

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2006-08-03** | Period of Report: **2006-08-03**
SEC Accession No. **0001193125-06-160159**

([HTML Version](#) on secdatabase.com)

FILER

I2 TECHNOLOGIES INC

CIK: **1009304** | IRS No.: **752294945** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-28030** | Film No.: **06999996**
SIC: **7372** Prepackaged software

Mailing Address
*ONE 12 PLACE
11701 LUNA RD
DALLAS TX 75234*

Business Address
*ONE 12 PLACE
11701 LUNA RD
DALLAS TX 75234
4643571000*

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 3, 2006

i2 Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-28030
(Commission
File Number)

75-2294945
(I.R.S. Employer
Identification No.)

One i2 Place
11701 Luna Road
Dallas, Texas
(Address of principal
executive offices)

75234
(Zip Code)

Registrant's telephone number, including area code: (469) 357-1000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 and Item 7.01. Results of Operations and Financial Condition, and Regulation FD Disclosure.

On August 3, 2006, i2 Technologies, Inc. (the “Company”) announced by press release (the “Press Release”) the Company’s second quarter 2006 financial results. The information contained in the Press Release, which is attached to this Current Report on Form 8-K as Exhibit 99.1, is incorporated by reference herein and is furnished pursuant to Item 2.02, “Results of Operations and Financial Condition” and Item 7.01, “Regulation FD Disclosure.”

The Company will conduct its earnings conference call on August 3, 2006, at 10:00 a.m. EDT. A webcast of the conference call will be open to the public and can be accessed via the company’s Web site at <http://www.i2.com/investor>.

The information in this Current Report and the accompanying exhibit shall not be incorporated by reference into any filing by the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

Included in the Press Release is the disclosure of non-GAAP diluted earnings per share and non-GAAP operating income. Management believes that the presentation of non-GAAP diluted earnings per share and non-GAAP operating income and their related reconciliation to GAAP diluted earnings per share and GAAP operating income, respectively, is useful to investors as it reflects financial measures that management utilizes for budgeting purposes, as well as analyzing the underlying performance of the Company. Management believes that these non-GAAP measures provide investors additional important information to enable them to assess, in the way that management assesses, the operations of the Company. This non-GAAP financial information should not be considered as a substitute for, or superior to, and should only be read in conjunction with, measures of financial performance prepared in accordance with generally accepted accounting principles.

Item 9.01. Financial Statements and Exhibits.**(c) Exhibits.**

99.1 Press Release dated August 3, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

i2 TECHNOLOGIES, INC.

Dated: August 3, 2006

By: /s/ Michael J. Berry

Michael J. Berry

Executive Vice President and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	Press Release dated August 3, 2006.

press release



i2 Reports Second Quarter 2006 Results

Company achieves fifth straight quarter of profitability accompanied by increased software solutions bookings and cash flow from operations of \$20 million

DALLAS - August 3, 2006 - i2 Technologies, Inc. (NASDAQ: ITWO) today announced results for the second quarter 2006.

A summary of second quarter results:

Total revenue was \$64.7 million

Total costs and expenses were \$59.1 million

Net income applicable to common stockholders was \$3.0 million

Diluted earnings per share (GAAP) were \$0.12

Non-GAAP diluted earnings per share were \$0.25 (excluding stock option expense and contract revenue and contract expense)

Cash flow from operations was \$20.1 million

“We had significant bookings this quarter with \$75.4 million in total bookings, including \$14.9 million of software solutions and \$10.5 million of Agile Business Process Platform technology bookings, which is part of the strategy we announced last year to broaden the use of this platform technology to other software companies and not just i2,” stated i2 Chief Executive Officer Michael McGrath. “Software solutions bookings increased 71 percent over the second quarter of last year and almost 60 percent over last quarter. Our new generation solutions, which make up most of these bookings, are gaining a lot of momentum in the marketplace. We added some new key customers and had some major competitive wins this quarter based on these new solutions. Our progress was also demonstrated by our \$20.1 million in positive operating cash flow in the second quarter.”

Second Quarter Results

Revenue Detail

Total revenue for the second quarter was \$64.7 million, as compared to \$91.9 million in the second quarter of 2005. Total revenue in the second quarter of 2005 included contract revenue of \$15.3 million. Total revenue in the second quarter increased \$0.6 million from the first quarter 2006.

i2 had total second quarter software solutions revenue, which includes core license revenue, recurring license revenue as well as fees received to develop the licensed functionality, of \$15.4 million. This compares to \$23.5 million of software solutions revenue in the second quarter of 2005 and \$16.9 million in the first quarter of 2006.

