

IntelliSearch Investor Newsletter February 2007

Introduction

Welcome to the IntelliSearch Investor Newsletter. The IntelliSearch Investor Newsletter feature updates on the market situation, customers & partners, product development, organizational status, financials and future milestones. This issue highlights the status and major achievements of 2006.

Market situation

2006 was an eventful year to IntelliSearch. We achieved major breakthroughs including large customer wins, interest with large partners, many successful customer implementations and continued revenue growth. Our product offering proved competitive in price, functionality, technology and performance - against both large international vendors and smaller niche players. Current status is that we now have solid references in most areas that matters. We have references for all solution sets, all functionalities and all customer sizes. All which we expect to fuel further sales.

IntelliSearch is still a young company and is not yet generally well known, but we already experience market effects of maturing as a company. We now see an increased rate of customer referrals, invitation to larger bids and increased revenue per contract. Most encouraging is that we see market demand in all our chosen solution set areas: Enterprise-, Site-, eCommerce- and OEM-Search.

During 2006 Intellisearch secured funding to expand its Scandinavian geographical focus to also include BeNeLux and UK. Achieving a successful internationalization is viewed as priority no. 1 for the coming year.

Customers

The company continues to enjoy rapid growth and we have in 2006 signed a total of 21 contracts. Many of our new accounts represent new market segments to IntelliSearch. We intend to use these customer references to build future referral sales. Of our new customers most are well known and represent excellent references in their market vertical, as well as in their functional usage of the IntelliSearch platform.

Examples of new customers in new market segments are:

- Transport - Norwegian Rail
- Engineering – Seadrill
- Organisation - Red Cross
- Local Government - Molde Municipality
- Central Government - Kredittilsynet
- Healthcare – Sunnaas Hospital
- eCommerce – Notabene

IntelliSearch has also added references in application specific adoption areas such as Sharepoint, EPI-server, ePhorte and ProArc. Advanced Search will improve the use of these applications to the extent that we expect to see an add-on market for all of these. There are a large number of prospective customers that use these applications, and we view this as a major opportunity.

Partners

IntelliSearch views partners as an important channel to bring sales growth. In 2006 we have enjoyed sales success through system integrators such as Bouvet and Computas, and the application vendor Ergogroup. IntelliSearch experience high partner interest particularly with vendors of document management and eCommerce application systems. IntelliSearch seeks resellers, system integrators and OEM partners in the following areas: Business Intelligence, eCommerce, Content Management, Document management, CRM and Records management.

Organization

The organization has during 2006 grown from 8 to 26 people. We have added resources on all levels to position the company for growth.

International sales organization additions

The company is focusing on implementing its international roll-out plan for Denmark, BeNeLux and UK. Per January 2007, the company has recruited a country manager for its Danish office, Mr. Kristian Joos. Mr. Joos is a 43 year old Danish national who has a long IT-experience in senior sales and marketing positions from Cap Gemini and Microsoft. The Danish office will be fully operational from March 2007. The other offices are expected to be fully staffed and operational by Q2, 2007.

Sales Norway

The Norwegian sales organization currently has 5 headcounts. IntelliSearch has recruited Ms. Hege Støre to head up the Norwegian sales organization from March 1. Ms. Støre is a 37 year Norwegian national who has more than 15 years experience from Microsoft Norway, where she held a number of sales positions.

Sales Sweden

The Swedish sales organization currently has 2 headcounts. IntelliSearch has recently recruited Ms. Maria Linder as a sales manager. Ms Linder has a 20 year long IT-industry experience, and has in the last 10 years worked at Super Office Sweden, where she held senior sales and management positions.

Development Offshoring

The company has taken steps to enhance its development capabilities by offshoring of non-strategic development tasks. Late fall of 2006, IntelliSearch entered into an offshoring agreement with an Indian system development agency. This agreement gives IntelliSearch access to 5 highly qualified and full-time Indian developers that will support our development team. We expect this to free up key development staff allowing focus on strategic development initiatives and thus enabling increased development capabilities whilst achieving cost efficiencies.

Product Development

The IntelliSearch Enterprise Search Platform is undergoing continuous development to add functionality and performance. As of 2006, the IntelliSearch Enterprise platform represents a functionality rich, high performance enterprise search engine. The company introduced in 2006 4 ready-made solution sets to address specific market segments. The solution sets are *Enterprise Search*, *Site Search*, *eCommerce Search* and *OEM Search*.

Further product development is planned for 2007. The company expects to make a major product release in the first half of 2007. Key to this release will be enablement of Web 2.0 and Ajax technologies into the IntelliSearch platform. Web 2.0 is often referred to as the second generation of web-based services. IntelliSearch will implement this technology to enable search in social networking sites, wikis, communications tools and folksonomies – in short all Web 2.0 tools that emphasize online collaboration and sharing among users.

The next release will also build on our vision for the future of search being everywhere. We expect search to become ever-present in people's life at home and at work. This requires search engines to automatically search and monitor according to individual and corporate interests, taste, functions etc - and to deliver personalized results. The next release will include a number of functionality to achieve this.

Future development will also expand IntelliSearch growing list of ready-made connectors. IntelliSearch product strategy is to provide a functionality rich search platform at low adoption costs. The latter is provided through availability of ready-made connectors. IntelliSearch continuously monitors the market for popular applications, and have the objective of supporting all such 3rd party applications. IntelliSearch has developed a generic Connector Manager to enable easy development of new connectors allowing customers and system integrators to develop their own connectors to proprietary systems. During 2006 IntelliSearch has added the following new connectors: ACOS, HTTP, ProArc, Notes, Documentum, IFS, Sharepoint, EPI-server, ePhorte, eWay, SuperOffice, Coretek, EPI-server, eWay, SharePoint, Meridio, RDMS, Synergie, and EyeShare.

Milestones ahead

1. Establishment and recruitment - international sales offices in BeNeLux, Denmark and UK.
2. Launch of IntelliSearch Enterprise Search Platform 2.0
3. Increased visibility and awareness towards customers, partners and investors
4. Continued sales growth

Financials 2006

Revenues FY2006 (unaudited)
7,8 MNOK

Net Income (unaudited):
- 1,0 MNOK

CASH AND RECEIVABLES FY 2006 (unaudited)
14,2 MNOK (Per 1 January 2007)

If you have any questions, please feel free to contact:

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