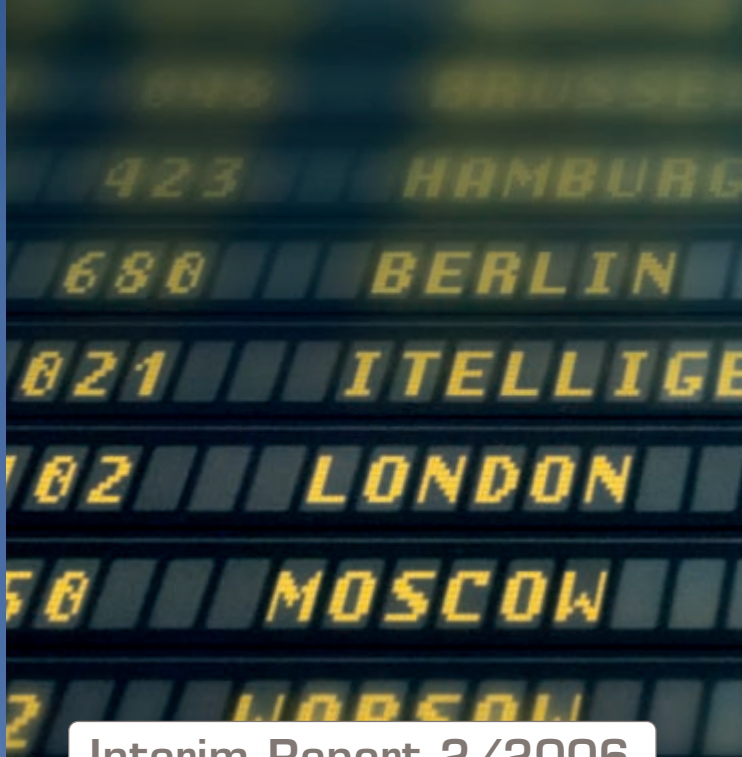




A Question of Strategy



Interim Report 2/2006

Letter to the Shareholders

Key factors in the first half of 2006 at a glance

- Revenues increased in the first six months by +17.2% year-on-year to MEUR 75.1
- EBIT rose by MEUR +1.2 from MEUR +0.6 to MEUR +1.8 (EBIT margin: +2.4% compared with +0.9% in previous year)
- Revenues in all revenue segments compared with the previous year: Consulting +17.8%, Licenses +13.3% and Outsourcing & Services +16.7%
- Revenues in all regions above previous year: Americas +33.8%, rest of Europe +15.8% and Germany +9.2%
- Orders on hand at the end of the quarter at MEUR 108 overall (end of same quarter in previous year: MEUR 98)
- Revenues in second quarter up 11.7% to MEUR 37.6 (previous-year quarter: MEUR 33.7) with EBIT of MEUR +1.0 (previous-year quarter: MEUR +1.1)
- Strong growth continues in second quarter: Consulting +14.4%, Outsourcing & Services +11.9% and Licenses business remains stable at previous year's level
- Growth in second quarter in all regions: Americas +22.0%, Germany +3.8% and rest of Europe +14.7%

Ladies and Gentlemen, Dear Shareholders,

Following a strong start in the first quarter of 2006, revenues in the second quarter increased by an additional +6.2%, up +11.7% on the same quarter of the previous year (after adjustment for currency translation effects: +10.2%). In the first six months, revenues thus rose substantially by +17.2% (after adjustment for currency translation effects: +15.7%) to MEUR 75.1 (previous year: MEUR 64.0). Revenues growth was achieved in all regions and all revenues segments which is encouraging. Revenues climbed +17.8% in the Consulting segment, +13.3% in the Licenses segment and +16.7% in the Outsourcing & Services segment. In the first six months, sales growth amounted to +33.8% in the Americas (after adjustment for currency translation effects: +28.0%), to +9.2% in Germany and to +15.8% in the rest of Europe (after adjustment for currency translation effects: +14.2%).