Services revenue in the second quarter was \$26.1 million. This compares to \$27.5 million of services revenue in the second quarter of 2005 and \$23.9 million in the first quarter of 2006. Services revenue includes fees received from arrangements to customize or enhance previously purchased licensed software. Services revenue also includes reimbursable expenses.

Second quarter maintenance revenue was \$23.1 million, compared to \$25.5 million in the second quarter of 2005 and \$23.2 million in the first quarter of 2006.

-more-

i2 Reports Second Quarter 2006 Results

Page 2

Costs and Expenses

Total costs and expenses for the second quarter of 2006 were \$59.1 million, including \$3.5 million in stock option expense. This compares to \$67.3 million in the second quarter of 2005 and \$59.8 million in the first quarter of 2006.

Net Income

The company reported second quarter 2006 net income applicable to common stockholders of \$3.0 million or \$0.12 per diluted share. This compares to \$28.0 million or \$1.18 per diluted share in income from continuing operations, including preferred stock dividend and accretion of discount, in the second quarter of 2005 and \$1.8 million or \$0.07 per diluted share in the first quarter of 2006.

First Half 2006 Results

For the six months ended June 30, 2006, total revenues were \$128.7 million as compared to \$173.8 million for the same period in 2005. Total revenue in the first half of 2005 included contract revenue of \$18.4 million.

Software solutions revenue was \$32.3 million for the six months ended 2006 compared to \$48.9 million in the first half of 2005. Services revenue was \$50.0 million in the first half of 2006 compared to \$55.2 million in the first half of 2005. Maintenance revenue was \$46.3 million in the first half of 2006 compared to \$51.3 million in the comparable period in 2005.

Total costs and expenses for the six months ended June 30, 2006 were \$118.9 million as compared to \$168.6 million in the first half of 2005.

The company reported net income applicable to common stockholders of \$4.8 million or \$0.19 per diluted share for the six months ended June 30, 2006. This compares to \$1.5 million or \$0.07 per diluted share in income from continuing operations, including preferred stock dividend and accretion of discount, in the comparable period in 2005.

Non-GAAP Earnings Per Share

The company provides non-GAAP financial measures to assist stockholders with the analysis of financial and business trends related to the company's operations. These calculations are not in accordance with, or an alternative for, generally accepted accounting principles (GAAP) and may be different from non-GAAP measures presented by other companies, but are used as a tool by management to measure the effectiveness of i2's business.

Non-GAAP diluted earnings per share in the second quarter of 2006 were \$0.25, compared to \$0.60 per diluted share from continuing operations, including preferred stock dividend and accretion of discount, in the comparable period last year on a non-GAAP basis. Non-GAAP diluted earnings per share excludes stock option expense and the net effect of contract revenue and contract expense.

-more-

i2 Reports Second Quarter 2006 Results

Page 3

Contract revenue is the result of the recognition of certain revenue carried on i2' s balance sheet as a portion of deferred revenue and is a result of the company' s 2003 financial restatement. The timing of the recognition of deferred contract revenue is difficult to predict and is not typically associated with current business or cash collections. The company did not recognize a material amount of contract revenue or expense during the second quarter of 2006. The remaining deferred contract revenue balance as of June 30, 2006 was \$7.5 million.

	Quarter Ended 06-30-06	Quarter Ended 06-30-05*	Year-to-Date 06-30-06	Year-to-Date 06-30-05*
GAAP diluted EPS from continuing operations including preferred stock dividend and accretion of discount	\$ 0.12	\$ 1.18	\$ 0.19	\$ 0.07
Add: Stock option expense	\$ 0.13	\$ 0.00	\$ 0.27	\$ 0.00
Less: Effect of contract revenue and expense	\$ 0.00	\$ 0.58	\$ 0.00	\$ 0.71
Non-GAAP diluted EPS from continuing operations including preferred stock dividend and accretion of discount	\$ 0.25	\$ 0.60	\$ 0.46	(\$0.64)

* 2005 amounts exclude results from discontinued operations

Please see the attached schedule for a reconciliation of GAAP to non-GAAP financial measures.

