

Consolidated Financial Statements

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itelligence at a glance

MEUR	Jan. 01 - Sep. 30, 2013	Jan. 01 - Sep. 30, 2012	July 01 - Sep. 30, 2013	July 01 - Sep. 30, 2012
Total Revenues	321.8	292.5	105.1	100.0
Revenues by Area				
Consulting	158.1	153.2	48.7	50.8
Licenses	28.7	23.7	11.1	8.9
Application Management	34.6	30.0	12.0	10.4
Outsourcing & Services	100.4	85.1	33.5	29.8
Other	0	0.5	-0.2	0.1
Revenues by Segment				
DACH	134.9	133.6	44.9	45.4
Western Europe	74.8	62.2	23.8	21.8
Eastern Europe	29.9	19.4	10.3	6.2
USA	74.5	69.5	23.9	24.0
Asia	5.1	5.0	1.4	1.8
Other	2.6	2.8	0.8	0.8
EBIT in MEUR	12.4	12.6	5.5	4.2
EBIT Margin	3.9%	4.3%	5.2%	4.2%
EBITA in MEUR	15.3	14.1	6.3	4.7
EBITA Margin	4.8%	4.8%	6.0%	4.7%
EBITDA in MEUR	24.0	21.4	9.3	7.3
EBITDA Margin	7.5%	7.3%	8.8%	7.3%
Earnings IFRS in MEUR	7.6	6.6	3.6	2.0
Return to Sales	2.4%	2.3%	3.4%	2.0%
Earnings per Share	0.21	0.20	0.11	0.05

Percentages are calculated on a KEUR basis.

→ Key figures as of September 30, 2013 at a glance

- Year-on-year revenue growth of +10.0% to MEUR 321.8 in the first nine months of 2013
- EBITA up MEUR 1.2 to MEUR 15.3
- EBIT down slightly at MEUR 12.4 (previous year: MEUR 12.6)
- EBIT margin of 3.9% (previous year: 4.3%)
- Year-on-year revenue development in the divisions: Consulting: +3.2%, Licenses: +21.1%, Outsourcing & Services: +18.0%, Application Management: +15.3%
- Year-on-year revenue development in the regions: DACH: +1.0%, Western Europe: +20.3%, Eastern Europe: +54.1%, USA: +7.2%, Asia: +2.0%
- Orders on hand rise by +6% to MEUR 295.0 (previous year: MEUR 278.7)

Report on net assets, financial position and results of operations

Results of operations

Revenue development

In the first nine months of the fiscal year, the itelligence Group recorded double-digit revenue growth of 10.0%. Organic growth amounted to 6.7%, while a further 3.3% was attributable to the acquisitions in North America, UK and Turkey. With the exception of Consulting, which grew by only 3.2% year-on-year, all of the revenue segments saw clearly double-digit growth rates. However, the third quarter saw slower revenue growth of 5.1% or MEUR 5.1 to MEUR 105.1.

Development by transaction type

Consulting revenues improved by 3.2% or MEUR +4.9 year-on-year to MEUR 158.1 in the first nine months of 2013. Revenue in the Licenses division increased by 21.1% or MEUR 5.0 to MEUR 28.7, Application Management saw growth of 15.3% or MEUR 4.6 to MEUR 34.6, and the Outsourcing & Services revenue segment rose by 18.0% or MEUR 15.3 to MEUR 100.4.

Development in the regions

In terms of regional segment reporting, revenue in the first nine months amounted to MEUR 134.9 in the DACH region (up +1.0%), MEUR 74.8 in Western Europe (up +20.3%), MEUR 29.9 in Eastern Europe (up +54.1%), MEUR 74.5 in the USA (up +7.2%), MEUR 5.1 in Asia (up +2.0%) and MEUR 2.6 in the Other segment.

Cost development

All in all, the cost of sales increased by 11.4%, from MEUR 219.5 to MEUR 244.5. This meant that the gross margin amounted to 24.0% (previous year: 25.0%). The ratio of marketing and selling expenses remained unchanged at 11.2%. The ratio of administrative expenses declined to 8.5% after 9.0% in the previous year. Net other operating income and expenses remained largely unchanged at MEUR 1.3. Amortization costs for orders on hand increased sharply to MEUR 1.8 (previous year: MEUR 0.5) as a result of the capitalization of customer orders in connection with the acquisition of the SAP-based business of Software AG in North America in early 2013.