EBIT was tripled year-on-year from MEUR +0.6 to MEUR +1.8. Although heavy investments were made in further growth and building up the workforce, the EBIT of MEUR +1.0 generated in the second quarter remained stable at the previous year's level (MEUR +1.1). At MEUR +1.0, net profit for the period in accordance with IFRSs was up MEUR +0.7 on the corresponding figure for the previous year of MEUR +0.3. Orders on hand remained high at MEUR 108, up around 10% on the prior-year figure of MEUR 98 and reinforces our expectations of generating revenues for the whole year between MEUR 150 and MEUR 160.

Customer projects, SAP partnership and SAPPHIRE

For itelligence, SAPPHIRE in Paris and Orlando was a complete success. At the beginning of June, itelligence was presented the Pinnacle Award in the "Regional Excellence EMEA" category by SAP AG at SAPPHIRE 2006 in Paris. SAP uses this coveted award to honor excellent partner services every year at SAPPHIRE. This year itelligence received the Pinnacle Award as one of the leading international full-service IT providers for SAP for its strong customer commitment and its out-

standing result in SAP's global customer satisfaction survey, among other things. In addition, numerous customer contacts in Orlando and Paris were strengthened, which in part led to Licenses revenues in the second quarter.

In the second quarter, itelligence reported a large number of new international customers, such as BRITA GmbH from Taunusstein. BRITA is the global market leader in the production of water filters. itelligence consultants are to implement mySAP ERP at BRITA throughout the Group. The project is divided into three stages – it extends from the rollout in Germany, through the rest of Europe and worldwide. itelligence is to begin with introduction in Germany. This is to be followed by Switzerland, the UK and France as well as BRITA's other global subsidiaries.

In the second quarter, itelligence also attracted two midmarket automotive suppliers as new customers – Klein Umformtechnik GmbH, Netphen-Deuz and HYVATEC Bad Homburg GmbH, Bad Homburg. itelligence is thus expanding its market share in the automotive supplier industry. Other new customers included Reichardt International AG, Darmstadt, EHLO International BV, Rosmalen (Netherlands), Delta Bloc Europa GmbH, Wiener Neustadt, (Lower Austria), TIBA Ver- und Entsorgungssysteme GmbH, Lebring (Steiermark), Comunitel S.A., Vigo, Schneider Electric, Barcelona, Prénatal S.A., Hospital del Llobregat, Ediciones Mayo S.A., Barcelona, Steklarna Rogaška d.d., Rogaška Slatina (Slovenia), Bartec Varnost d.o.o., Zagorje ob Savi (Slovenia), Disztributor.hu Kereskedelmi Rt., Budapest (Hungary), TomoTherapy, Inc., Madison (Wisconsin), Ubiquity Brands LLC, Chicago (Illinois) and Sulzer Pumps, Portland (Oregon).

Existing customer business was also expanded further in the second quarter. Following successful projects last year, itelligence secured follow-up contracts with MCM Klosterfrau Vertriebsgesellschaft mbH, Cologne, YXLON International X-Ray GmbH, Hamburg and Airedale International Air Conditioning Ltd., Leeds (UK), among other companies.

A highlight in the second quarter was that Mercedes-Benz HighPerformanceEngines Ltd. in Brixworth successfully went live with its new application. The engine maker for the Mercedes-Benz Formula 1 Team successfully migrated to the industry solution mySAP All-in-One solution it.automotive from itelligence. itelligence also reported more applications going live in the second quarter at Lapp Kable España S.L.U., Prat Del Llobregat, Nordenia Iberica Barcelona S.A., Polinya and FOSFA - AKCIOVÁ SPOLEČNOST, Břačlav - Poštorná (Czech Republic), among other companies.

In June, itelligence Spain together with SAP Spain organized a customer event with the reference customer Miguel Torres S.A., Vilafranca del Penedes. At this event, the Director of Miguel Torres presented the successful implementation of the SAP solution to interested existing and new customers.

