the 25 national organizations.

In particular, the IS&O organization plays a key role in communication within the itelligence organization and towards customers and the market in its capacity as a facilitator and incubator. Consequently, customers, partners, and employees are informed on the organization's transition to the digital age and guided via the organization's pursuit of its strategically rooted goals.

This company-wide process of change has been supported and driven with the following capabilities and performance characteristics for many years:

- Testing and adaptation of new SAP innovations in early phases of the product lifecycle.
- Development of the necessary S/4HANA expertise, especially with a view to sector-specific enhancements and concepts for customer-specific customization.
- Provision of tools and methods for seamless migration of SAP ERP system landscapes of existing itelligence customers to S/4HANA.
- Helping our customers to communicate the change involved in digital transformation through a uniform alignment of content in conjunction with the reconfiguration of marketing channels, such as the itelligence website or special marketing campaigns.
- Close collaboration with SAP on training and provision of infrastructure for early testing and learning of new technologies and products.

Between the company-wide strategy and implementation in the national subsidiaries, the IS&O organization is therefore instrumental when it comes to understanding our customers' current and future requirements and helping our current and future customers to choose their service partner for their digital transformation plans.

EMPLOYEES

We had 7,904 employees as of December 31, 2018 (previous year: 6,983), of whom 3,152 were employed in Germany (previous year: 2,795) and 4,752 outside Germany (previous year: 4,188). Headcount was therefore up by 13.2% year-on-year.

Organic growth in particular benefited from tailored support from the recruitment team, as well as coordinated cross-media personnel marketing measures. All in all, more than 64,000 applications were received and evaluated around the world. This is 38% more than in the previous year.

Like many of our customers, itelligence is currently undergoing a transformation. In the context of this dynamic development, a new corporate mission has been developed that is intended to help us navigate our way through the digital era like a compass. This mission was developed, implemented and brought into being at numerous employee and management events.

We transform. Trust into value

Our mission statement is closely linked with our HR strategy, our values and our employer branding. itelligence's employees are a crucial part of this mission. They are the fulcrum of everything we do. The outstanding performance of our near-8,000 employees and the trust of our customers were again reflected by numerous awards in 2018: three SAP Pinnacle Awards as SAP Global Platinum Reseller of the Year, SAP SuccessFactors Partner of the Year – Small and Midsize Companies, and SAP Partner of the Year – Database and Data Management.



Employees by function,
by segment
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Employee development
Page 106

Our HR work is particularly guided by the mission claim:

We inspire people to grow – passionate, unpretentious, together

Our stated aim is to inspire all employees to grow along with their tasks, show their character, and learn new things. The unique corporate culture that makes itelligence strong, particularly in times of transformation, is essential to this. This successful change is also supported by regular surveys, such as “One Voice 2018”. itelligence scored a high approval rating of 76.6% for team spirit here. This outstanding result has stayed at this high level for many years. Furthermore, country-specific measures to improve the development of specialist and social skills are being launched in all countries.

As with our mission, a new, holistic employer branding campaign was initially developed as a pilot project for the German market in order to keep on enhancing itelligence’s attractiveness as an employer: “Get the bug”.

Our values and culture are particularly alive in our communities and personal relationships. That is why the people function is increasingly supporting and promoting global community formation of employees within the company and the NTT DATA Group through development programs, events, and training. Over 200 employees worldwide are now part of the high-potential community “Develop Expert and Leadership Talents”. The development of the CyNergy Leadership Community, in which our third-tier managers network and collaborate, is equally pleasing. New digital technologies, such as SuccessFactors and Concur processes in human resources, are efficiently designed for the future there. The digital challenges in the company are described for employees with the new competence model. In addition, the issue of diversity has been a core element of all people topics for several years.

For example, gender diversity was in the spotlight in Germany in 2018. The newly founded Business Women’s Network with its four communities (itelligence and Family, Women in Management, Branding and Identification, and itelligence Business Women) is promoted as a key pillar here, along with many other diversity initiatives worldwide. At global level, too, as well as actively promoting diversity from a company perspective, the people function regards itself as an enabler and supporter of local initiatives.

All these activities are aimed at making itelligence AG an attractive employer for our employees and creating an attractive home for talents at itelligence worldwide.

ECONOMIC REPORT

GENERAL ECONOMIC SITUATION IN 2018

As a wholly-owned subsidiary of NTT DATA, itelligence AG is positioned globally. More than 6,000 customers are supported worldwide, from Germany and by 25 foreign subsidiaries with a total of 81 branches. Because of this international orientation, global economic developments and the resultant investment decisions of customers have a significant impact on the performance of itelligence AG.

According to calculations by the International Monetary Fund (IMF), the global economy grew at a rate of 3.7% in 2018, precisely in line with the increase in global gross domestic product (GDP) in the previous year. At the same time, economic momentum slowed down significantly at the end of the year, especially in Asia and Europe. In this respect, it is apparent that a long economic upturn that started at the end of the 2008 financial crisis is now coming to an end. The creation of trade barriers by the USA and China had a negative impact on macroeconomic development in the course of 2018. In Germany, new licensing conditions for motor vehicles led to considerable delivery delays, impacting growth in the second half of the year. In Italy, uncertainty about the government's financial policy led to an increase in refinancing costs and, in turn, a downturn in domestic demand. The economic slowdown in Turkey was more pronounced than first expected, and the ongoing lack of resolution over Brexit led to a more uncertain investment climate in Europe.

After GDP growth of 2.4% in 2017, the growth rate in the euro zone fell to 1.8% in 2018. This was due to downward economic trends in major European countries. Growth in Germany was down from 2.5% in the previous year to 1.5%. The reasons for this were a downturn in private consumption, the negative impact on industrial production due to tighter approval criteria in the automotive industry, and weaker foreign demand. GDP growth in France also amounted to 1.5% in 2018, compared with 2.3% in the previous year. The causes of this were weaker industrial production and negative effects of major social protests at the end of the year. Weaker domestic demand and higher refinancing costs due to uncertainty over financial stability prompted a decrease in GDP growth in Italy to 1.0% (previous year: 1.6%). Spain remained a driver of growth in the EU, yet growth was also slower than in 2017 here, falling by 0.5 percentage points to 2.5%. Brexit remained unresolved, causing further economic uncertainty in 2018. At 1.6%, the inflation rate in the euro zone was low at the end of 2018. Whereas the US Federal Reserve increased the base rate to 2.5% in the course of the year, the ECB left the key interest rate at 0%. High levels of government and private debt mean that there is less room for maneuver in terms of fiscal policy. itelligence generates 50.5% (previous year: 50.1%) of its consolidated revenues in euro zone countries.

Growth also slowed down in the UK, with gross domestic product rising by 1.4% (previous year: 1.8%). This is attributable to the ongoing uncertainty over Brexit. Whereas companies have reacted to this uncertainty with investment restraint, the consistently low unemployment rate has had a positive effect on domestic demand. In addition, the inflation rate fell from 2.4% in the previous year to 2.1% in the reporting year. The exchange rate of the British pound was largely stable against the euro in 2018. itelligence generated 8.8% (previous year: 8.3%) of its consolidated revenues in the UK.

At 2.9%, economic growth in the United States was much stronger than in Europe (previous year: 2.2%). This is attributable to reform of corporate taxes, which has given a further boost to the existing upturn. Even the increase in key interest rates has clearly failed to have a detrimental effect on the economy. Unemployment has remained at full employment level, and the US dollar strengthened considerably against the euro as the year progressed, primarily on account of the difference in interest rates that now exists between the USA and the euro zone. However, the escalating trade war with China and the resultant imposition of substantial tariffs on imports and exports led to major uncertainty. itelligence generated 17.3% (previous year: 14.9%) of its consolidated revenues in the USA and Canada.

Intense criticism of its domestic and economic policy made Turkey a focus of global economic concern in 2018. After booming growth of 7.4% in 2017, GDP increased by just 3.5% in the reporting year, although this is still a comparatively high figure. At the same time, the inflation rate rose to 15%, and unemployment remains high at 11.0% in 2018. In the reporting year, the Turkish lira lost a considerable amount of external value, but stabilized at the end of the year at an exchange rate of around one to six (euro/Turkish lira). An increasingly autocratic style of government and a continuation of the expansion-oriented fiscal policy were major factors in this development. In 2018, the government deficit reached 5.7%, a level that is significant even for the emerging economies. itelligence generated 4.6% (previous year: 4.5%) of its consolidated revenues in Turkey in 2018.

In Russia, GDP rose by 1.7% in 2018, after 1.5% in 2017. The inflation rate fell from 3.7% (2017) to 2.8% in the reporting year, and unemployment remained low (5.5%, after 5.2% in 2017). Economic development was hampered by economic sanctions imposed by the international community over the annexation of Crimea and the conflict with Ukraine. itelligence generated 1.1% (previous year: 1.6%) of its consolidated revenues in Russia in the year under review.

Despite the bitter trade war with the USA, economic growth in China fell only slightly from 6.9% in the previous year to 6.6% in 2018. Consumer prices increased by 2.2%, partly due to the introduction of import tariffs (previous year: 1.6%). The unemployment rate was virtually unchanged from the previous year at 4.0%. As the lending volume and asset prices remain high, valuation risks persist. The Chinese government moved to counter the increase in the lending volume with tighter regulation, which in turn curbed economic expansion. China accounted for 9.3% (previous year: 0.7%) of itelligence AG's revenues.