Other Financial Information

On June 30, 2006, i2' s total cash (including restricted cash) was \$133.6 million. Total debt at the end of the second quarter was \$105.4 million, which included \$83.5 million of long-term debt (which represents the \$86.3 million face value of the company' s 5 percent senior convertible notes less the unamortized discount on the notes) and \$21.9 million of short-term debt.

The company generated cash flow from operations of \$20.1 million in the second quarter of 2006, bringing the year-to-date cash flow from operations to \$12.1 million.

Full Year 2006 Outlook

The company is reiterating its current full year outlook for 2006. For the year, operating revenue (total revenue less contract revenue) is expected to be below the comparable 2005 amount. Additionally, the company expects non-GAAP earnings per share for full year 2006 (excluding stock option expense and the net effect of contract revenue and contract expense) of \$1.00 to \$1.20 per diluted share.

-more-

i2 Reports Second Quarter 2006 Results

Page 4

The company's statements regarding future financial performance are based on current expectations for bookings, cash collections, revenue and expense. This includes, among other matters, the company achieving projected revenue from software solutions and platform technology bookings, achieving sequential growth in services revenue, maintaining strict cost controls, and incurring non-operating legal expenses at or below second quarter levels. The company's statements regarding future financial performance are forward-looking. Actual results may differ materially. See "i2 Cautionary Language" below.

Earnings Conference Call and Webcast Information

The i2 management team will host a live conference call with investors today, August 3 at 10 a.m. EDT to discuss the second quarter 2006 financial results. Investors and other interested parties may access the call and accompanying slide presentation via webcast through the company's Web site at www.i2.com/investor.

An audio replay of the conference call will be available for approximately 24 hours following the call. To access the replay, dial (800) 475-6701 (USA) or (320) 365-3844 (International) and enter access code 835997. The webcast will also be archived via the company's Web site at <http://www.i2.com/investor>.

About i2

i2 helps business leaders make better supply chain decisions. i2's flexible new-generation solutions are designed to synchronize demand and supply across ever-changing global business networks. i2's innovative supply chain management tools and services are pervasive in a wide cross-section of industries; 20 of the AMR Research Top 25 Global Supply Chains belong to i2 customers. Learn more at www.i2.com.

i2 is a registered trademark of i2 Technologies US, Inc. and i2 Technologies, Inc.

i2 Cautionary Language

This press release contains forward-looking statements that involve risks and uncertainties, including forward-looking statements regarding i2's outlook for 2006 operating revenue and non-GAAP earnings per share, as well as the company's investment in revenue generating areas of its business. These forward-looking statements involve risks and uncertainties that may cause actual results to differ from those projected. For a discussion of factors which could impact i2's financial results and cause actual results to differ materially from those in forward-looking statements, please refer to i2's recent filings with the SEC, particularly the Quarterly Report on Form 10-Q filed May 10, 2006 and the Annual Report on Form 10-K filed March 15, 2006. i2 assumes no obligation to update the forward-looking information contained in this news release.

For More Information Contact:

Tom Ward
i2 Investor Relations
469-357-3854
tom_ward@i2.com

Beth Elkin
i2 Corporate Communications
469-357-4225
beth_elkin@i2.com

i2 TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	<u>(unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$128,600	\$112,882
Restricted cash	5,035	4,773
Accounts receivable, net	22,845	25,887
Deferred contract costs	311	311
Other current assets	<u>16,172</u>	<u>19,219</u>
Total current assets	172,963	163,072
Premises and equipment, net	12,656	14,056
Intangible assets, net	4,843	4,906
Goodwill	14,760	14,440
Non-current deferred tax asset	<u>5,766</u>	<u>5,971</u>
Total assets	<u>\$210,988</u>	<u>\$202,445</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$10,643	\$11,766

Accrued liabilities	26,469	36,925
Accrued compensation and related expenses	19,225	23,847
Deferred revenue	103,487	99,870
Current portion of long-term debt	21,848	25,000
Total current liabilities	181,672	197,408
Total long-term debt, net	83,507	75,691
Total liabilities	265,179	273,099
Commitments and contingencies		
Stockholders' deficit:		
Preferred Stock, \$0.001 par value, 5,000 shares authorized, none issued and outstanding	—	—
Series A junior participating preferred stock, \$0.001 par value, 2,000 shares authorized, none issued and outstanding	—	—
Series B 2.5% convertible preferred stock, \$1,000 par value, 150 shares authorized, 104 issued and outstanding	101,472	100,065
Common stock, \$0.00025 par value, 2,000,000 shares authorized, 20,778 shares issued and outstanding	5	5
Warrants for common stock	3,125	3,125
Additional paid-in capital	10,428,348	10,420,262
Accumulated other comprehensive income (loss)	1,045	(1,147)

