CENIT AG SYSTEMHAUS / ANNUAL REPORT 2000

ANNUAL REPORT 2000

CENIT AG SYSTEMHAUS

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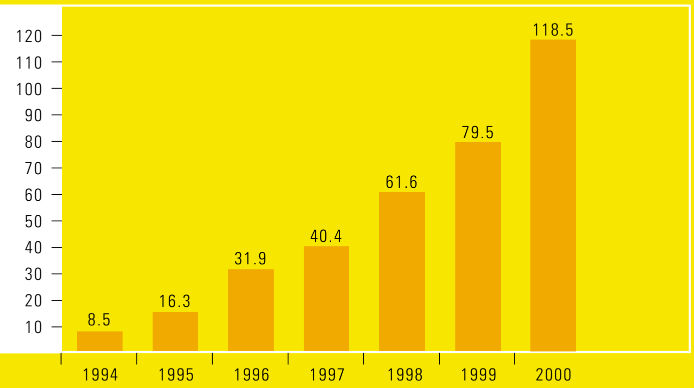
THE CENIT GROUP AT A GLANCE

in million units if not stated otherwise	2000	1999	1998
PERFORMANCE FIGURES			
Sales	118.5	79.5	61.6
Gross profit	63.8	40.5	30.3
Depreciation	3.8	1.80	1.30
Net income	–0.59	3.21	1.62
Operating earnings (EBIT)	1.30	5.7	5.0
Cash flow	–13.12	5.00	2.92
BALANCE SHEET FIGURES			
Total assets	81.5	41.99	36.49
Shareholders' equity	42.33	25.80	23.09
Investments	34.2	2.92	2.49
KEY FINANCIAL RATIOS			
Return on sales	–0.01%	4.15%	2.90%
EBIT/sales	1.33%	7.2%	8.1%
Equity ratio	51.95%	61.44%	63.28%
Return on equity	–0.02%	15.31%	9.19%
Earnings per share acc. to IAS (EUR)	–0.15	0.80	0.41
Dividend amount (EUR)	0	1.0	0.51
Number of shares (in million units)	4.183	4	1
Dividend per share (EUR)	0	0.25	0.51
Number of employees (as at December 31st)	870	440	315

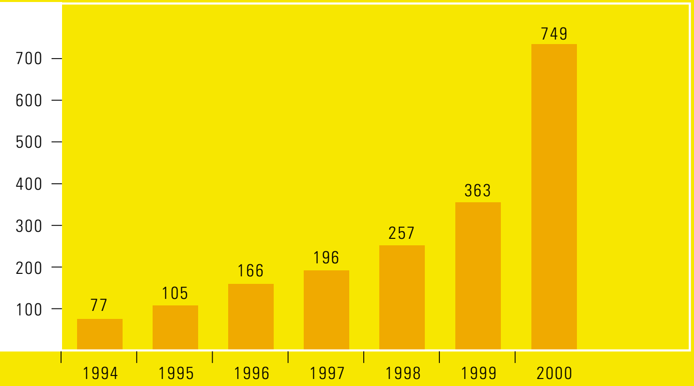
DEVELOPMENT OF SALES

in mill. EUR



DEVELOPMENT OF THE WORKFORCE

(ANNUAL AVERAGE)



EXECUTIVE BOARD _ CENIT

>> > ANDREAS SCHMIDT >> FALK ENGELMANN >> HUBERTUS MANTHEY > NORBERT FINK

DEAR SHAREHOLDERS,

The year 2000 was extremely important for our company and was very successful in terms of further strategic development. We are proud to have succeeded in achieving the targeted internationalization, so eminently important for our markets. In addition to our offices throughout Germany, our company now operates subsidiaries in Great Britain and Switzerland as well as in France, the USA, Canada and Mexico. This has laid the groundwork for our market successes in the future. The CENIT AG Systemhaus can now take better advantage of continuing globalization of the markets in its position as the world's market leader in system integration for CAD/CAM technologies and, building upon this foundation, vigorously develop the rapidly growing e-business and IT services divisions. More than 870 employees around the world represent healthy staff growth. Naturally, expansion steps such as these require effective management and steering within the corporation so as to recognize potential risks at an early date and to have proven corrective measures on hand. That is why the integration of the new subsidiaries and efficient exploitation of the targeted synergy potentials have been and will be a central element in our future corporate objectives. The capital we put up to acquire Desktop Engineering, Ltd. in the UK, L&H Consultants Inc. in Canada, and Spring Technologies S.A. in France reflects fair purchase prices and is an expression of our cost-conscious finance policies.

