



IntelliSearch Investor Newsletter September 2006

Introduction

Welcome to the IntelliSearch Investor Newsletter. Periodically, we bring you the latest news about IntelliSearch. The IntelliSearch Investor Newsletter will feature updates on the market situation, customers & partners, product development, organization, financials, and future milestones.

Market situation

IntelliSearch continues to focus on the Enterprise Search market in the Nordic region. Currently, we have operations in Norway and Sweden. We experience that the individual Nordic markets are in somewhat different phases of development. In Norway, there is a general awareness around search and its potential, while the other Nordic markets seem less mature. In Norway, we experience many areas of opportunities. Large companies are looking into single information access (Enterprise Search) and advanced search when upgrading their websites, and eCommerce players are introducing search into their internet stores. Our opportunities appear primarily through active market development in direct sales and partnering. Most customer scenarios represent a competitive situation with both high-end and low-end search vendors.

We are pleased to find that our solution is competitive in price and functionality compared to others. Furthermore, we see that the partner channel is beginning to bring sales. So far 3 partners have added revenues. These are ErgoGroup (ePhorte DMS vendor), Computas (portal consultancy), and Bouvet (portal consultancy). Generally, we find that the IntelliSearch brand is not well known, but brand recognition is improving with increased media exposure and advertisement.

This means that we are actively working to improve our market strength in a number of ways:

- Segment based product positioning in the following areas: Site, Enterprise, eCommerce and OEM
- Build solid references in all segments and target markets
- Increasing brand awareness through media exposure, participation in partner/industry events, and advertising.
- Add resources in direct sales
- Add partners
- Establish a professional partner channel

All these activities are important to open the mainstream market, as well as individual market segments. As of September 2006 we see results of our dedication. We have been invited to large customer bids and have achieved some major breakthroughs:

- Posten, NSB, PwC represent major references in the information access category (Enterprise Search)
- Seadrill represent a milestone reference in the information access category as well as in the oil & gas segment
- Telemark Hospital and The Norwegian Directorate of Education represent important references in the public sector and for ErgoGroups ePhorte customers in particular. The Public sector is new ground for IntelliSearch, and we expect that these references will lead to opportunities within customer eGovernment initiatives.
- A recent eCommerce Search win at a large Norwegian retailer is expected to present a reference show case for IntelliSearch eCommerce. (The retailer requires anonymity for competitive reasons)

We are currently in several large bids with a number of well known players in Norway and Sweden which we expect to close in the 4th quarter. We also expect further sales through existing and new partner channels by year-end.

Customers

IntelliSearch is focusing on building solid customer relationships to provide good references for the company and our solutions. References are viewed as key to reduce our sales cycle and to fuel further growth. During 2006, we have added references in all our solution set areas. Examples are:

Enterprise Search – The Norwegian Post rolls out IntelliSearch to all its 22.000 employees. IntelliSearch is the customer's central information access tool in their new intranet based on SharePoint Portal Services. With IntelliSearch, employees will be able to search for employees, organisational units and all documentation located in the intranet, file servers, mail servers, or document depository.

Site Search – The Norwegian Road authority has adopted IntelliSearch Site to its public website.

eCommerce Search- A leading Norwegian online advertisement site is due to launch a new generation ad-site powered by IntelliSearch eCommerce. The customer has asked to be anonymous until they launch their site in late October 2006.

Current status is that we now have solid references in most areas that matters. We have references for all solution sets, all functionality, all customer sizes, and all our connectors. Our customer reference list includes a number of well known companies. Examples are Seadrill, Red Cross, PriceWaterhouseCoopers, and Norwegian Post. We have added new references in promising industry segments such as engineering & construction, transport, retail, and public sector. These are all industries that will see large benefits in adopting Search capabilities, and we expect growth in all these segments.

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. So far we have enjoyed sales success through system integrators such as Bouvet and Computas, and the application vendor Ergo-group. IntelliSearch will continue to seek resellers, system integrator and OEM partners in the Nordic region in the following areas:

- Business Intelligence
- Content Management
- Document management
- CRM
- Records management

Organization

The organization has during 2006 grown from 8 to 16 people. We have added resources on all levels to position the company for growth. IntelliSearch has to date 8 employees within product development, 4 in sales, and 3 administration (CEO, COO and Sales & marketing Director), and 1 country manager in Sweden. The Norwegian organization is now fully staffed for growth. The Swedish organization is reorganized and we have recruited a high-caliber Country Manager. We will recruit further sales resources in Sweden in Q4, 2006.

We have also recruited two senior and well-known IT-industry veterans to the Board. These are Board Chairman Ole-Morten Settevik and Board member David Chartier. Mr. Settevik has a long career in the technology industry and has held a number of senior management positions, including Group Director/CTO in Ementor ASA and General Manager Ementor Norge AS (2002-2006). Managing Director of Microsoft Norway (1995-2002), Sales and Marketing Director of ECsoft Nordic (1990-1995). Settevik has a Bachelor and Master of Science in Economics from the Copenhagen Business School.

Mr. David Chartier was the CEO of Computas AS in Lysaker, Norway for two years prior to the company's 2004 acquisition by Troux Technologies. In 1997 he founded an Internet professional services and web hosting company, InfoStream AS. Mr. Chartier hold's a Bachelor's Degree in Economics from the University of Minnesota.

Both Mr. Settevik and Mr. Chartier will work actively with business development in the company.

Product Development

The IntelliSearch Enterprise Search Platform is undergoing continuous development to add functionality and performance. As of September 2006, the IntelliSearch Enterprise platform represents a functionality rich, high performance enterprise search engine. The company has in the last 6 months introduced 4 ready-made solution sets to address specific market segments. The solution sets are *Enterprise Search*, *Site Search*, *eCommerce Search* and *OEM Search*.

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.

Current list of available IntelliSearch Enterprise Search Platform connectors include: HTTP, ProArc, Notes, Documentum, Novell, IFS, MS mail/file, Sharepoint, Hummingbird, EPI-server, ePhorte, eWay, SuperOffice, Coretek, EPI-server, eWay, SharePoint, Meridio, RDMS, Synergie, and EyeShare.

For non-supported applications, the company provides a web-service interface to allow customers and system integrators to develop their own connectors to proprietary systems.

Milestones Ahead

1. Sales growth Norway, Sweden & Internationally
2. Partner channel development
3. Expand the IntelliSearch Enterprise Search Platform

Financials

SALES

IntelliSearch expects more than 100% sales growth in 2006.

Expected Sales in 2006 and 2007 are:

2006: New orders with contract value between 8,2 and 10 mill NOK

2007: More than 100% sales growth on 2006

COSTS

IntelliSearch expects total costs in 2006 at 9 mill NOK

CASH AND RECEIVABLES (unaudited)

Cash and receivables totals 5,5 mill NOK (Per September 2006)

Contact

If you have any question, please feel free to contact me.

Best regards

Harald Jellum

Founder & CEO

harald@IntelliSearch.no

+47 91 54 34 32