In the first quarter of 2006, the itelligence EDI converter it.x-change was certified by SAP and is now carried under the "Powered by SAP NetWeaver" description in the SAP product matrix under the NetWeaver-certified solutions. Since then, our customers have used the opportunity to execute a stable and cost-effective EDI/VDA launch based on the data hub SAP XI 3.0. During the first few months, a large number of new and existing customers awarded contracts to introduce SAP XI, among them Gauselmann, Espelkamp, E.ON Ruhrgas AG, Essen and Fastbolt Schraubengroßhandels GmbH, Gronau.

in Mio. Euro	Jan. 1 to June 30, 2006	Jan. 1 to June 30, 2005	Apr. 1 to June 30, 2006	Apr. 1 to June 30, 2005
Total revenues	75.1	64.0	37.6	33.7
Consulting	44.3	37.6	22.3	19.5
Licenses	7.6	6.7	4.0	4.0
Outsourcing & Services	22.6	19.4	11.2	10.0
Other	0.5	0.3	0.2	0.2
Germany	32.7	30.0	15.8	15.3
Rest of Europe	20.9	18.0	10.8	9.4
Americas	21.5	16.0	11.0	9.0
EBIT	1.8	0.6	1.0	1.1
EBIT margin	2.4%	0.9%	2.7%	3.3%
EBITA	1.8	0.6	1.0	1.1
EBITA margin	2.4%	0.9%	2.7%	3.3%
EBITDA	3.7	2.2	2.0	1.9
EBITDA margin	5.0%	3.5%	5.0%	5.6%
Net income/loss according to IFRS	1.0	0.3	0.5	0.8
Earnings per share	0.05	0.01		

itelligence at a Glance: January 1, to June 30, 2006

Examples of new hosting customers choosing itelligence as their global outsourcing partner were Raumedic AG, Münchberg and Poppe + Potthoff GmbH in Werther.

Business performance in the second quarter

In the second quarter of 2006, itelligence generated revenues of MEUR 37.6 (prior-year quarter: MEUR 33.7). Revenues thus climbed year-on-year by +11.7% (after adjustment for currency translation effects: +10.2%). The Americas region increased revenues by +22.0% (after adjustment for currency translation effects: +16.6%), the Germany region by +3.8% and the rest of Europe by 14.7% (after adjustment for currency translation effects: +12.8%).

In the Americas region, Consulting revenues rose +30.7%, Licenses revenues increased by +21.6% and Outsourcing & Services revenues climbed 6.8%.

In Germany, revenues increased by +6.4% in the Consulting segment and by +10.6% in the Outsourcing & Services segment. As a result of the volatility in the Licenses segment, Licenses revenues in Germany remained down MEUR -0.4 (-24.0%) on the same quarter of the previous year. In the rest of Europe, the revenues growth generated in the Consulting segment was +13.3%, in the Licenses segment +31.0% and in the Outsourcing & Services segment +25.4%.

Germany thus accounted for 42.0% (prior-year quarter: 45.1%) of itelligence's total revenues in the second quarter, the rest of Europe for

28.7% (prior-year quarter: 27.9%) and the Americas region for 29.3% (prior-year quarter: 26.7%). Among the revenue segments, the Consulting segment's share rose to 59.3% in the second quarter (prior-year quarter: 57.9%), while the Licenses segment's share fell to 10.4% (prior-year quarter: 11.9%) and that of the Outsourcing & Services segment to 29.8% (prior-year quarter: 30.0%).

A look at the first half of 2006 reveals the following changes in the combination of revenues segments and regions: in the first half of the year, Germany contributed 43.6% (previous year: 46.9%) to itelligence's total revenues, the rest of Europe 27.8% (previous year: 28.1%) and the Americas region 28.6% (previous year: 25.0%).

itelligence's total revenues comprise Consulting revenues of 59.0% (previous year: 58.8%), Licenses revenues 10.1% (previous year: 10.5%) and Outsourcing & Services revenues 30.1% (previous year: 30.3%).

Earnings position

With EBIT of MEUR +1.0 (prior-year quarter: MEUR +1.1), itelligence generated an EBIT margin of 2.7% (prior-year quarter: 3.3%) in the second quarter. This meant that EBIT of MEUR +1.8 (prior-year period: MEUR +0.6) with an EBIT margin of 2.4% (prior-year period: 0.9%) was achieved in the first half of the year.