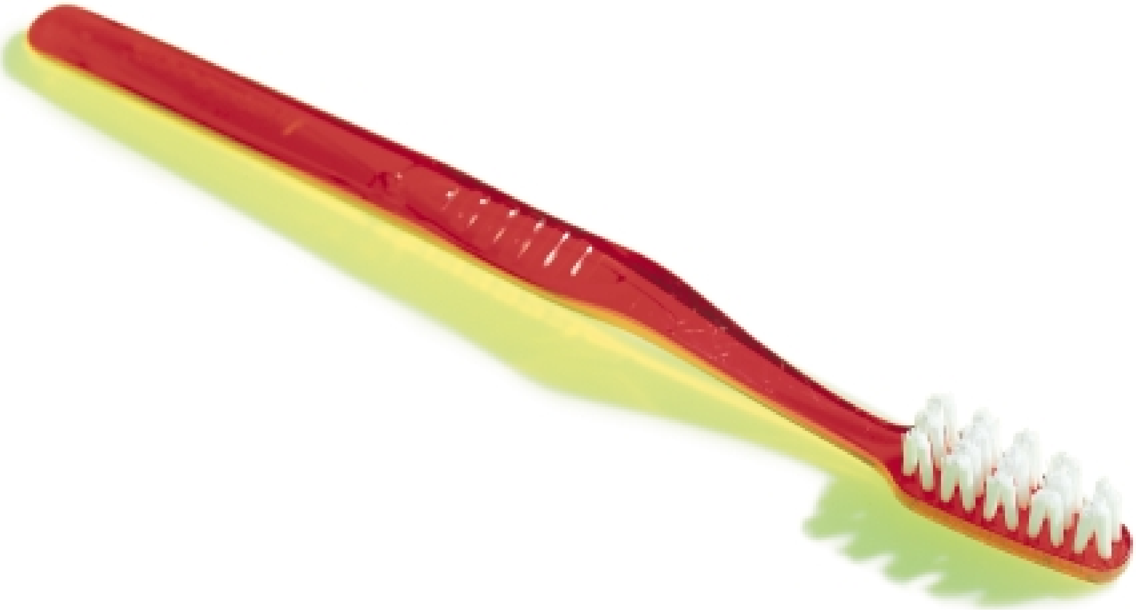
During the past twelve months of the year 2000 we have taken a significant step towards our goal of becoming the global engine for the implementation of business processes using web-based technologies. We are available as a partner for the leading technology front-runners – such as IBM, SAP, Microsoft, Sun, Hewlett Packard, INTERSHOP, LOTUS, fileNET, Tivoli and CAA vehicle communications systems – working together in healthy and successful cooperative arrangements. In addition to the ongoing collaboration with the vital and robust automotive industry – with makes such as Volkswagen, DaimlerChrysler, General Motors, Porsche, Honda, BMW and Ferrari – we have been extremely successful in pursuing further development in fields to which we are new. With Allianz insurance, DWS – Deutsche Bank Group, MLP financial services group, Schwäbisch Hall building society, Wüstenrot mortgage saving scheme, GZ-Bank, Airbus, DaimlerChryslerAerospace, EADS Airbus, BOEING, BOMBARDIER, DFS Deutsche Flugsicherung air traffic control corporation, Deutscher Wetterdienst weather forecasting services, Siemens, ABB, Hugo Boss and Quelle – to name just a few major customers – we have established ourselves as a competent partner and services provider for the industries most important to us.

You, as shareholders, will be fully aware that the year 2000 was characterized by intense turbulence on the Neuer Markt for new technologies and this did not fail to have an effect on us. If one compares quote development of our CENIT shares with the NEMAX technologies index, then great similarities will readily be ascertained. Although in the course of the year our shares lost almost 50 per cent of their peak quotation, we nonetheless rank in the better upper third of the 336 companies listed in the Neuer Markt exchange as per December 31, 2000. We have always reported on our corporation promptly, correctly and realistically. This is also true for the research reports prepared by the international banks which follow our efforts, including the BW Bank Stuttgart, Dresdner Kleinwort Wasserstein in London and Frankfurt, the DG Bank in Frankfurt, the Hypovereinsbank in Munich and the investment bankers Cazenove & Co Fund Management Ltd. of London.

We want to express our appreciation for the confidence you have placed in us and our shares in recent years. With twelve years of unbroken corporate growth – in some cases at rates exceeding 40 per cent – and always closing out in the black, even in the most difficult of times, we honestly feel that we have continued to merit your trust.

Sincerely yours,

Falk Engelmann
Chairman of the Executive Board



02/16/ CONTINUATION OF INTERNATIONALIZATION EFFORTS WITH THE TAKEOVER OF DESKTOP ENGINEERING, LTD., UK.

02/23/ COOPERATION AGREEMENT WITH SILICON GRAPHICS, INC., OF MOUNTAIN VIEW, CALIFORNIA.

03/28/ PRESS CONFERENCE DETAILING THE ANNUAL REPORT: DOUBLE-DIGIT GROWTH RATES IN 1999.

04/06/ IMPLEMENTING AT THE LBS STATE BUILDING SOCIETIES THE IDT MAILROOM SOLUTION ENGINEERED BY PHOENIX TECHNOLOGY, THE IRISH SOFTWARE DEVELOPER.