Excluding China, the emerging economies of Asia posted GDP growth of 5.3% in 2018, as in the previous year. itelligence's revenues in Malaysia accounted for 1.2% of consolidated revenues (previous year: 1.0%).

Although itelligence AG does not generate any direct revenues in Japan, the Japanese economy is hugely important to the accompany on account of its membership of the NTT DATA Group. Customer relationships are in place with Japanese groups, both directly and via affiliates. As in Europe, the pace of economic growth also slowed in Japan in the reporting year. GDP growth fell from 1.9% in 2017 to 0.9% in 2018. Domestic impetus remains low, and fiscal stimuli have kept the general government deficit at a high level of -3.6%.

SECTOR DEVELOPMENT IN 2018

The table below sets out global IT spending in 2017 and 2018:

In USD billion	2017 spending	2017 growth (%)	2018 spending	2018 growth (%)
Data center systems	181	6.4	192	6.0
Enterprise software	369	10.4	405	9.9
Devices	665	5.7	689	3.6
IT services	931	4.1	987	5.9
Communication services	1,392	1.0	1,425	2.4
Overall IT market	3,539	3.9	3,699	4.5

The overall IT market posted strong growth of 4.5% in the reporting year. According to Gartner, growth rates in the enterprise software and IT services segments relevant to itelligence AG outstripped the overall market at 9.9% and 5.9% respectively.

COURSE OF BUSINESS AND ECONOMIC POSITION

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

ITELLIGENCE AT A GLANCE MEUR	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017	Oct. 1 – Dec. 31, 2018	Oct. 1 – Dec. 31, 2017
Total revenues	926.6	872.2	263.2	240.0
Revenue division				
Consulting	389.1	358.2	108.1	95.4
Licenses	81.6	87.9	35.7	34.3
Cloud Subscription	19.7	14.1	5.1	4.3
Managed Services	431.6	408.5	112.6	105.1
Other	4.6	3.5	1.7	0.9
Revenue segment				
Germany/Austria/Switzerland (DACH)	444.1	417.9	126.9	112.1
Western Europe	131.7	115.6	36.6	35.4
North and Eastern Europe (NEE)	184.6	172.3	52.7	48.3
America	141.9	145.2	40.3	37.8
Asia	17.4	14.3	4.9	3.7
Other	6.9	6.9	1.8	2.7
EBIT	20.8	33.8	2.5	13.7
EBIT margin	2.2%	3.9%	1.0%	5.7%
EBITA	31.0	44.1	5.1	16.5
EBITA margin	3.3%	5.1%	1.9%	6.9%
EBITDA	55.1	67.4	11.4	22.6
EBITDA margin	5.9%	7.7%	4.3%	9.4%
IFRS net profit	12.8	18.8	1.1	9.1
IFRS earnings per share in EUR	0.35	0.56	0.00	0.29

REVENUE DEVELOPMENT



Revenue development

2008 – 2018

Page 104

In fiscal year 2018, itelligence confirmed the revenue trend of previous years and further increased its market share. Revenues increased by 6.2% (after adjustment for currency translation effects: 9.0%), from MEUR 872.2 to MEUR 926.6, and are therefore within the forecast range of MEUR 920 to MEUR 930. Average revenue growth (CAGR) for the past ten years amounts to 15.9%.



Revenues by quarter

Page 105



Revenue development

by regional segment,

by division

Page 104



Recurring business

as a proportion

of total revenues

Page 105

Revenues were up year-on-year in all quarters in 2018. Organic growth amounted to 2.4%. The companies acquired in 2018 contributed a further 3.8% to the increase in revenues. Along with the purchase of Goldfish and vCentric in fiscal year 2017, this effect is also attributable to the acquisitions of Sybit, Quantic, Eins (Sweden), NTT DATA Denmark, and Sapience (Sweden) in fiscal year 2018.

itelligence breaks down revenues both by segment and by division. The following chart shows the corresponding changes:

The breakdown of revenues by segment in the last fiscal year is as follows: DACH 47.9% (previous year: 47.9%), Western Europe 14.2% (previous year: 13.3%), Northern and Eastern Europe 19.9% (previous year: 19.8%), America 15.3% (previous year: 16.7%), Asia 1.9% (previous year: 1.6%), and Other 0.7% (previous year: 0.8%).

The breakdown of revenues by individual unit is as follows: Consulting 42.0% (previous year: 41.1%), Licenses 8.8% (previous year: 10.1%), Cloud Subscription 2.1% (previous year: 1.6%), Managed Services 46.6% (previous year: 46.8%), and Other 0.5% (previous year: 0.4%).

The development of recurring business in the individual units Maintenance, Application Management and Managed Cloud, and Cloud Subscription from fiscal years 2008 to 2018 is set out in the following overview.

REVENUE DEVELOPMENT IN THE REGIONS

The itelligence AG segment with the highest revenues, Germany/Austria/Switzerland (DACH), increased its revenues by 6.2% to MEUR 444.1 (after adjustment for currency translation effects: 7.9%), also as a result of the acquisitions of Sybit and Quantic. Organic growth in the region amounted to 3.1% in the period under review. Growth from acquisitions came to 3.1%.

The highest absolute increase in revenue in the DACH segment was achieved in the Managed Services unit, which grew by MEUR 14.3 (6.1%) from MEUR 221.5 to MEUR 235.8. This growth is attributable to the rise in revenues of the existing companies. License revenues fell short of the previous year, dropping by MEUR 2.3 from MEUR 37.8 to MEUR 35.5. By contrast, Cloud Subscription revenues rose by 31.3%, from MEUR 3.2 to MEUR 4.2. Consulting revenues increased by 8.2%, from MEUR 153.4 to MEUR 166.0.

Revenues in the Western Europe segment rose by 13.9% (after adjustment for currency translation effects: 9.7%) to MEUR 131.7. This positive development is attributable to the companies in Benelux, the UK, and France.

Consulting business in the Western Europe segment performed extremely positively in 2018. Revenues grew from MEUR 52.2 to MEUR 64.5 here. This represents growth of MEUR 12.3 or

23.6% (after adjustment for currency translation effects: 13.6%). In particular, the company in the UK increased consultancy revenues considerably by MEUR 6.0. The other national subsidiaries, such as Benelux, France, and Spain, also performed positively.

In the licenses segment, revenues were down year-on-year at MEUR 12.7 (previous year: MEUR 15.6). Adjusted for currency translation effects, license revenues were 17.9% lower than in the previous year. The Cloud Subscription segment posted an increase of MEUR 1.2 or 33% to MEUR 4.8, as a result of the strong performances of the Benelux and UK regions. Managed services also achieved a 12.4% rise from MEUR 44.2 to MEUR 49.7. This increase was mainly attributable to the UK.

The Northern and Eastern Europe segment generated revenues of MEUR 184.6 in the past fiscal year. This represented an increase of MEUR 12.3 or 7.1% on the previous year. After adjustment for currency translation effects, revenue growth was as high as 16.0%. The revenue development of the existing companies was positively impacted by the acquisitions of Eins (Sweden), NTT DATA Denmark, and Sapience (Sweden). The inorganic revenue contribution is 4.9%, and the organic share is 2.2%. The Polish company continued its positive business development, recording growth of MEUR 2.5 compared with the prior-year figure of MEUR 19.4. At MEUR 42.8, the Turkish company's revenues were up by MEUR 3.4 on the previous year's figure of MEUR 39.4. Adjusted for currency translation effects, business in Turkey would have grown by 47.5%.

In the Northern and Eastern Europe segment, revenues increased sharply in all segments. At MEUR 90.9, consulting revenues increased by MEUR 5.5 or 6.4% compared with the prior-year figure of MEUR 85.4 (after adjustment for currency translation effects: 13.9%). At MEUR 71.8, managed services achieved an increase of MEUR 5.4 or 8.1% compared with the prior-year figure of MEUR 66.4. At MEUR 16.2, license revenues were down MEUR 0.7 on the 2017 figure of MEUR 16.9. Adjusted for currency translation effects, revenues would have risen by MEUR 1.0 year-on-year.

In the America segment, revenues fell by 2.3% from MEUR 145.2 in the previous year to MEUR 141.9. By contrast, adjustment for currency translation effects resulted in revenue growth of 2.7%. This development is mainly attributable to the USA. In the reporting period, there was a decrease of MEUR 10.8 (after adjustment for currency translation effects: MEUR -12.2) year-on-year. The companies in India, Qatar, and Indonesia partly compensated for this revenue development.

At MEUR 62.6, managed services business was also down on the prior-year figure of MEUR 66.3. Adjusted for currency translation effects, revenue in this area would have fallen only slightly by 1.1%. License business improved by MEUR 0.2 from MEUR 16.5 to MEUR 16.7 (after adjustment for currency translation effects: 7.9%). Consulting business was lower than expected at MEUR 56.2, down from MEUR 57.8 in the previous year (after adjustment for currency translation effects: +2.1%).

Revenues in the Asia segment amounted to MEUR 17.4. This represented an increase of 21.7% (after adjustment for currency translation effects: 22.1%) on the prior-year figure of MEUR 14.3.