Accumulated deficit

(10,588,186) (10,592,964)

Net stockholders' deficit

(54,191) (70,654)

Total liabilities and stockholders' deficit

\$210,988 \$202,445

i2 TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues:				
Software solutions	\$ 15,388	\$ 23,489	\$ 32,310	\$ 48,898
Services	26,143	27,534	50,017	55,161
Maintenance	23,120	25,496	46,335	51,314
Contract	<u>33</u>	<u>15,343</u>	<u>66</u>	<u>18,400</u>
Total revenues	<u>64,684</u>	<u>91,862</u>	<u>128,728</u>	<u>173,773</u>
Costs and expenses:				
Cost of revenues:				
Software solutions	2,447	3,459	5,850	8,386
Services and maintenance	24,105	26,656	47,440	55,341
Contract	–	1,575	–	1,575
Sales and marketing	12,353	15,155	23,307	33,523
Research and development	8,579	9,085	17,277	20,885
General and administrative	11,703	11,592	25,158	37,235
Restructuring charges and adjustments	(95)	(235)	(145)	11,613

Total costs and expenses	<u>59,092</u>	<u>67,287</u>	<u>118,887</u>	<u>168,558</u>
Operating income	<u>5,592</u>	<u>24,575</u>	<u>9,841</u>	<u>5,215</u>
Non-operating (expense) income, net:				
Realized gains on investments, net	–	11,000	591	10,697
Other expense, net	<u>(510)</u>	<u>(5,021)</u>	<u>(944)</u>	<u>(9,478)</u>
Total non-operating (expense) income, net	<u>(510)</u>	<u>5,979</u>	<u>(353)</u>	<u>1,219</u>
Income before income taxes	5,082	30,554	9,488	6,434
Income tax expense	<u>1,297</u>	<u>1,825</u>	<u>3,311</u>	<u>3,407</u>
Income from continuing operations	<u>3,785</u>	<u>28,729</u>	<u>6,177</u>	<u>3,027</u>
Income from discontinued operations, net of taxes	–	3,496	–	4,706
Net income	<u>\$3,785</u>	<u>\$32,225</u>	<u>\$6,177</u>	<u>\$7,733</u>
Preferred stock dividend and accretion of discount	<u>770</u>	<u>749</u>	<u>1,399</u>	<u>1,492</u>
Net income applicable to common stockholders	<u>\$3,015</u>	<u>\$31,476</u>	<u>\$4,778</u>	<u>\$6,241</u>
Net income per common share applicable to common stockholders:				
Total:				
Basic	\$0.12	\$1.36	\$0.19	\$0.27
Diluted	\$0.12	\$1.33	\$0.19	\$0.26

Discontinued operations

Basic

\$- \$0.15 \$- \$0.20

Diluted

\$- \$0.15 \$- \$0.19

Continuing operations including preferred stock dividend and accretion of discount

Basic

\$0.12 \$1.21 \$0.19 \$0.07

Diluted

\$0.12 \$1.18 \$0.19 \$0.07

Weighted-average common shares outstanding:

Basic

25,247 23,160 25,221 23,077

Diluted

25,699 23,638 25,738 23,610

i2 TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
	(unaudited)	(unaudited)
Cash flows provided by (used in) operating activities:		
Net income	\$6,177	\$7,733
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,695	3,959
Stock option expense	7,104	-
Amortization of deferred compensation	228	457
Gain on extinguishment of debt	(3)	-
Gain on sale of securities	(501)	(11,000)
(Gain) loss on disposal of equipment	(29)	745
Provision for bad debts charged to costs and expenses	64	121
Deferred income taxes	549	253
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable, net	3,195	8,848
Deferred contract costs	-	1,580
Other current assets	2,893	2,841