In the second quarter, investments continued to be made in stronger growth. This is reflected in the increased ratio of selling and marketing expenses and an increased ratio of general and administrative ex-

penses induced by staff recruitment measures. The volatility of the Licenses business in Germany also affected the contribution margin. For instance, the EBIT amount in Germany decreased by MEUR -0.2 year-on-year to MEUR +0.2. Along with the low licenses volume (MEUR -0.4), the number of days on which consultants were available remained lower than in the prior-year quarter due to a rise in the amount of vacation days taken despite increased billable capacity utilization. Overhead costs in Germany climbed due to increased coordination services in the international environment. The Outsourcing & Services business in Germany continued to record positive performance with ongoing high demand and rising contribution margins thanks to leverage effects arising from fixed costs.

At MEUR +0.5 in the Americas region, the earnings contribution was not raised year-on-year, despite a substantial increase in revenues. This is primarily due to recruitment costs and higher staff costs as a result of the extremely competitive SAP consultant market and the margin dilution effect from the increased use of third-party service providers. In the rest of Europe, the EBIT contribution was raised by MEUR +0.1 to MEUR +0.3. This is mainly the result of the positive course of business in Poland, Slovenia, Spain and Hungary which more than compensated for the related fall in the EBIT contribution margin in Russia/Ukraine and the UK. Itelligence invested substantially in the strategic expansion of the business in the latter countries.

With regard to the first half of 2006, Germany increased the earnings contribution in Germany by MEUR +0.9 to MEUR +1.0. In the USA, the earnings contribution was raised by MEUR +0.4 to MEUR +0.5. At MEUR +0.3, only the earnings contribution for the rest of Europe remained down on the previous year due to the weak start in the first quarter at MEUR -0.2. The change in the gross margin from 25.4% to 26% in the second quarter was pleasing. This is primarily due to the higher consultant capacity utilization. Stepped-up international marketing activities and the expansion of the sales organization led to an increase in the ratio of marketing and selling expenses from 9.4% to 9.6% in the second quarter.

The rise in the ratio of general and administrative expenses from 13% to 14% is due to the increased services for the Group and a Group-wide recruiting program. Based on the first half of the year, the ratio of administrative costs decreased by -1% to 13.5% due to the leverage effect.

The taxation rate in the first half of 2006 was 30%.

Itelligence thus posted net profit in accordance with IFRSs of MEUR +1.0 (previous year: MEUR +0.3). Earnings per share are thus EUR +0.05 per share, up from EUR +0.01 per share.

Balance sheet figures, investments, and liquidity

As of June 30, 2006 total assets fell by MEUR -3.1 to MEUR 68.5 compared with December 31, 2005. On the equity and liabilities side of the balance sheet, current liabilities decreased by MEUR -2.1 and non-current liabilities by MEUR -1.1. The reduction in current liabilities is primarily due to the fall in other liabilities and trade payables. Deferred income saw the opposite, increasing by around MEUR +3.5 as a result of the service income to be deferred for less than one year. In the non-current area, the scheduled repayment of long-term borrowings and the redemption of convertible bonds as part of the employee stock option plans led to a reduction in non-current liabilities. Equity

amounted to MEUR 26.7 as of June 30, 2006 and was at the level as of December 31, 2005 due to exchange rate influences relating to the reporting date. However with total assets of MEUR 68.5 (December 31, 2005: MEUR 71.6), the equity ratio improved to 39% as of the reporting date June 30, 2006 (December 31, 2005: 37%). The ratio of interest-bearing liabilities climbed from 16% as of December 31, 2005 to 17% as of June 30, 2006. The net liabilities of the Itelligence Group decreased by MEUR -2.2 year-on-year to MEUR 2.8.

On the assets side of the balance sheet, non-current assets decreased by MEUR -1.0, which is primarily due to price fluctuations in measurement of goodwill on a USD basis as of the reporting date June 30, 2006. Current assets fell by MEUR -2.1. Cash fell by MEUR -4.0 to MEUR 9.1 as of June 30, 2006. These cash outflows are due to negative cash flow from operating activities (MEUR -2.2), which was impacted by the payment of the 2005 annual bonuses and the changed dates for social security contributions in Germany, as well as a drain of net cash from investing activities of MEUR -1.9. Prepaid expenses on the assets side of the balance sheet saw the opposite, increasing by around MEUR +1.9 as a result of the service expenses to be deferred for less than one year. Trade receivables remained stable at the level of December 31, 2005. The DSO ratio (days sales outstanding) decreased by -6 days as against December 31, 2005 to 63 days at the end of the second quarter due to the increased revenues.