At MEUR 6.8, revenues from consulting business were up MEUR 1.8 on the prior-year figure of MEUR 5.0. License business in Asia was virtually unchanged year-on-year at MEUR 0.2. Managed services business in Malaysia generated revenues of MEUR 10.4, MEUR 1.4 higher than in the previous year. After adjustment for currency translation effects, revenues would have grown by 14.3%.

The Other segment contains the revenues of ITC GmbH and Recruit GmbH. At MEUR 6.9, the revenues generated by these two companies were almost at the previous year's level of MEUR 7.0; this was attributable to the good business performance of ITC GmbH.

REVENUE DEVELOPMENT BY DIVISION

itelligence AG generated year-on-year revenue growth in all divisions except license business in fiscal year 2018.

For instance, Consulting revenues increased by 8.6% year-on-year (after adjustment for currency translation effects: 11.7%) from MEUR 358.2 to MEUR 389.1. This was due to higher consultant capacity utilization in Germany and abroad.

License revenues decreased by MEUR 6.3 from MEUR 87.9 in the previous year to MEUR 81.6 in fiscal year 2018.

The biggest percentage increase (39.7%) was generated in the Cloud Subscription segment, where revenues rose by MEUR 5.6, from MEUR 14.1 in the previous year to MEUR 19.7 in the reporting year. This increase is largely attributable to the positive performance in Germany, the UK, Benelux, and the Nordics region.

Managed services recorded strong growth of MEUR 23.0 from MEUR 408.5 to MEUR 431.5. This increase stems from volume-related growth and the positive performance in Poland, Hungary, the UK, and the Nordics region. Furthermore, the strong business development in Germany and at GISA GmbH had a positive impact on this segment.

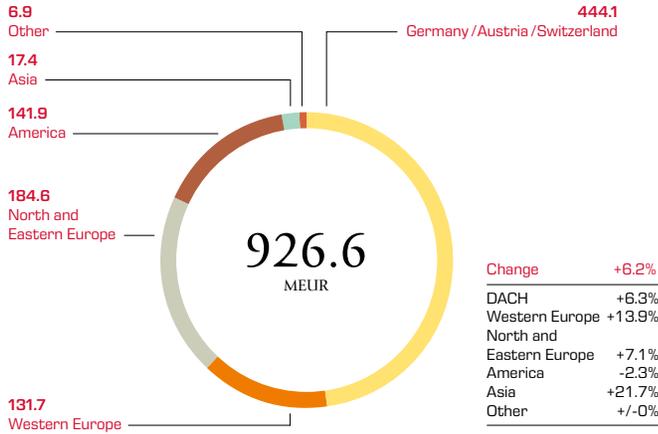
Orders on hand at itelligence AG increased by 5.9% from MEUR 927.8 to MEUR 982.1. The book-to-bill ratio for 2018 amounted to 1.06.