Accounts payable	(1,035)	(1,858)
Accrued liabilities	(10,237)	(912)
Accrued compensation and related expenses	(4,463)	(4,129)
Deferred revenue	4,475	(17,617)
Net cash provided by (used in) operating activities	12,113	(8,979)
Cash flows used in investing activities:		
Restrictions (added to) released from cash	(262)	2,097
Purchases of premises and equipment	(1,267)	(1,527)
Proceeds from sale of premises and equipment	141	–
Purchases of short-term investments	–	(39,200)
Proceeds from sale of short-term investments	–	16,850
Proceeds from sale of securities	501	11,000
Business acquisition	(569)	–
Purchases of long-term investments	–	(500)
Net cash used in investing activities	(1,456)	(11,280)
Cash flows provided by financing activities:		
Repurchase of debt	(3,149)	–

Proceeds from sale of convertible debt	7,500	–
Payment of debt issuance costs	(483)	–
Net proceeds from common stock issuance from options and employee stock purchase plans	754	337
Proceeds from sale of common stock, net of issuance costs	–	14,950
Net cash provided by financing activities	<u>4,622</u>	<u>15,287</u>
Effect of exchange rates on cash	439	(2,536)
Net change in cash and cash equivalents	15,718	(7,508)
Cash and cash equivalents at beginning of period	<u>112,882</u>	<u>133,273</u>
Cash and cash equivalents at end of period	<u>\$128,600</u>	<u>\$125,765</u>

Supplemental cash flow information

Interest paid	\$2,688	\$8,312
Income taxes paid (net of refunds received)	\$2,587	\$3,457

Schedule of non-cash financing activities

Preferred stock dividend and accretion of discount	\$1,399	\$1,492
--	---------	---------

i2 TECHNOLOGIES, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(\$ in thousands, except per share data)

	Q2 2006			
	GAAP Results	Net Contract Revenue	Stock Option Expense	Non-GAAP Results
Revenue	\$64,684	\$(33)	\$ –	\$64,651
Costs and expenses	<u>59,092</u>	<u>–</u>	<u>(3,452)</u>	<u>55,640</u>
Operating income	5,592	(33)	3,452	9,011
<i>Operating margin</i>	8.6 %			13.9 %
Non-operating expense	<u>510</u>	<u>–</u>	<u>–</u>	<u>510</u>
Pre-tax income	5,082	(33)	3,452	8,501
Less: Income tax expense (1)	1,297	–	–	1,297
Less: Preferred dividend and accretion of discount	<u>770</u>	<u>–</u>	<u>–</u>	<u>770</u>
Net income from continuing operations including preferred stock dividend and accretion of discount	<u>\$3,015</u>	<u>\$(33)</u>	<u>\$ 3,452</u>	<u>\$6,434</u>
Diluted EPS from continuing operations including preferred stock dividend and accretion of discount	\$0.12	\$(0.00)	\$ 0.13	\$0.25
	Q2 2005			
	GAAP Results	Net Contract Revenue	Stock Option Expense	Non-GAAP Results
Revenue	\$91,862	\$(15,343)	\$ –	\$76,519
Costs and expenses	<u>67,287</u>	<u>(1,575)</u>	<u>–</u>	<u>65,712</u>
Operating income	24,575	(13,768)	–	10,807

<i>Operating margin</i>	26.8 %			14.1 %
Non-operating income	<u>5,979</u>	<u>–</u>	<u>–</u>	<u>5,979</u>
Pre-tax income	30,554	(13,768)	–	16,786
Less: Income tax expense (1)	<u>1,825</u>	<u>–</u>	<u>–</u>	<u>1,825</u>
Income from continuing operations	28,729	(13,768)	–	14,961
Add: Income from discontinued operations, net	3,496	–	–	3,496
Less: Preferred dividend and accretion of discount	<u>749</u>	<u>–</u>	<u>–</u>	<u>749</u>
Net income applicable to common stockholders	\$31,476	\$(13,768)	\$–	\$17,708
Less: Income from discontinued operations, net	3,496	–	–	3,496
Net income from continuing operations including preferred stock dividend and accretion of discount	<u>\$27,980</u>	<u>\$(13,768)</u>	<u>\$–</u>	<u>\$14,212</u>
Diluted EPS from continuing operations including preferred stock dividend and accretion of discount	\$1.18	\$(0.58)	\$–	\$0.60

(1) Adjustments to the company's GAAP results do not include a tax effect due to the company's current tax position

i2 TECHNOLOGIES, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(\$ in thousands, except per share data)