Investments of MEUR -2.1 (previous year: MEUR -1.1) were made in property, plant and equipment and EDV software which are primarily related to the higher volume of revenues, particularly in the Outsourcing & Services segment.

The cash flow in the second quarter reveals a significant year-on-year improvement. In the second quarter, cash flow from operating activities rose by MEUR +3.2 to MEUR +0.6. Cash flow from investing activities reveals a fall in cash and cash equivalents of MEUR -0.6 to MEUR -1.2 year-on-year. The increased need for investment due to the ongoing high demand in the Outsourcing & Services business in the second quarter can be seen here. Overall, free cash flow in the second quarter improved by MEUR +2.6 year-on-year. Over the six-month period, free cash flow improved by MEUR +3.1 as against the previous year, despite the higher investment volume.

Employees

As of June 30, 2006, 502 of the 1,028 staff were employed in Germany (June 30, 2005: 488) and 526 abroad (June 30, 2005: 492). The number of employees rose by +2.7% compared with the year-end and increased by +4.9% year-on-year. The recruiting activities, which have been stepped up significantly since the beginning of the year, have had little effect to date on the reported numbers of employees as the majority of starting dates in the employment contracts concluded are scheduled for after June 30, 2006.

Itelligence also systematically advanced its global recruiting activities in the second quarter. Despite fiercer competition, Itelligence's appeal to new employees was increased further. Our staff policies mainly focus on the areas of qualifications, support and career development. All activities related to integral employee support were also pursued continuously in this quarter. The success of a service company with a quality aspiration as high as Itelligence's is mainly based on the motivation and expertise of its employees.

Risk report

In the 2005 Annual Report (pages 50 to 54), we presented both the basic risks of IT system companies and itelligence's specific risks. itelligence continues to optimize standardized Group processes and constantly expands the internal control and forecast systems with the aim of identifying risks at an early stage and initiating measures in good time. For example, the regular semi-annual reviews were carried out in the individual regions in the second quarter. As part of the internal audit plan, audits were carried out in the individual subsidiaries to identify weak points at an early stage and initiate measures. In addition to this, the established risk reporting system was complemented with risk inventory assessment sheets to be prepared on a quarterly basis by the person responsible for the reporting units.

Investor relations

As regards investor relations, itelligence also provided its shareholders with extensive and detailed information in the second quarter. Its activities focused on preparing and holding the Annual General Meeting in Bielefeld on May 30, which was attended by around 100 shareholders and representatives of SDK (German Association for the Protection of Capital Investors) and the DSW (German Society for the Protection of Securities Holders). The approval of all the items on the agenda also showed that the strategic course taken by the Management Board is supported by the shareholders, as did the contributions to the meeting.

In the course of the second quarter, the Management Board also held an extensive roadshow in London together with WestLB and welcomed more institutional investors to the Company headquarters in Bielefeld.

With regard to research, the investment bank Morgan Stanley assumed coverage of itelligence in June and rated the shares with a "Buy" recommendation in the event of a target price of EUR 5 due to the excellent prospects. Other banks that cover itelligence are HypoVereinsbank, Citigroup, WestLB and equinet.

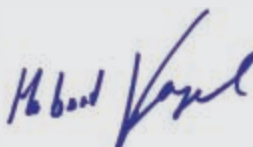
From the convertible bond issued in November 2004, EUR 154,000 were converted nominally which led to an increase in the number of shares by 59,230.