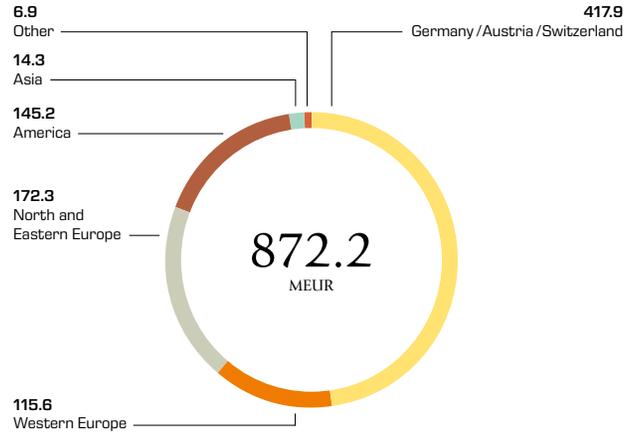
REVENUE DEVELOPMENT BY SEGMENT

MEUR

2018



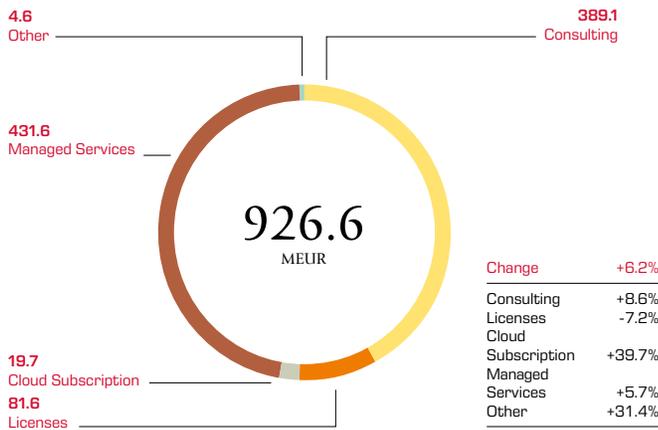
2017



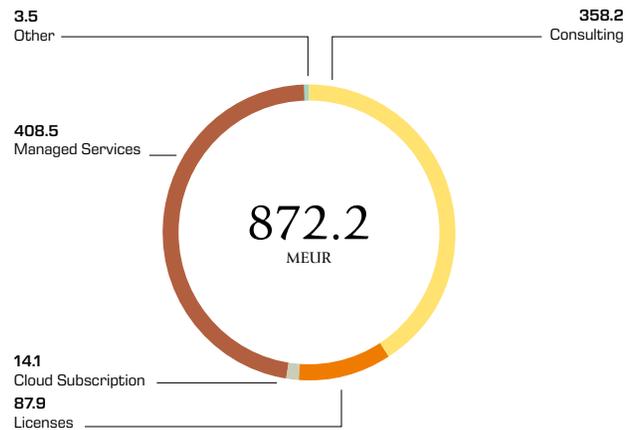
REVENUE DEVELOPMENT BY DIVISION

MEUR

2018

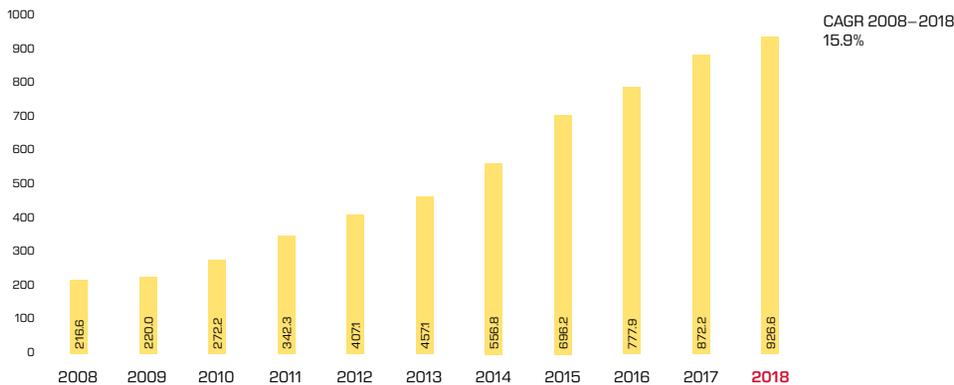


2017



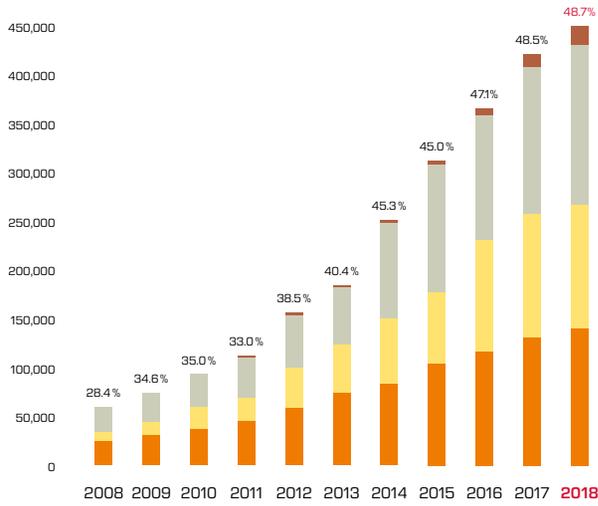
REVENUE DEVELOPMENT 2008 – 2018

MEUR



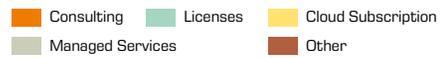
RECURRING BUSINESS

as a proportion of total revenues in MEUR



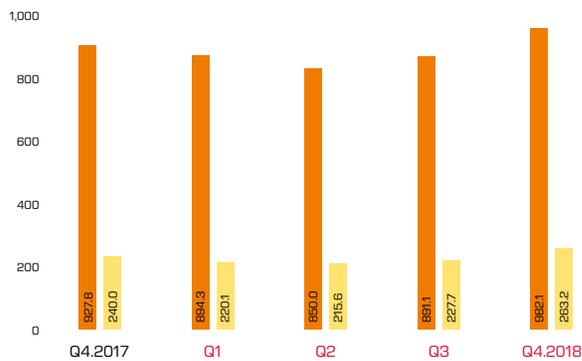
REVENUES BY QUARTER

MEUR



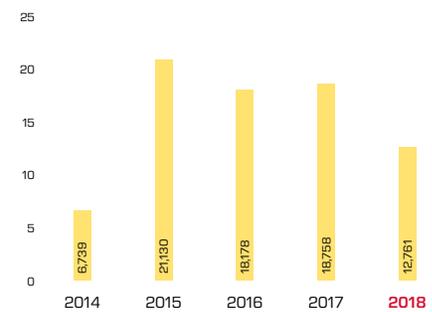
ORDERS ON HAND & REVENUES

per quarter in MEUR



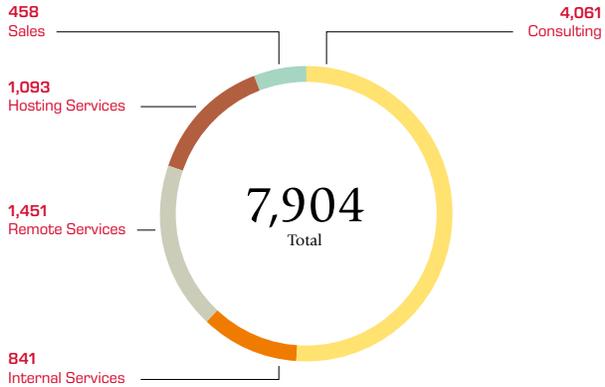
CONSOLIDATED NET PROFIT

KEUR

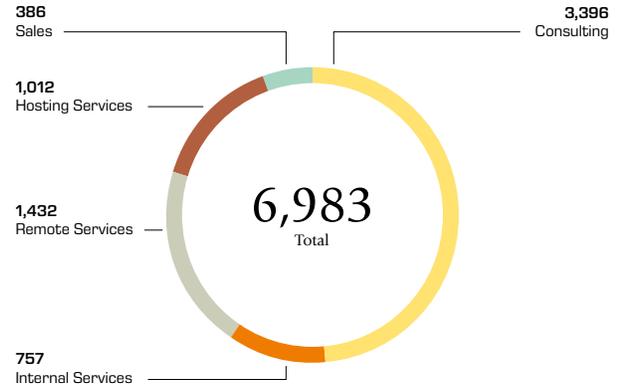


EMPLOYEES BY FUNCTION

2018

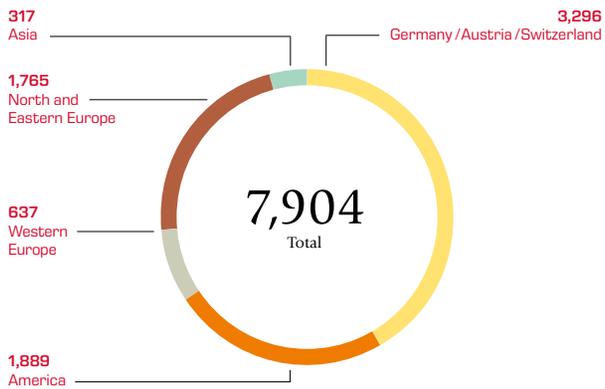


2017

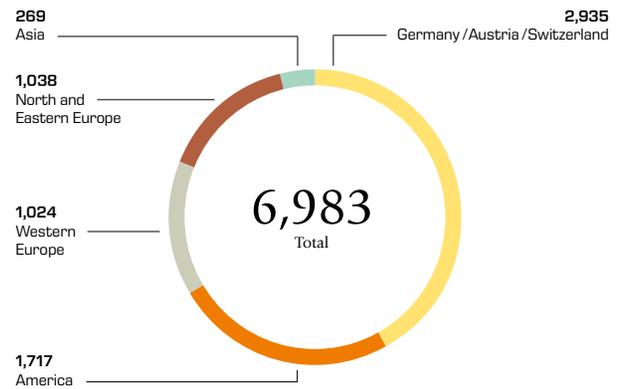


EMPLOYEES BY SEGMENT

2018

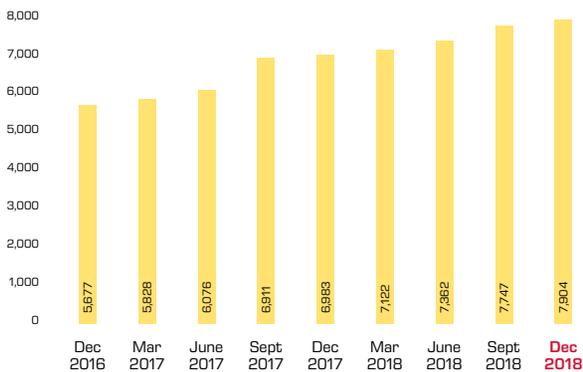


2017



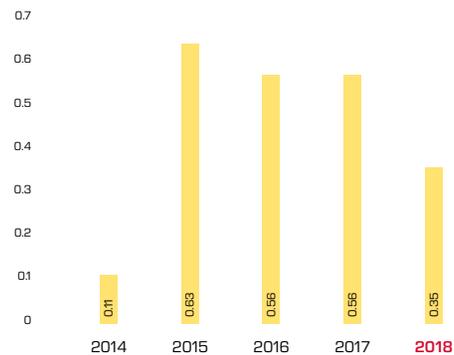
EMPLOYEE DEVELOPMENT

at the end of the month



EARNINGS PER SHARE

EUR



NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

itelligence AG failed to match the previous year's earnings before interest, taxes, and amortization (EBITA) in fiscal year 2018. EBITA fell by 29.7% from MEUR 44.1 to MEUR 31.0. Consequently, the operating EBITA margin stood at 3.3% (previous year: 5.1%), below the prior-year forecast of 5.5%. At 2.2%, the EBIT margin was 1.7 percentage points lower than in the previous year (3.9%) and down on the prior-year forecast of 5.0%. The difference of 1.1 percentage points compared with the EBITA margin is due to the scheduled amortization of intangible assets in the amount of MEUR 10.2 (previous year: MEUR 10.3). Capitalized customer relationships and orders on hand are amortized over periods that reflect the respective contractual terms.

The reasons for the downturn in profitability include substantial expenses for an out-of-court settlement for a major project in the USA, reorganization costs in France, write-downs on loss-making projects, and higher start-up costs for new projects in Russia and the Nordics region.

At MEUR 19.1, the highest absolute EBITA contribution was generated in the DACH segment (previous year: MEUR 21.1). The outstanding earnings in Switzerland and the positive EBITA contribution of the Sybit acquisition compensated for the lower income from GISA GmbH and the disappointing earnings contribution from managed services business. Consulting business in Germany exceeded expectations. The weaker development of application management business and license business was compensated by the high maintenance volume.

EBITA in the Western Europe segment amounted to MEUR 6.5 in 2018, representing a decrease of MEUR 0.2 compared to the prior-year figure of MEUR 6.7. In addition to the positive earnings effects in the Netherlands, this development was again driven by the positive business performance in the UK and Spain. These earnings contributions almost compensated for the effect of the reorganization in France.

The Northern and Eastern Europe segment generated EBITA of MEUR 10.3, up by MEUR 1.7 on the figure of MEUR 8.6 recorded in 2017. A decline in profitability in the Nordics region and Russia due to consulting project write-downs was countered by highly positive performance in Poland, Hungary, and the Czech Republic. In addition, the earnings contribution was positively impacted by the acquisitions of Eins (Sweden), NTT DATA Denmark, and Sapience (Sweden).

EBITA in the America segment declined by around MEUR 12.0 year-on-year to MEUR -6.8. This was due to expenses for an out-of-court settlement for a major project in the USA as well as lost consulting business in the first quarter in the USA.

At MEUR 0.9, the earnings contribution generated in the Asia segment was around MEUR 0.2 lower than in the previous year. This reduced profitability was due to a shortfall in managed cloud revenues, whereas consulting business in China continued to increase its earnings contribution.

At MEUR 1.1, the EBITA contribution in the Other segment was at almost the same level as the previous year. Recruit broke even, while ITC GmbH generated an earnings contribution of MEUR 0.5 (previous year: MEUR 0.6).

NET FINANCE COSTS

Net finance costs amounted to MEUR -2.5 in the past fiscal year compared with MEUR -7.3 in the previous year. This figure includes finance income from short-term investments in the amount of MEUR 0.2 (previous year: MEUR 0.2) and finance costs of MEUR 3.8 (previous year: MEUR 4.0). Net finance costs also include income from the remeasurement of derivatives and the exercise of options in the amount of MEUR 1.2 (previous year: expenses of MEUR 3.5). This results in EBT (earnings before taxes) of MEUR 18.4 after MEUR 26.4 in the previous year.

TAX EXPENSE

Tax expense in fiscal year 2018 amounted to MEUR 5.6 compared with MEUR 7.7 in the previous year. At 30.5%, the consolidated tax rate was up slightly on the prior-year figure of 29.1%. The low tax rate in the previous year mainly stemmed from the dramatic reduction in corporate taxes in the USA. 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

itelligence AG's consolidated net profit for the fiscal year under review decreased to MEUR 12.8, down MEUR 6.0 on the prior-year figure of MEUR 18.8.

At EUR 0.35, earnings per share were EUR 0.21 lower than in the previous year. Earnings per share were calculated on the basis of 30,014,838 shares.



Consolidated net profit

Page 105



Earnings per share

Page 106

NET ASSETS

Reflecting the Group's continued significant organic and inorganic growth, total assets grew by MEUR 93.6 or around 16.2% in the past fiscal year.