EBIT margin in the first nine months of 2012	4.3%
Staff costs	-0.9%
Third-party service provider costs	+1.8%
Product costs	-2.0%
Travel costs	+0.3%
Marketing/communication	+0.5%
Depreciation/amortization	-0.7%
Other income/expenses	+0.6%
EBIT margin in the first nine months of 2013	3.9%

Earnings development

In the first nine months of the fiscal year, operating earnings (EBITA) increased by 8.5% or MEUR 1.2 to MEUR 15.3. Amortization amounted to MEUR 1.8 compared with MEUR 0.5 in the same period of the previous year; this was due to acquisitions. As a result, EBIT remained essentially unchanged year-on-year at MEUR 12.4 (previous year: MEUR 12.6). The EBIT margin declined accordingly to 3.9% after 4.3% in the previous year. The unsatisfactory development of the

EBIT margin is primarily attributable to the weaker utilization rate in Consulting business. All in all, Consulting business diluted the earnings growth in the other revenue segments.

Financial position

Cash Flow	Sep. 30, 2013	Sep. 30, 2012
	KEUR	KEUR
Net cash from/used in operating activities	10.3	-2.3
Net cash used in investing activities	-20.5	-36.6
Net cash used in financing activities	-9.1	34.2
Change in cash and cash equivalents	-19.3	-4.7
Cash and cash equivalents at the end of the period	23.5	34.1
Free cash flow	-10.2	-38.9

Net assets

Assets	Sep. 30, 2013	Sep. 30, 2012
	KEUR	KEUR
Non-current assets	153.4	148.3
Current assets	133.8	133.3
Total assets	287.2	281.6

Equity and liabilities

Equity (incl. non-controlling interests)	114.5	105.9
Non-current liabilities	67.6	79.9
Current liabilities	105.1	95.8
Total equity and liabilities	287.2	281.6

itelligence acquires SAP-based business in the Czech Republic, Slovakia and Hungary

With effect from August 31, 2013, itelligence AG acquired the SAP-based business of Software AG in the Czech Republic, Slovakia and Hungary. Following the highly successful integration in Canada and the USA early this year, this will represent the second time that a business line of Software AG has been integrated into itelligence AG.

itelligence is strengthening its business in Eastern Europe with this transaction. For example, the strategic acquisition means that itelligence will become the largest SAP partner in the Czech Republic. In Hungary, itelligence will become the exclusive Software AG reseller. High-profile customers in the Czech Republic include Mitas, Diamo and Ceska Rafinerska (the country's largest refinery). Maintenance customers include OTIS, Netagas and EOP. In Slovakia, our SAP customers include e-on and Unipetrol, while our maintenance clients include Orange, VUB Bank and SEBN. In Hungary, our customer base will be expanded to include MOL (Hungarian oil company), telenor (telecommunications), edf//DÉMÁSZ (power supply), GDF Suez, Media Markt, DIAGEO and AGIP/ENI Hungary. The Application Management area will gain Allianz, the MVM Group and Audi as clients.

itelligence again named as TOP CONSULTANT 2013/2014

Only 114 of a total of 14,000 consultants and consulting firms in Germany have the privilege of calling themselves "Top Consultants" in 2013 – and itelligence is one of them. This means that itelligence has been included in this leading group for the third time. The selection process involves a multi-stage examination and a qualified customer survey.

Only consulting firms with a customer- and SME-oriented approach can receive the "Top Consultant" seal. In addition to a wide range of information, the candidates therefore also had to provide the team headed by

Prof. Dietmar Fink with details of ten reference candidates as part of the assessment process. These customers were surveyed on the professionalism and performance of itelligence and their overall satisfaction with the cooperation.

Employees

Of the 2,980 people employed as of September 30, 2013, a total of 1,119 were employed in Germany (September 30, 2012: 1,045) and 1,861 in the rest of the world (September 30, 2012: 1,681). The number of employees rose by +7.8% compared with year-end 2012 and by +9.3% compared with the same period of the previous year.

Just like the last survey in 2009, itelligence AG's third global employee survey on the topics of HR development, working environment, management and personal environment achieved a participation rate of around 62%. Corresponding measures will be derived from the main findings.

itelligence AG's recruitment team concentrated its activities on the IT&Business and DSAG Kongress trade fairs, where it drew the attention of attendees to itelligence as an employer. Our aim remains to present itelligence as one of the most attractive employers in the SAP environment and to appoint high-quality candidates.

Outlook

At 18.9%, itelligence's growth in 2012 significantly outperformed that of the IT software and services market. However, it was not possible to maintain this growth rate in the first nine months of fiscal year 2013. Despite the considerable slowdown in the market environment, revenue growth was double-digit at 10.0%. The weaker market situation was particularly visible in Germany and the USA. In a highly competitive environment, lower revenue is also an inevitable consequence of the management's focus on increasing profitability and quality in project selection. itelligence currently generates around 60% of its revenue in these two countries. By contrast, all of its foreign companies with the exception of the USA enjoyed above-average growth in consolidated revenue. itelligence is systematically pursuing the further expansion of its business outside Germany. Its strategic aim is to become the market leader as an SAP reseller in all of the major countries in which it has national companies. This aim is expected to be achieved in 2013 in the Nordic region, the United Kingdom, Turkey and the USA – and 2014 in Germany.