Number of shares:	22.35 million shares
Six-month high:	EUR 3.97 (April 27, 2006)
Six-month low:	EUR 2.11 (January 5, 2006)
Share price as of June 30:	EUR 3.20
Market capitalization June 30:	MEUR 71.51

Outlook

In terms of both revenues and earnings, the course of business in the first half of the year developed better than the business planning underlying the guidance. For the second half of 2006, our business planning assumes a sharp rise in revenues and earnings in line with the seasonal trend and the initial positive effects from the "investments" induced in further growth. The current market trend and the development in orders on hand and the sales pipeline confirm the guidance for fiscal year 2006 of revenues ranging from MEUR 150 to MEUR 160 and a slight year-on-year increase in the EBIT margin.

This is supported by the new go-to-market approach in the midmarket mentioned, which is from SAP, and its expected positive effects on itelligence from the fourth quarter of 2006. itelligence continues to expect a slight increase in overall economic growth in a stable geopolitical environment.



Herbert Vogel
CEO



Jörg Vandreier
CFO

Shareholder structure

As of June 30, 2006, itelligence AG's shares were held as follows:

Vogel family	11.2 percent
Nobel SA, Paris	9.9 percent
Free float	78.9 percent

Director holdings

Members of the Management Board and Supervisory Board held the following numbers of itelligence shares as of June 30, 2006:

Management Board	Shares
Herbert Vogel	1,908,286
Jörg Vandreier	0
Supervisory Board	
Prof. Dr.-Ing. Peter-Jürgen Kreher (Chairman)	0
Johannes Cordes (Deputy Chairman and employee representative)	833
Fritz Fleischmann	0
Erwin Gunst	0
Dr. Lutz Mellinger	0
Anke Ruff (employee representative)	0

Neither the Members of the Management Board nor the members of the Supervisory Board held any convertible bonds of itelligence AG as of June 30, 2006.

Service

All itelligence AG reports in German and English can be downloaded from the Internet at www.itelligence.de. Here you can also register by e-mail on the mailing list for ad hoc disclosures and press releases under Investor Relations/Dialog. You will then receive the latest news by e-mail.

Important dates 2006

September 21, 2006	German Jour Fix Conference of Citigroup in London
September 26, 2006	German Investment Conference of HypoVereinsbank in Munich
October 31, 2006	Publication of Interim Report 3/2006
November 29, 2006	German Equity Forum, Fall 2006 in Frankfurt

Consolidated Balance Sheets as of June 30, 2006 and 2005 (IFRS)

Assets	June 30, 2006 KEUR	June 30, 2005 KEUR	Dec. 31, 2005 KEUR
Non-current assets			
IT software	598	710	656
Goodwill	13,917	14,120	14,590
Property, plant and equipment, net	10,756	9,471	10,892
Financial assets	26	68	112
Deferred taxes	507	601	493
Other receivables and assets	1,507	1,314	1,535
Total non-current assets	27,311	26,284	28,278
Current assets			
Inventories	334	174	172
Trade receivables	26,618	22,376	26,710
Other receivables and assets	1,147	1,078	1,316
Cash and cash equivalents	9,092	8,787	13,042
Prepaid expenses	4,013	3,863	2,079
Total current assets	41,204	36,278	43,319
Total assets	68,515	62,562	71,597

Equity and liabilities	June 30, 2006 KEUR	June 30, 2005 KEUR	Dec. 31, 2005 KEUR
Equity			
Capital subscribed	22,347	22,288	22,288
Capital reserves	23,829	23,750	23,750
Net accumulated loss	-17,507	-22,364	-18,532
Other comprehensive income	-2,189	-1,482	-1,227
Minority interests	242	298	286
Total equity	26,722	22,490	26,565
Non-current liabilities			
Long-term borrowings	2,605	3,365	3,314
Convertible bonds	5,230	5,488	5,580
Deferred tax liabilities	921	669	979
Pension provisions	186	166	186
Total non-current liabilities	8,942	9,688	10,059
Current liabilities			
Trade payables	8,903	8,695	10,480
Other liabilities	12,617	9,765	17,791
Current financial liabilities	1,737	2,106	0
Current portion of interest-bearing borrowings	2,319	2,778	2,866
Tax provisions	438	284	176
Other provisions	1,438	1,377	1,457
Government grants	778	788	1,112
Deferred income	4,621	4,591	1,091
Total current liabilities	32,851	30,384	34,973
Total equity and liabilities	68,515	62,562	71,597