ASSETS MEUR	Dec. 31, 2018	Dec. 31, 2017	Change
Intangible assets	186.5	175.2	11.3
Property, plant and equipment	121.5	105.4	16.1
Non-current receivables and other assets	5.6	4.3	1.3
Non-current assets	313.6	284.9	28.7
Current receivables and other assets	275.4	243.8	31.6
Cash and cash equivalents	82.6	49.3	33.3
Current assets	358.0	293.1	64.9
Total assets	671.6	578.0	93.6

EQUITY AND LIABILITIES MEUR	Dec. 31, 2018	Dec. 31, 2017	Change
Equity (including non-controlling interests)	192.2	174.5	17.7
Financial liabilities	170.1	163.3	6.8
Provisions for pensions and other provisions	8.5	9.8	-1.3
Other non-current liabilities	14.2	15.8	-1.6
Non-current liabilities	192.8	188.9	3.9
Trade payables	82.7	71.3	11.4
Financial liabilities	73.9	26.6	47.3
Other current liabilities and provisions	130.0	116.7	13.3
Current liabilities	286.6	214.6	72.0
Total capital	671.6	578.0	93.6

At MEUR 313.6, non-current assets were up by 10.1% on the prior-year figure of MEUR 284.9. Non-current assets accounted for 46.7% of total assets at the reporting date (previous year: 49.3%). The main items under non-current assets are goodwill in the amount of MEUR 154.2 (previous year: MEUR 140.2) and property, plant and equipment in the amount of MEUR 121.5 (previous year: MEUR 105.4). The acquisitions of

the 60% equity investment in Sybit GmbH, Germany
the 51% equity investment in Quantic Digital GmbH, Germany
the 100% equity investment in Einsvereinte AB, Sweden
the 100% equity investment in NTT DATA Danmark a/s, Denmark
the 100% equity investment in iStone Sapience AB, Sweden

led to a MEUR 18.5 increase in goodwill. The contrasting MEUR 4.5 reduction in goodwill is primarily due to reclassifications of orders on hand and customer relationships in the amount of MEUR 4.1 and exchange rate differences of MEUR 0.4.

Current assets amounted to MEUR 358.0 at the end of the reporting period compared with MEUR 293.1 in the previous year, thus accounting for 53.3% of total assets (previous year: 50.7%). Cash and cash equivalents and trade receivables showed the sharpest rise in this area. Trade receivables increased by 11.1% year-on-year from MEUR 213.4 to MEUR 237.0 as a result of the acquisitions as well as the strong course of business in the last quarter of 2018. The average days sales outstanding – defined as the average number of days from invoicing to receipt of payment from the customer – rose by 7 days to 89 days at the reporting date (previous year: 82 days). Cash and cash equivalents rose to MEUR 82.6 compared with MEUR 49.3 in the previous year.

On the liabilities side of the consolidated statement of financial position, equity increased to MEUR 192.2, primarily on account of the MEUR 12.8 consolidated profit and a MEUR 9.7 capital increase. Despite the rise in equity in absolute terms, the equity ratio, which expresses the ratio of equity to total assets, decreased from 30.2% in the previous year to 28.6% due to the more pronounced increase in total assets.

Non-current liabilities accounted for 28.7% of the Group's total equity and liabilities on December 31, 2018, down on the prior-year figure of 32.7%. 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.

Intelligence also recorded an increase in current liabilities of MEUR 72.0 to MEUR 286.6. This was predominantly due to the higher level of financial liabilities and other non-financial liabilities as well as an increase in trade payables at the end of the year. The increase in financial liabilities was largely caused by the short-term utilization of cash pooling accounts with the NTT DATA Corporation. This utilization was to finance the short-term working capital requirement outside Germany. Further information on financial liabilities can be found in note (23) of the notes to the consolidated financial statements.

The increase in other non-financial liabilities is primarily attributable to the rise in provisions. This growth mainly results from higher warranty provisions for work still to be performed under maintenance contracts and free additional work in customer projects. At 42.7%, the ratio of current liabilities to total assets was up on the prior-year figure of 37.1%.

FINANCIAL POSITION

CASHFLOW MEUR	Dec. 31, 2018	Dec. 31, 2017	Change
EBITDA	55.1	67.4	-12.3
Cashflow from operating activities	30.1	38.8	-8.7
Cashflow from investing activities	-37.4	-43.1	5.7
Cashflow from financing activities	40.6	-2.4	43.0
Change in liquidity	33.3	-6.7	40.0

In the past fiscal year, cash flow from operating activities decreased by MEUR 8.7 to MEUR 30.1. This was primarily due to the decrease in EBITDA and the increase in trade receivables in the reporting year.

Cash flow from investing activities amounted to MEUR 37.4, down on the prior-year figure of MEUR 43.1. 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 12.4 (previous year: MEUR 11.2). Investments in intangible assets and property, plant and equipment (less investment subsidies and grants) amounted to MEUR 26.6 in the reporting period, compared with MEUR 31.3 in the previous year. As in the previous years, investments in property, plant and equipment resulted primarily from the expansion of data center capacity in Germany and abroad.

In terms of geographical segments, America accounted for investments including finance leases of MEUR 2.1 (previous year: MEUR 5.7), DACH for MEUR 43.2 (previous year: MEUR 34.5), Western Europe for MEUR 1.5 (previous year: MEUR 13.3), and Northern/Eastern Europe for MEUR 8.1 (previous year: MEUR 6.1).

Cash flow from financing activities totaled MEUR 40.6 (previous year: outflow of MEUR 2.4). The Group entered into financial liabilities of MEUR 59.9 in fiscal year 2018. This was offset by repayments in the amount of MEUR 14.0, subsequent price payments for acquisitions of MEUR 3.1, and finance lease payments of MEUR 11.0. Non-current financial liabilities were primarily entered into for the purpose of acquisitions and investments in the data centers. The interest rates ranged from 0.25% to 2.75%. 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 33.3 to MEUR 82.6 as of the reporting date (previous year: MEUR 49.3). Of this figure, MEUR 21.2 was held in the euro zone and was not subject to exchange rate effects. Cash and cash equivalents held outside the euro zone in the amount of MEUR 61.4 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 18.0 were agreed in Germany. In the year under review, these were utilized for drawing against guarantees and loans in the amount of MEUR 4.9. In addition to credit facilities in Germany, subsidiaries also applied for credit facilities abroad. These credit facilities with a total volume of MEUR 17.0 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 10.9.

The itelligence AG Management Board expects the cash and cash equivalents of MEUR 82.6 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 cash flow from operating activities – the scheduled debt repayments and other planned short-term and medium-term investments. The partnership with NTT DATA also ensures the Group's financial flexibility.

OVERALL ASSESSMENT OF THE ECONOMIC POSITION

itelligence AG achieved its growth targets in 2018. In Germany, expertise in customer relationship management was expanded with the acquisition of Sybit GmbH. The market position in Sweden was improved significantly with the acquisition of the SAP consulting firm EINS Consulting. In Denmark, itelligence AG acquired NTT DATA Danmark from its affiliate NTT DATA EMEA.

The equity ratio declined to 28.6% in the year under review after 30.2% in 2017. Factors here were a slight decrease in operating earnings and the financing of itelligence AG by NTT DATA with long-term loans. Cash and cash equivalents increased from MEUR 49.3 in the previous year to MEUR 82.6 in 2018, partly due to the utilization of credit lines. These credit lines ensure sufficient financial flexibility in Germany and abroad. The parent company NTT DATA means that loans, financing and capital increases for major investment and acquisition projects can be provided at all times. The Management Board rates the financial scope of itelligence as sufficiently stable to finance the envisaged growth in Germany and abroad. The Management Board continues to regard itelligence AG's economic position as satisfactory.

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE INDICATORS

The most important financial performance indicators used by itelligence AG are revenues and the operating indicators EBIT and EBITA. EBIT is defined as operating earnings before interest and taxes, while EBITA is defined as operating earnings before interest, taxes and amortization. These performance indicators are presented to and discussed with the Management Board on a monthly basis as part of internal reporting, thus allowing measures to be initiated in a timely manner as required.

In addition to the above-mentioned key financial performance indicators, itelligence AG also uses a wide range of operational key figures to measure strategic objectives in terms of growth and efficiency improvements. This includes utilization levels, the development of daily rates and project budget compliance in the Consulting business 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. The following financial performance indicators are also used:

- Net finance costs: This performance indicator provides information regarding interest on cash and cash equivalents as well as interest payable on borrowed funds. The measurement of derivatives and the exercise of options also features prominently here.
- Days sales outstanding (DSO): Another important aspect is working capital management through monitoring of the days sales outstanding of operating receivables. Days sales outstanding (DSO) of receivables is defined as the average number of days from invoicing to receipt of payment from the customer.
- Tax rate: The tax rate corresponds to the ratio of income tax expense to earnings before income taxes in percent.
- Cash flow from operating, investing and financing activities: itelligence's statement of cash flows describes how the Group generated and used cash and cash equivalents.

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, establishing 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 as well as the development of management behavior, and employee identification with the company and the working environment. The survey was conducted for the fifth time in 2018. The itelligence Group has a mature corporate identity that constitutes the foundation for its success on the basis of 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 trust-based 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.

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 more efficient implementation of SAP to maintain and expand its international competitiveness.

COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND ALLOCATION OF OTHER MANAGEMENT ROLES

In accordance with the German Act on Equal Participation of Women and Men Regarding Leadership Positions within the Sectors of Private Economy and Public Service, the following targets for the composition of the Management Board and Supervisory Board as well as the allocation of other management roles are stated pursuant to sections 76 (4) and 111 (5) of the German Stock Corporation Act (AktG):

A target of 0% is set for the proportion of women on the Supervisory Board and Management Board of itelligence AG. As there are currently no female members of the Supervisory Board or Management Board, this target corresponds to the current proportion of women. Consequently, no deadline has been set for meeting the target.