Operating earnings (EBITA) were significantly lower than expected, with an EBITA margin of 4.8%. This was primarily due to the lower level of consultant utilization and increased staff costs. However, the reorientation that is being implemented in the course of the year will start to have an impact in the fourth quarter in terms of increased revenue and improved profitability.

The International Monetary Fund (IMF) has lowered its growth forecast for the global economy for the sixth time in succession. This applies in particular to major emerging economies such as China, India and Russia – but also the USA. The IMF is forecasting global growth of 2.9% for this year and 3.6% for 2014. Both figures are slightly lower than the forecasts issued by the IMF midway through the year. The forecast for the USA has also been reduced. The world's largest economy is now expected to grow by 1.6% this year and 2.6% next year. Similarly, the IMF is forecasting only moderate growth for Germany, with forecasts of 0.5% for 2013 and 1.4%

for 2014. The economy in the euro zone as a whole is expected to contract by a further 0.4% this year before returning to growth next year; the IMF's experts are forecasting an increase of 1.0%.

Even allowing for the continued muted development of the global economy and propensity to invest, the Management Board expects itelligence AG to achieve its revenue and earnings targets for 2013 as a whole. The Management Board is currently anticipating revenue at the lower end of the forecast range of MEUR 450 – 470 for 2013. The EBIT margin is expected to improve once again and exceed the prior-year figure of 4.7% on the back of the efficiency program that has been initiated. itelligence will seek to achieve a sustainable increase to over 6% from fiscal year 2014 onwards.

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Consolidated Income Statement (IFRS)

KEUR	Jan. 01 - Sep. 30, 2013	Jan. 01 - Sep. 30, 2012	July 01 - Sep. 30, 2013	July 01 - Sep. 30, 2012
Revenues	321,829	292,548	105,264	100,100
Cost of sales	-244,491	-219,482	-79,785	-75,043
Gross profit	77,338	73,066	25,479	25,057
Marketing and distribution expenses	-36,172	-32,781	-11,727	-10,945
Administrative expenses	-27,474	-26,347	-8,560	-9,214
Other operating expenses	2,107	1,315	934	443
Other operating expenses	-1,619	-2,167	-177	-1,024
Amortization of orders on hand	-1,757	-459	-454	-155
Total operating expenses	-64,915	-60,439	-19,984	-20,895
Operating earnings	12,423	12,627	5,495	4,162
Investment income	-2	-186	0	-186
Measurement of derivatives and exercise of options	157	-318	32	-10
Exchange rate differences from financing activities	203	59	186	-119
Finance income	68	183	14	47
Finance expenses	-2,140	-1,725	-735	-487
Net finance costs	-1,714	-1,987	-503	-755
Profit before income tax	10,709	10,640	4,992	3,407
Income tax expenses	-3,109	-3,995	-1,382	-1,402
Consolidated net profit	7,600	6,645	3,610	2,005
of which of the shareholders of itelligence AG	6,379	5,384	3,252	1,449
of which non-controlling interests	1,221	1,261	358	556
Earnings per share (EUR) (basic)	EUR 0.21	EUR 0.20	EUR 0.11	EUR 0.05
Number of shares on the basis of which earnings per share were calculated:	30,014,838	26,983,036	30,014,838	26,983,036

Consolidated Balance Sheet (IFRS)

Assets KEUR	Sep. 30, 2013	Sep. 30, 2012	Dec. 31, 2012
Non-current assets			
Intangible assets	86,170	81,498	80,670
Property, plant and equipment	60,174	60,104	61,095
Other financial assets	1,826	2,507	1,966
Trade receivables	2,515	1,416	1,501
Other non-financial assets	0	94	125
Income tax receivables	241	286	241
Deferred tax assets	2,524	2,396	2,697
	153,450	148,301	148,295
Current assets			
Inventories	415	206	210
Trade receivables	90,896	84,203	100,342
Income tax receivables	3,645	1,157	2,624
Other financial assets	809	755	881
Other non-financial assets	1,878	1,875	1,802
Cash and cash equivalents	23,496	34,105	43,516
Prepaid expenses	12,628	10,969	9,109
	133,767	133,270	158,484
	287,217	281,571	306,779
Equity and liabilities KEUR			
Equity			
Share capital	30,015	30,015	30,015
Capital reserves	52,768	52,768	52,768
Net accumulated profit	42,894	31,368	38,315
Other comprehensive income	-27,313	-28,166	-27,309
	98,364	85,985	93,789
Non-controlling interests	16,151	19,914	18,196
	114,515	105,899	111,985
Non-current liabilities			
Financial liabilities	53,408	68,969	64,524
Deferred tax liabilities	8,477	5,179	8,203
Other non-current provisions	105	190	177
Pension provisions	854	6	465
Government grants	4,162	4,984	4,812
Other non-financial liabilities	640	509	1,021
	67,646	79,837	79,202
Current liabilities			
Trade payables	22,355	19,797	29,648
Financial liabilities	15,826	16,230	13,631
Tax provisions	1,786	3,524	2,058
Other current provisions	4,371	2,871	2,445
Income tax liabilities	780	794	1,339
Other non-financial liabilities	49,883	44,684	56,297
Deferred income	10,055	7,935	10,174
	105,056	95,835	115,592
	287,217	281,571	306,779