Consolidated Statements of Income for the Period January 1 to June 30, 2006 and 2005 (IFRS)

(all figures in KEUR except for the number of shares and earnings per share)	Jan. 1 to June 30, 2006 KEUR	Jan. 1 to June 30, 2005 KEUR	Apr. 1 to June 30, 2006 KEUR	Apr. 1 to June 30, 2005 KEUR
Revenues	75,062	64,031	37,646	33,703
Cost of sales	-56,028	-48,979	-27,845	-25,135
Gross profit	19,034	15,052	9,801	8,568
Operating expenses				
Marketing and selling expenses	-7,310	-5,580	-3,614	-3,153
General and administrative expenses	-10,128	-9,039	-5,285	-4,386
Other operating expenses and income, net	186	129	128	71
Total operating expenses	-17,252	-14,490	-8,771	-7,468
Profit from operating activities	1,782	562	1,030	1,100
Other income/expenses				
Investment income	-102	4	-80	27
Exchange differences from financing activities	26	0	0	0
Interest income/expenses, net	-314	-394	-165	-194
Other income/expenses	-390	-390	-245	-167
Earnings before taxes	1,392	172	785	933
Income taxes	-412	76	-269	-176
Net profit/loss for the period	980	248	516	757
Minority interests in profit/loss	45	35	33	11
Parent company's interest in profit/loss	1,025	283	549	768
Earnings per share in EUR – basic on net profit/loss	0.05	0.01		
Earnings per share in EUR – diluted on net profit/loss	0.04	0.01		
Number of shares used in the calculation of earnings per share:				
– basic	22,287,864	22,287,535		
– diluted	24,735,597	24,899,644		

Statement of Changes in Equity as of
June 30, 2006 and 2005 (IFRS)

	Number of shares	Capital subscribed KEUR	Capital reserves KEUR	Net accu- mulated loss KEUR	Other comprehensive income			Minority interests KEUR	Total equity KEUR
					Foreign exchange differences KEUR	Effects of securities KEUR	Total other compre- hensive income KEUR		
December 31, 2004	22,287,535	22,288	23,750	-22,647	-2,480	0	-2,480	333	21,244
Net profit/loss for the period				283				-35	248
Foreign currency differences					998		998		998
June 30, 2005	22,287,535	22,288	23,750	-22,364	-1,482	0	-1,482	298	22,490
Dezember 31, 2005	22,287,535	22,288	23,750	-18,532	-1,227	0	-1,227	286	26,565
Net profit/loss for the period				1,025				-45	980
Foreign currency differences					-962		-962		-962
Conversion of convertible bonds	59,230	59	79						138
Change in minority interests								1	1
June 30, 2006	22,346,765	22,347	23,829	-17,507	-2,189	0	-2,189	242	26,722

Consolidated Statements of Cash Flow for the Period January 1 to June 30, 2006 and 2005 (IFRS)

	June 30, 2006 KEUR	June 30, 2005 KEUR
Cash flow from operating activities		
EBIT	1,782	562
Impairment losses	0	0
EBITA	1,782	562
Depreciation of property, plant and equipment and amortization of IT software	1,947	1,685
EBITDA	3,729	2,247
Interest received	164	165
Interest paid	-173	-241
Income taxes paid	-334	-718
Other non-cash income and expenses	-458	480
Gains/losses from the disposal of non-current assets	-32	-13
Changes in assets and liabilities		
Decrease/increase in trade receivables	92	-1,167
Decrease/increase in inventories	-162	23
Decrease/increase in other current assets	-1,776	-2,491
Decrease/increase in trade payables	-1,577	30
Decrease/increase in pension provisions	0	32
Decrease/increase in other current liabilities and provisions	-1,643	-4,147
Decrease/increase in deferred taxes	-72	-65
Cash flow from operating activities	-2,242	-5,865
Cash flow from investing activities		
Investments in property, plant and equipment and IT software	-2,050	-1,133
Cash received from the disposal of property, plant and equipment and intangible assets	48	65
Investments in financial assets	109	0
Subsequent purchase price payments for investments made	-9	-310
Cash flow from investing activities	-1,902	-1,378
Cash flow from financing activities		
Redemption of convertible and warrant-linked bonds	-304	0
Cash received from long-term term deposits	39	189
Raising of current liabilities to banks	1,737	2,105
Raising to bank loans	316	217
Repayment of bank loans	-231	-655
Repayment of long-term borrowings	-1,341	-1,226
Cash flow from financing activities	216	630
Effects from exchange rate differences	-22	-130
Increase/decrease in cash and cash equivalents	-3,950	-6,743
Cash and cash equivalents at the beginning of the period	13,042	15,530
Cash and cash equivalents at the end of the period	9,092	8,787
Composition of cash and cash equivalents at the end of the period		
Bank balances and cash in hand	8,592	6,787
Current financial instruments available for sale	500	2,000
Liquidity	9,092	8,787