No women are currently represented in the first management tier below the Management Board. In the subsequent management tier, the proportion of women is 8%. The Management Board is actively seeking to increase this proportion. The target for the next three years in the first management tier below the Management Board is 10%, and for the second management tier below the Management Board is higher than 10%.

DEPENDENT COMPANY REPORT

All 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 no control or profit transfer agreement in place with NTT DATA EUROPE GmbH & Co. KG and no incorporation is 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 (3) 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 & RISKS

OPPORTUNITIES & RISKS

The internal control system (ICS) of itelligence AG primarily consists of Group-wide controlling and financial reporting, Internal Audit, and Group-wide risk management.

The harmonization of the internal audit and reporting system in the Group and within the NTT DATA Group was continued and expanded in 2018. Further controls, set out in risk control matrices and reviewed annually, were integrated at business process level. The functionality of the controls in the business environment and the internal IT systems is monitored by management annually.

The risk inventory is updated once a year.

OPPORTUNITIES MANAGEMENT

As a long-term partner, itelligence assumes responsibility for the enhancement of IT initiatives and IT challenges to provide added value for its customers. itelligence provides consulting, software, and managed services for its customers in close partnership with SAP. SAP technology leadership, industry solutions, and itelligence's process expertise continue to form the basis for successful cooperation.

Furthermore, itelligence's successful business model is based on a full-service provider approach. itelligence is working to improve its customers' value chains based on existing expertise. The management particularly sees opportunities in new markets with corresponding growth potential. Technological meta-developments, such as Industry 4.0, cloud computing, S/4HANA, and mobility, also offer huge sustainable growth opportunities for itelligence.

OPPORTUNITIES OF FUTURE BUSINESS DEVELOPMENT

As a result of its customers' technological requirements, itelligence has a large number of economic growth opportunities at its disposal. These chiefly result from the innovations of SAP products (e.g. Industry 4.0, big data solutions, social media analytics, cloud and mobility services). This position is supplemented by the international cooperation with SAP SE. itelligence's global partnerships and international orientation allow it to provide intensive support to small and medium-sized enterprises and, in particular, upper mid-market companies with a strong international focus in Germany and abroad.

The parent company NTT DATA Corporation supports itelligence AG's growth. Activities are concentrated on cooperation with NTT DATA in joint projects and tapping into 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 controls aimed at ensuring a permanent and systematic approach based on a defined risk strategy. This method 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. 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 requirements is regularly examined and continuously improved by itelligence in cooperation with NTT DATA. Monthly management meetings at which the operating divisions report on business developments, opportunities, and risks of their areas of responsibility are supplemented by sales meetings and business reviews in the regions, and international business review meetings.

Above and beyond the addressed operating processes, the opportunity and risk management system is supplemented by committees in which Management Board and Supervisory Board members regularly meet.

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

RISKS OF FUTURE BUSINESS DEVELOPMENT

BUSINESS ENVIRONMENT RISKS

SAP partnership

As itelligence is focused on SAP as a full-service IT provider for the traditional and upper mid-size market, it is largely dependent on the continued market success of SAP's products. This dependence impacts net assets, financial position, and results of operations. As well as providing support, the SAP partner model embodies an economic risk for itelligence. While SAP continues to provide customers with high-performance products, itelligence can implement these products for its customers, thus reducing the economic risk for itelligence.

Human resources risks and opportunities

Qualified employees and managers who implement the SAP projects in numerous projects are the key factor in itelligence AG's success. It is therefore necessary to retain these employees and recruit new ones. 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 that ultimately passes on current expertise, while the skills of managers and product participants are promoted by the international management development program.

Although we invest in 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

As well as opportunities, technical progress presents industry risks. These risks affect itelligence's net assets and results of operations. The company focuses on the following risk areas:

- a) Customer-oriented market risks
Market influences of customers, such as economic cycles, changes in exchange rates, changes in customers' investment behavior, company concentration, customer insolvency risk, etc.
- b) Supplier-oriented market risks
Supplier services risks requested by itelligence including service quality, etc.

These developments are monitored through the monthly analysis 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. Effective project controlling ensures project transparency. Starting with monitoring by the project manager, the project is accompanied through to the escalation provisions. itelligence also works actively to reduce product risks by using qualified employees, through its advanced project methodology, and its defined project organization. Inclusion of customers is a milestone in project work here. This enables everyone involved to identify risks at an early stage and take appropriate countermeasures.

itelligence AG is involved in potential legal proceedings with a customer that has announced the rescission of an SAP implementation project and the assertion of various claims for damages. Since last year, the claims have not yet been asserted in court, although this has been threatened. A seven-to-eight-digit claim amount is estimated by the customer. itelligence AG has receivables from the customer of around MEUR 1.2 for unpaid services. An internal examination by itelligence AG found the amount of the customers' claims and the reasons for their assertion to be unjustified; accordingly, no specific bad debt allowances or provisions have been recognized.

Risks in the Managed Services division

The risk in the Managed Services division is associated with the availability and reliability of data center services. Contractual and statutory provisions form the basis for planning of internal resources and processes here, while clearly defined responsibilities, interfaces, and workflows serve to ensure compliance. Each new customer is integrated in the new or changed technology and the process structure following a defined testing and acceptance procedure. The same applies to existing customers. As a result, the expected opportunities and risks are carefully weighed up.

The audits were successfully completed in 2018, as in the previous year. The services and processes were certified in accordance with ISO/IEC 20000-1:2011 and ISO/IEC 27001:2013. itelligence Global Managed Services GmbH's internal control system has also been successfully tested and audited in accordance with ISAE3402. These certifications are supplemented by the Global Partner SAP Hosting certificate. 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

The Financial Management team at itelligence's head office monitors and controls global liquidity. The Management Board receives information on liquidity, including a cash forecast, on a weekly basis. Analysis is mainly focused on Group-wide monitoring of cash and cash equivalents, enabling measures to 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.

Price risk

itelligence's value-added process is performed almost entirely in the same currency. Therefore, although there is a currency risk, it is limited. itelligence monitors exchange rate risks on the basis of items in the statement of financial position. Exchange rate fluctuations affecting intra-group receivables and liabilities and the resulting risk are monitored and documented on a continuous basis.

Goodwill impairment testing is performed each year using the DCF method. The average cost of capital is used to discount cash flows. 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

itelligence examines its customers' insolvency with regard to each contract at all of its national subsidiaries. Nevertheless, this risk cannot be ruled out entirely. Therefore, 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 international political influences and their consequences. Accordingly, political risk is taken into account and weighed up in all investment decisions.

The impacts of Brexit on business development in the UK are unforeseeable. Based on the company's current assessment, there may be impacts on its customers investment decisions with corresponding impacts on earnings. However, as a large proportion of value added is generated in the country itself and the current order situation in UK is not in decline so far, this effect is not likely to become significant in 2019.

General management risk

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

OVERALL RISK SITUATION

The Management Board does not consider any individual risks to be there 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 notes (30) and (33g) of the notes to the consolidated financial statements.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

The internal control system is a key factor in limiting and preventing risks, particularly accounting-related risks. The purpose of this 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 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 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 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 2019

At 3.7%, GDP growth of the global economy was slightly lower in 2018 than in the previous year (3.9%), but remained above the long-term average (2009-2017: 3.3%). The International Monetary Fund is forecasting a decrease to 3.5% in 2019:

- The global economy has clearly passed the peak of the current economic cycle. Although impetus remains strong in the USA, US exports to China totaling USD 200 billion are now subject to tariffs. However, according to IMF estimates, the inflation rate is likely to fall to 2.1% compared with 2018, while the government deficit is expected to rise from 2.5% to 3.0%. High interest rates may continue to curb economic growth. Full employment on the labor market is likely to have a positive impact on domestic demand again next year.
- Growth prospects for Europe have dampened slightly. The IMF expects GDP growth in the euro zone to fall from 1.8% (2018) to 1.6%. The European economy will not be immune from the effects of trade disputes, especially as the German automotive industry itself faces latent threats of US tariffs. One exacerbating factor is that a no-deal Brexit is looking increasingly possible. Concerns over the direction of the Italian government and huge social protests in France are also serving to cloud prospects.
- At 6.5%, the growth rate for the emerging economies of Asia for 2019 is expected to be on a par with 2018 (6.5%). Consequently, this region remains a growth engine for the global economy. The IMF expects that China will manage to offset negative impacts of the trade war with the USA to a certain extent through fiscal policy measures, although a negative overall effect is anticipated here. Turkey's prospects for 2019 have taken another plunge, with unemployment set to rise further to 12.3% in 2019 and the inflation rate likely to increase again. For Poland, in contrast, the IMF expects a largely stable situation regarding inflation, the government deficit, and unemployment, despite a slowdown in economic growth. For Russia, much depends on the development of oil prices, which the IMF forecasts as largely stable. Overall, stable development with a rising inflation rate is also forecast for Russia.

In specific figures, the IMF expects growth of 2.5% for Germany in 2019 after 2.6% last year.