	YTD 2006			
	GAAP Results	Net Contract Revenue	Stock Option Expense	Non-GAAP Results
Revenue	\$128,728	\$(66)	\$ -	\$128,662
Costs and expenses	<u>118,887</u>	<u>-</u>	<u>(7,104)</u>	<u>111,783</u>
Operating income	9,841	(66)	7,104	16,879
<i>Operating margin</i>	7.6 %			13.1 %
Non-operating expense	<u>353</u>	<u>-</u>	<u>-</u>	<u>353</u>
Pre-tax income	9,488	(66)	7,104	16,526
Less: Income tax expense (1)	3,311	-	-	3,311
Less: Preferred dividend and accretion of discount	<u>1,399</u>	<u>-</u>	<u>-</u>	<u>1,399</u>
Net income from continuing operations including preferred stock dividend and accretion of discount	<u>\$4,778</u>	<u>\$(66)</u>	<u>\$ 7,104</u>	<u>\$11,816</u>
Diluted EPS from continuing operations including preferred stock dividend and accretion of discount	\$0.19	\$(0.00)	\$ 0.27	\$0.46
	YTD 2005			
	GAAP Results	Net Contract Revenue	Stock Option Expense	Non-GAAP Results
Revenue	\$173,773	\$(18,400)	\$ -	\$155,373
Costs and expenses	<u>168,558</u>	<u>(1,575)</u>	<u>-</u>	<u>166,983</u>
Operating income	5,215	(16,825)	-	(11,610)

<i>Operating margin</i>	3.0	%		(7.5	%)
Non-operating income	<u>1,219</u>	<u>-</u>	<u>-</u>	<u>1,219</u>	
Pre-tax income	6,434	(16,825)	-	(10,391)	
Less: Income tax expense (1)	<u>3,407</u>	<u>-</u>	<u>-</u>	<u>3,407</u>	
Income from continuing operations	3,027	(16,825)	-	(13,798)	
Add: Income from discontinued operations, net	4,706	-	-	4,706	
Less: Preferred dividend and accretion of discount	<u>1,492</u>	<u>-</u>	<u>-</u>	<u>1,492</u>	
Net income applicable to common stockholders	\$6,241	\$(16,825)	\$-	\$(10,584)	
Less: Income from discontinued operations, net	4,706	-	-	4,706	
Net income from continuing operations including preferred stock dividend and accretion of discount	<u>\$1,535</u>	<u>\$(16,825)</u>	<u>\$-</u>	<u>\$(15,290)</u>	
Diluted EPS from continuing operations including preferred stock dividend and accretion of discount	\$0.07	\$(0.71)	\$-	\$(0.64)	

(1) Adjustments to the company's GAAP results do not include a tax effect due to the company's current tax position

i2 TECHNOLOGIES, INC.
KEY PERFORMANCE INDICATORS
(unaudited)

	<u>2Q 05</u>	<u>3Q 05</u>	<u>4Q 05</u>	<u>1Q 06</u>	<u>2Q 06</u>
Software solutions bookings (\$ in millions) (1)	\$8.7	\$4.6	\$11.8	\$9.4	\$14.9
Platform technology bookings (\$ in millions)	\$10.0	\$-	\$-	\$-	\$10.5
Total bookings (\$ in millions) (2)	N/A	N/A	\$81.4	\$61.6	\$75.4
Total revenue recognized by region					
Greater APAC	20 %	20 %	20 %	21 %	23 %
EMEA	32 %	21 %	13 %	19 %	18 %
Americas	48 %	59 %	67 %	60 %	59 %
Total revenue	100 %	100 %	100 %	100 %	100 %
Software solutions transactions recognized > \$1M	3	1	3	3	3
Average amount recognized (in \$ thousands)	\$211	\$279	\$486	\$244	\$223
Deferred contract costs (in \$ millions)	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
Deferred revenue - contract (in \$ millions)	\$31.8	\$30.8	\$7.6	\$7.6	\$7.5
Deferred revenue - other	<u>\$116.5</u>	<u>\$99.4</u>	<u>\$92.3</u>	<u>\$86.1</u>	<u>\$96.0</u>
Total deferred revenue	\$148.3	\$130.2	\$99.9	\$93.7	\$103.5
Days sales outstanding	26	31	32	32	32
Total headcount	1,345	1,268	1,257	1,259	1,277

Direct sales representatives

43

40

37

42

44

1. Software solutions bookings includes bookings for recurring transactions, beginning in the first quarter of 2006.
2. Total bookings represents potential future revenue that was sold each quarter, including platform technology bookings