Consolidated Cash Flow Statement (IFRS)

KEUR	Sep. 30, 2013	Sep. 30, 2012
Consolidated net profit	7,600	6,645
Amortization of intangible assets and depreciation of property, plant and equipment	11,615	8,797
Elimination of gains/losses on asset disposals	50	3
Other non-cash expenses and income	1,279	853
Net finance costs	1,714	1,947
Income tax expenses	3,109	3,995
	25,367	22,240
Change in inventories	-205	557
Change in trade receivables	9,446	5,291
Change in other non-current assets	-843	704
Change in other current assets	-1,025	-804
Change in prepaid expenses	-3,638	-3,089
Change in trade payables	-7,293	-12,657
Change in other liabilities and provisions	-5,001	-9,978
	16,808	2,264
Interest received	68	183
Interest paid	-1,815	-1,347
Taxes paid	-4,777	-3,381
Cash flows from operating activities	10,284	-2,281
Investments in property, plant and equipment and IT software	-8,983	-25,228
Cash received from the disposal of property, plant and equipment and intangible assets	1	125
Payments for acquisitions (less cash and cash equivalents acquired)	-8,913	-9,947
Subsequent purchase price payments for investments made	-2,552	-1,548
Cash flows from investing activities	-20,447	-36,598
Cash received from capital increase	0	36,734
Dividends paid to non-controlling interests	-2,057	-4,653
Increase in long-term deposits	93	119
Borrowing of current financial liabilities	756	0
Repayment of current financial liabilities	-96	-199
Borrowing of non-current financial liabilities	1,378	10,237
Repayment of non-current financial liabilities	-9,178	-8,036
Cash flows from financing activities	-9,104	34,202
Decrease/increase in cash and cash equivalents	-19,267	-4,677
Effects from exchange rate differences	-753	269
Cash and cash equivalents as of January 1	43,516	38,513
Cash and cash equivalents as of June 30	23,496	34,105

Consolidated Statement of Changes in Equity (IFRS)

	Number of shares	Share capital	Capital reserves	Net accumulated profit	Other comprehensive income		Cumulative other equity	Equity attributable to the shareholders of the parent company	Non-controlling interests	Consolidated equity
					Foreign exchange differences	Other equity				
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Dec. 31, 2011	24,557,595	24,558	21,491	30,404	-1,296	-22,431	-23,727	52,726	15,251	67,977
Consolidated net profit				5,384				5,384	1,261	6,645
Foreign exchange differences					1,170		1,170	1,170	93	1,263
Total comprehensive income				5,384	1,170		1,170	6,554	1,354	7,908
Capital increase	5,457,243	5,457	31,379					36,836		36,836
Transaction costs reduced by tax benefit			-102					-102		-102
Dividend payments				-4,420				-4,420	-233	-4,653
Purchase of non-controlling interests									5,744	5,744
Exercise of options							1,156	1,156	-1,156	0
Adjustment for first-time consolidation									-1,046	-1,046
Fair value for call and put options under IAS 32							-6,765	-6,765	-6,765	-6,765
Sep. 30, 2012	30,014,838	30,015	52,768	31,368	-126	-28,040	-28,166	85,985	19,914	105,899
Dec. 31, 2012	30,014,838	30,015	52,768	38,315	-911	-26,398	-27,309	93,789	18,196	111,985
Consolidated net profit				6,379				6,379	1,221	7,600
Foreign exchange differences					-2,450		-2,450	-2,450	-219	-2,669
IAS 19					-344		-344	-344	0	-344
Total comprehensive income				6,379	-2,794	0	-2,794	3,585	1,002	4,587
Dividend payments				-1,800				-1,800	-257	-2,057
Exercise of options							2,790	2,790	-2,790	0
Sep. 30, 2013	30,014,838	30,015	52,768	42,894	-3,705	-23,608	-27,313	98,364	16,151	114,515