The euro zone as a whole is set to grow by 1.8% after 2.4% in 2018. As in 2018, a figure of 1.5% is forecast for France. In Italy, growth is expected to slow to 1.0% after 1.6% in 2018. After GDP growth of 3.0% in the previous year, growth of 2.5% is forecast for Spain in 2019. As the arrangements for Brexit remain unresolved, the IMF is forecasting a further slowdown in growth in the United Kingdom from 1.8% in 2018 to 1.4% in 2019.

Due to the existing uncertainty, a slowdown in growth from 2.9% in 2018 to 2.5% in 2019 is also expected for the USA.

China is expected to record growth of 6.2% in the coming year, down only slightly on the figure for 2018 (6.6%). The IMF expects GDP growth of 0.4% for Turkey, down significantly on 2018 (3.5%). In Japan, GDP growth is expected to fall by roughly half from 1.9% to 0.9%.

OUTLOOK FOR THE SOFTWARE AND IT SERVICES MARKET

The software and IT services market continues to be characterized by significant growth in 2019. Almost all companies will have to embrace digitalization of the processes if they intend to survive. Major upheaval is expected through the integration of products, machines and devices (Internet of Things). The need to analyze large volumes of data will increase further in the future, with corresponding implications for software and hardware used in-house (big data). Digital transformation will give rise to new business models and call long-established approaches into question. According to the analysis firm Gartner, after adjustment for exchange rate effects, total global IT investment (enterprise software, IT services, devices, data center systems, and communication services) increased to USD 3,699 billion in 2018, equating to growth of 4.5% (previous year: 3.9%). A growth rate of 3.2% is expected for 2019. Therefore, market growth for the overall IT market is on a par with global GDP growth.

However, Gartner's figures show substantial differences between the respective segments. Whereas a growth rate of just 1.6% is expected for data center systems in 2019 and the rate for devices of 3.6% (2018) is likely to fall to 2.4%, above-average growth is forecast in particular for enterprise software, an important segment for itelligence AG (8.3% in 2019 after 9.9% in the previous year). IT services, an important market for the company, is also likely to grow more quickly than the overall market in 2019 by 4.7% (2018: 5.9%).

EXPECTED BUSINESS DEVELOPMENT OF ITELLIGENCE AG

itelligence AG posted significant growth again in 2018. Revenues rose by 6.2% to MEUR 926.6. As in previous years, this increase consisted of revenue contributions from purchases as well as organic growth. The share of recurring business amounted to 48.7% (previous year: 48.5%).

The high level of orders on hand at the end of 2018, totaling MEUR 982.1 (+5.9% compared with December 2017) gave itelligence a strong starting point for 2019. Based on the high level of demand, the Management Board expects stable daily rates in consulting business once again in fiscal year 2019.

itelligence AG will continue to benefit from digital transformation in 2019. Market opportunities in the enterprise software and IT services are set to remain extremely strong. SAP's attractive range of products is beneficial to itelligence here. Overall, SAP expects the software market relevant to SAP to grow by 8.4% on average from 2018 to 2022. The customer relationship management segment, in which itelligence AG has strengthened through the acquisition of Sybit, for instance, is set to grow particularly strongly. itelligence AG is already benefiting from collaboration with the affiliates of NTT DATA. The Management Board expects these cooperations to be stepped up further, especially at European level.

In particular, business with customers in the BEUR 1 to BEUR 10 revenue bracket is becoming increasingly important to itelligence AG. itelligence AG intends to provide these customers with an attractive range of consulting services relating to S/4HANA transformation as well as innovative solutions from the wider SAP portfolio. In particular, S/4HANA transformation of the existing customer base promises strong prospects for 2019 and beyond for itelligence.

In view of itelligence AG's strong market position and attractive product range, the Management Board expects revenue growth of 5.0% to 8.0% for 2019. Revenues of BEUR 1 are expected for 2019. The general economic slowdown is regarded as a risk to achieving this revenue target. Two to three acquisitions will be targeted again in the coming year.

Increasing long-term profitability is again a top priority of the management in 2019. At the same time, agreement has been reached with the parent company NTT DATA to invest heavily in itelligence AG's business model and product range in order to increase long-term profitability. On the basis of revenue planning, the Management Board expects an operating EBITA margin of 5.0% and an operating EBIT margin of 4.4% (before effects of IFRS 16 and expenses for strategic investments for long-term enhancement of profitability). In coordination with the shareholder, strategic investments for long-term enhancement of profitability totaling MEUR 15 to MEUR 20 are to be made in 2019, leading to a planned EBITA margin of 2.8% and an EBIT margin of around 2.2%. NTT DATA again has the stated aim of paying no dividend for 2018 so that all profits generated can continue to be invested in expanding itelligence AG's business.

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

Bielefeld, March 22, 2019
itelligence AG

The Management Board

CONSOLIDATED INCOME STATEMENT

IFRS

KEUR	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
Revenues	926,631	872,201
Cost of sales	-736,588	-681,766
Gross profit	190,043	190,435
Marketing and distribution expenses	-87,990	-81,740
Administrative expenses	-80,192	-73,705
Other operating income	6,539	3,456
Other operating expenses	-5,240	-4,018
Impairment on trade receivables	-2,332	-670
Total operating expenses	-169,215	-156,677
Operating earnings	20,828	33,758
Investment income	4	1
Measurement of derivatives and exercise of options	1,224	-3,537
Exchange rate differences from financing activities	-100	19
Financial income	188	199
Finance costs	-3,778	-3,999
Net finance costs	-2,462	-7,317
Earnings before tax	18,366	26,441
Tax expenses	-5,605	-7,683
Consolidated net profit	12,761	18,758
of which attributable to the shareholders of itelligence AG	10,535	16,845
of which attributable to non-controlling interests	2,226	1,913
Earnings per share (EUR) (basic/diluted)	0.35	0.56
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, 2018	Jan. 1 – Dec. 31, 2017
Consolidated net profit	12.761	18.758
Actuarial losses IAS 19 *	2.099	510
Currency translation differences **	-5.040	-9.403
Tax effects	-660	-161
Other comprehensive income	-3.601	-9.054
Total comprehensive income	9.160	9.704
of which attributable to the shareholders of itelligence AG	6.958	7.809
of which attributable to non-controlling interests	2.202	1.895

* Items never transferred to profit or loss

** Items which can be transferred to profit or loss

CONSOLIDATED BALANCE SHEET

IFRS

ASSETS KEUR	December 31, 2018	December 31, 2017
Non-current assets		
Goodwill	154,223	140,250
Intangible assets	32,325	34,979
Property, plant and equipment	121,495	105,354
Other financial assets	1,839	877
Trade receivables	2,495	1,403
Deferred tax assets	1,180	2,015
	313,557	284,878
Current assets		
Inventories	1,436	654
Trade receivables	208,503	176,005
Contract assets	28,546	37,439
Income tax receivables	7,995	5,046
Other financial assets	2,618	2,119
Other non-financial assets	4,005	2,854
Cash and cash equivalents	82,554	49,307
Prepaid expenses	22,364	19,678
	358,021	293,102
	671,578	577,980

EQUITY AND LIABILITIES KEUR	December 31, 2018	December 31, 2017
Equity		
Share capital	30,015	30,015
Capital reserves	62,468	52,768
Net accumulated profit	117,210	106,675
Other comprehensive income	-36,493	-24,715
	173,200	164,743
Non-controlling interests	19,049	9,773
	192,249	174,516
Non-current liabilities		
Financial liabilities	170,110	163,341
Deferred tax liabilities	9,951	12,685
Other non-current provisions	414	899
Pension provisions	8,097	8,866
Government grants	3,628	2,389
Other non-financial liabilities	576	658
	192,776	188,838
Current liabilities		
Trade payables	82,650	71,274
Contract liabilities	34,289	29,955
Financial liabilities	73,937	26,612
Tax provisions	2,580	3,011
Other current provisions	7,850	6,081
Income tax liabilities	2,522	2,196
Other non-financial liabilities	82,725	75,497
	286,553	214,626
	671,578	577,980

CONSOLIDATED CASHFLOW STATEMENT

IFRS

KEUR	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
Consolidated net profit	12,761	18,758
Amortization of intangible assets and depreciation of property, plant and equipment	34,260	33,599
Elimination of losses on asset disposals	47	-217
Other non-cash expenses and income	3,106	6,701
Net finance costs	2,462	7,317
Tax expenses	5,605	7,683
	58,241	73,841
Change in inventories	-782	121
Change in trade receivables	-13,846	-21,601
Change in other non-current assets	-1,646	9
Change in other current assets	-4,268	-467
Change in prepaid expenses	-1,433	6,612
Change in trade payables	9,735	7,260
Change in provisions for pensions	364	-9
Change in other liabilities and provisions	4,198	-11,121
	50,563	54,645
Interest received	188	199
Dividends received	4	1
Interest paid	-3,778	-3,090
Taxes paid	-16,856	-12,968
Cashflows from operating activities	30,121	38,787
Capital expenditure for intangible assets and property, plant and equipment	-26,588	-31,339
Investment grants and subsidies received	1,192	0
Cash received from the disposal of property, plant and equipment and intangible assets	488	919
Subsequent purchase price payments for acquisitions	-105	-1,430
Payments for acquisitions (less cash and cash equivalents acquired)	-12,390	-11,239
Cashflows from investing activities	-37,403	-43,089
Dividends paid to non-controlling interests	-848	-944
Decrease in deposits	80	-2
Capital increase	9,700	0
Payment for put/call options	0	-511
Borrowing of financial liabilities	59,861	147,371
Repayment of financial liabilities	-28,151	-148,302
Cashflows from financing activities	40,642	-2,388
Increase (decrease in previous year) in cash and cash equivalents	33,360	-6,690
Effects from exchange rate differences	-113	-1,736
Cash and cash equivalents as of January 1	49,307	57,733
Cash and cash equivalents as of December 31	82,554	49,307