Notes to the Interim Financial Statements

General

itelligence AG (hereinafter also referred to as "itelligence") was formed in May 2000 by a non-cash contribution in accordance with German law. The Company has its registered office in Königsbreede 1, 33605 Bielefeld, Germany. Under the merger agreement signed in May 2000, the principal shareholders of SVC AG, Schmidt Vogel Consulting, Bielefeld, and the shareholders of APCON AG, Hamburg subscribed to approx. 45% and approx. 55%, respectively, of the Company's shares.

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

The Company has several branches and subsidiaries in Germany and foreign subsidiaries in the United States, Switzerland, Austria, Spain, the United Kingdom, the Czech Republic, Slovakia, the Netherlands, Belgium, Poland, Slovenia, Hungary, Russia, and the Ukraine. The subsidiaries in Norway, France, and Brazil have been closed.

Accounting

The consolidated interim financial statements for the period ended June 30, 2006 were prepared in accordance with the International Financial Reporting Standards (IFRSs) formulated by the International Accounting Standards Board (IASB).

The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2005 and the notes contained therein. The accounting policies applied in the consolidated interim financial statements correspond to those applied in the consolidated financial statements as of December 31, 2005.

The consolidated financial statements account for all current transactions and deferrals that management deems necessary to present the interim results accurately. The Company believes that the information and comments presented give a true and fair view of the net assets, financial position, and results of operations of the Company.

New accounting standards

Please see pages 61 and 62 in the 2005 Annual Report.

Segments

As part of segment reporting, the activities of itelligence are broken down in accordance with the provisions of IAS 14 by geographic region as the primary segment reporting format and by division as the secondary reporting format. Please also refer to the detailed notes on page 67 in the 2005 Annual Report for details.

The primary segment reporting format is broken down by the geographical regions in which the itelligence Group operates. A distinction is made here between the Americas, Germany and the rest of Europe.

Group segment reporting from January 1 – June 30, 2006 and 2005:

	Americas	Germany	Rest of Europe	Other	Group Jan. 1 to June 30, 2006
	KEUR	KEUR	KEUR	KEUR	KEUR
Segment revenues	21,458	33,743	21,974	0	77,175
Intersegment trade	-4	-1,021	-1,088	0	-2,113
External segment revenues	21,454	32,722	20,886	0	75,062
Segment result	528	985	321	-52	1,782
Net finance costs					-390
Profit from ordinary operations					1,392
Minority interests					45
Income taxes					-412
Net profit for the year					1,025

	Americas	Germany	Rest of Europe	Other	Group Jan. 1 to June 30, 2005
	KEUR	KEUR	KEUR	KEUR	KEUR
Segment revenues	16,034	31,098	19,214	0	66,346
Intersegment trade	-5	-1,135	-1,175	0	-2,315
External segment revenues	16,029	29,963	18,039	0	64,031
Segment result	160	38	483	-119	562
Net finance costs					-390
Profit from ordinary operations					172
Minority interests					35
Income taxes					76
Net profit for the year					283

Income taxes and deferred taxes

This item includes current tax expenses of KEUR 412 (previous year: KEUR 35) and deferred tax income of KEUR 0 (previous year: KEUR 111).

Exchange differences from financing activities

The strong euro in relation to the Polish zloty influenced the loan financing in Poland significantly. The purpose of the loan is to finance the data center in Posen.