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IFRS

KEUR	Number of shares	Share capital	Capital reserves	Net accumulated profit	Other comprehensive income			Other comprehensive income	Equity attributable to the shareholders of the parent company	Minority interests	Consolidated equity
					Foreign exchange differences	Other equity IAS 19	Other equity				
December 31, 2016	30,014,838	30,015	52,768	89,830	-4,105	-2,858	-8,563	-15,526	157,087	8,669	165,756
Consolidated net profit				16,845					16,845	1,913	18,758
Actuarial losses IAS 19						349		349	349		349
Foreign exchange differences					-9,385			-9,385	-9,385	-18	-9,403
Total comprehensive income				16,845	-9,385	349	0	-9,036	7,809	1,895	9,704
Dividend payments										-944	-944
Acquisition of a subsidiary with non-controlling interests										0	0
Exercise of options without change of control							-153	-153	-153	153	0
Shareholder transactions							-153	-153	-153	-791	-944
December 31, 2017	30,014,838	30,015	52,768	106,675	-13,490	-2,509	-8,716	-24,715	164,743	9,773	174,516
Consolidated net profit				10,535					10,535	2,226	12,761
Actuarial losses IAS 19						1,439		1,439	1,439		1,439
Foreign exchange differences					-4,665		-351	-5,016	-5,016	-24	-5,040
Total comprehensive income				10,535	-4,665	1,439	-351	-3,577	6,958	2,202	9,160
Dividend payments										-848	-848
Capital increase			9,700						9,700		9,700
Acquisition of a subsidiary with non-controlling interests							-8,201	-8,201	-8,201	7,922	-279
Exercise of options (without change of control)							0	0	0	0	0
Shareholder transactions							-8,201	-8,201	1,499	7,074	8,573
December 31, 2018	30,014,838	30,015	62,468	117,210	-18,155	-1,070	-17,268	-36,493	173,200	19,049	192,249

AUDIT RESULT

The statutory auditor has issued the full consolidated financial statements and Group management report with an unqualified audit opinion.

The full consolidated financial statements and Group management report have been submitted to the operator of the Bundesanzeiger (Federal Gazette).

INCOME STATEMENT
GERMAN COMMERCIAL CODE

EUR	1.1. – 31.12.2018		1.1. – 31.12.2017	
1. Revenues	228,516,378.49		220,840,628.70	
2. Increase in work in progress	12,637,370.84		5,256,633.31	
3. Other operating income	6,936,715.32		14,760,110.56	
4. Cost of materials				
a) Cost of purchased merchandise	-21,484,311.50		-23,769,317.97	
b) Cost of purchased services	-96,703,480.25	-118,187,791.75	-87,545,675.48	-111,314,993.45
5. Personnel expenses				
a) Wages and salaries	-97,321,630.07		-91,157,826.28	
b) Social security, post-employment and other employee benefit costs				
– of which in respect of post-employment benefits EUR 484,872.67 (previous year EUR -57,805.00) –	-14,852,823.99	-112,174,454.06	-13,326,636.52	-104,484,462.80
6. Depreciation, amortization and write-downs				
a) Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-2,438,519.73		-2,435,750.33	
b) Write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation	-1,903,823.92	-4,342,343.65	-3,005,266.67	-5,441,017.00
7. Other operating expenses	-42,166,276.50		-52,896,833.53	
8. Income from long-term equity investments				
– of which in respect of affiliated companies EUR 3,847,497.12 (previous year EUR 5,081,432.62) –		3,848,264.06		5,082,199.56
9. Income from profit and loss transfer agreements	29,160,911.54		24,953,775.40	
10. Other interest and similar income				
– of which in respect of affiliated companies EUR 1,170,329.93 (previous year EUR 1,314,399.28) –		1,176,919.27		1,329,443.09
11. Write-downs of financial assets	-2,030,000.00		-13,504,000.00	
12. Interest and similar expenses				
– of which in respect of affiliated companies EUR -1.933.350,41 (previous year EUR -1.665.517,03) –		-1,865,235.11		-2,091,427.34
13. Taxes on income	-586,808.88		-367,017.14	
14. Earnings after taxes	923,649.57		-17,876,960.64	
15. Net profit for the year (previous year: net loss)	923,649.57		-17,876,960.64	
16. Loss carryforward (previous year: retained profits brought forward)	-1,352,010.74		16,524,949.90	
17. Net accumulated losses	-428,361.17		-1,352,010.74	

BALANCE SHEET
GERMAN COMMERCIAL CODE

ASSETS EUR	Dec. 31, 2018		Dec. 31, 2017	
A. Fixed assets				
I. Intangible assets				
1. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	1,950,387.00		2,484,240.00	
2. Prepayments	520,011.29	2,470,398.29	0.00	2,484,240.00
II. Property, plant and equipment				
1. Land, land rights and buildings, including buildings on third-party land	5,877,682.00		6,078,157.00	
2. Technical equipment and machinery	13,924.00		24,011.00	
3. Other equipment, operating and office equipment	2,305,722.52		2,359,443.00	
4. Prepayments and assets under construction	6,187.90	8,203,516.42	0.00	8,461,611.00
III. Financial assets				
1. Shares in affiliated companies	170,417,898.42		150,607,532.49	
2. Loans to affiliated companies	2,957,849.39		14,515,096.91	
3. Equity investments	178,893.84	173,554,641.65	23,625.84	165,146,255.24
		184,228,556.36		176,092,106.24
B. Current assets				
I. Inventories				
Work in progress		61,249,873.88		48,612,503.04
II. Receivables and other assets				
1. Trade receivables	36,114,331.41		32,587,144.23	
– of which with a remaining term of more than one year EUR 2,091,969.72 (previous year: EUR 881,404.96) –				
2. Receivables from affiliated companies	68,015,270.58		45,965,266.79	
– of which with a remaining term of more than one year EUR 260,000.00 (previous year: EUR 2,110,000.00) –				
3. Other assets	5,394,021.36	109,523,623.35	3,658,162.80	82,210,573.82
– of which with a remaining term of more than one year EUR 23,606.76 (previous year: EUR 20,876.76) –				
III. Cash in hand, bank balances and checks		13,132,253.68		7,475,084.86
		183,905,750.91		138,298,161.72
C. Prepaid expenses		3,842,779.05		2,887,811.76
		371,977,086.02		317,278,079.72

EQUITY AND LIABILITIES EUR	Dec. 31, 2018	Dec. 31, 2017
A. Equity		
I. Share capital	30,014,838.00	30,014,838.00
II. Capital reserves	55,580,856.84	45,880,856.84
III. Net accumulated losses	-428,361.17	-1,352,010.74
	85,167,333.67	74,543,684.10
B. Provisions		
1. Provisions for pensions and similar obligations	2,625,019.30	1,023,939.00
2. Provisions for taxes	647,218.00	2,002,021.40
3. Other provisions	22,093,921.78	20,790,853.56
	25,366,159.08	23,816,813.96
C. Liabilities		
1. Payments received on account of orders	64,684,857.00	49,884,762.49
– of which with a remaining term of one year or less EUR 64,684,857.00 (previous year: EUR 49,884,762.49 –		
2. Trade payables	17,021,586.71	13,335,842.26
– of which with a remaining term of one year or less EUR 17,021,586.71 (previous year: EUR 13,300,520.68) –		
– of which with a remaining term of more than one year EUR 0.00 (previous year: EUR 35,321.58)) –		
3. Liabilities to affiliated companies	172,849,123.94	149,464,898.03
– of which with a remaining term of one year or less EUR 44,284,123.94 (previous year: EUR 20,899,898.03) –		
– of which with a remaining term of more than one year EUR 128,565,000.00 (previous year: EUR 128,565,000.00) –		
4. Other liabilities	5,609,006.56	5,195,578.01
– of which with a remaining term of one year or less EUR 4,763,005.56 (previous year: EUR 4,349,577.01) –		
– of which with a remaining term of more than one year EUR 846,001.00 (previous year: EUR 846,001.00) –		
– of which in respect of taxes EUR 4,207,810.51 (previous year: EUR 3,534,681.20) –		
– of which in respect of social security EUR 50,591.80 (previous year: EUR 41,871.32) –		
	260,164,574.21	217,881,080.79
D. Deferred income	1,279,019.36	1,036,500.87
	371,977,086.02	317,278,079.72

SERVICE & PUBLICATION DETAILS

CONTACT PARTNERS

Financial Communication

Katrin Schlegel, Head of Mergers & Acquisitions

Phone +49 5 21/9 14 48 106

Fax +49 5 21/9 14 45 201

E-Mail katrin.schlegel@itelligence.de

Public Relations

Silvia Dicke, Press Spokesperson

Phone +49 5 21/9 14 48 107

Fax +49 5 21/9 14 45 201

E-Mail silvia.dicke@itelligence.de

Company Address

itelligence AG

Königsbreede 1, 33605 Bielefeld

Phone +49 5 21/9 14 48 0

Fax +49 5 21/9 14 45 100

www.itelligencegroup.com

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