04/18/ WITH THE TAKEOVER OF SPRING TECHNOLOGIES S.A. IN FRANCE, CENIT BECOMES A KEY PLAYER IN THE FRENCH E-BUSINESS MARKET.

05/23/ SIGNIFICANT STEP FORWARD IN GLOBALIZATION BY ACQUIRING L&H CONSULTANTS, INC., IN MONTREAL AS A WHOLLY-OWNED SUBSIDIARY.

05/31/ THE INTERNATIONAL EXPANSION COURSE IS APPROVED BY SHAREHOLDERS AT THE ANNUAL GENERAL MEETING.

07/18/ CENIT SWITZERLAND LANDS A MAJOR CONTRACT, PLACED BY THE SWISS COOP RETAILING GROUP.

07/18/ FOLLOW-ON COMMISSION FROM VW, FOR LINKING ADDITIONAL CAD/CAM SYSTEMS TO MORE THAN 1,000 WORKPLACES.

09/06/ SAP ADOPTS THE "SAP'S PLM INTEGRATION FOR CATIA" – DEVELOPED BY CENIT – AS A STANDARD COMPONENT FOR WORLD-WIDE USE.

09/28/ COOPERATION AGREEMENT WITH THE CAA AG, FILDERSTADT, IN THE FIELD OF M-COMMERCE.

02/16/

With the takeover of Desktop Engineering, Ltd. in the UK, the CENIT AG Systemhaus continues on its course toward internationalization. This acquisition represents a decisive reinforcement of the CENIT AG market position not only in sales but above all in the services sector. This IT sales and services organization, Desktop Engineering, has stood its ground on the British market for more than ten years now. Among its many interests, Desktop devotes efforts to the use of Web-based software tools for knowledge management. Any desired resources, such as the Internet, can be mined for useful knowledge by intelligent search robots. This data is then made available in a company-wide intranet database.

02/23/

CENIT and Silicon Graphics, Inc., Mountain View, California, have entered into a cooperative arrangement in the field of immersive solutions in order to concentrate the available know-how and to draw upon common research in their activities. Immersive solutions represent a further refinement of classical virtual reality capabilities and are used wherever data needs to be visualized and evaluated. CENIT handles sales here while SGI is responsible for tasks ranging from planning through to implementation. The presentation of the first prototype for the new CATIA V5-VR solution at the CeBIT 2000 was the kick-off for this cooperative effort.

SUCCESS STORIES

04/06/

CENIT lands a contract awarded by the LBS state building societies to implement the IDT mailroom solution engineered in Ireland by the software developers Phoenix Technology Group, Ltd. This system will allow the LBS to process queries in a rapid and tightly controlled manner. Every significant item of information is available to processing clerks at all times. The resulting enormous reduction in response times will boost customer satisfaction considerably, a major objective of this project. In the initial phase, 180 workplaces will be equipped with this solution. Later expansion will encompass 620 employees, with the option of linking the company's call center into the mail-room solution, as well.

04/18/

The CENIT AG Systemhaus successfully continues its globalization strategy with the acquisition of Spring Technologies S.A. and in doing so has become one of the major driving forces behind the rapidly growing e-business market in France. The Spring Technologies Group with headquarters in Paris and offices in the leading French industrial centers – including Lyon, Toulouse, Nantes and Sochaux – enjoys a preeminent position in France. Among the customers served by over 150 IT and Web specialists at Spring Technologies, S.A., are renowned corporations such as Renault, Peugeot, Citroen and Aerospatiale. Creating marketplaces for the automotive supply industry, developing Web-based solutions for workflow and document management, and amassing the know-how required to set up and operate the most complex of e-commerce infrastructures are among the capabilities offered to clients by the innovative business units.

SUCCESS STORIES

05/23/

When L&H Consultants, Inc., Montreal, Canada, was acquired as a wholly-owned subsidiary CENIT gained a foothold in the world's most important IT market, thus permanently bolstering its market position as a systems vendor operating at global scale. This takeover brings with it a multitude of valuable synergy effects. Thus CENIT – with offices at Montreal, Toronto, Charlotte, Detroit and Mexico City – will also be able to provide comprehensive support inside North America for those of its customers which are active at international scale. Over and above that, all the companies within the CENIT group will profit from the prevailing technology lead in North America, this particularly being the case for the development and deployment of Web technologies. Included among the international clientele served by approximately 160 employees at L&H are such renowned companies as Boeing, Bombardier, DaimlerChrysler, Honda, Ferrari and Hyundai.

07/18/

Just five months after opening its Swiss subsidiary, the CENIT AG Systemhaus has landed its first major contract. A Web-based, company-wide solution for document management is to be installed for the Coop Switzerland retail merchandising group. With an overall contract volume of one million Swiss Francs, this commission includes complete implementation at about 6000 workplaces.

07/18/

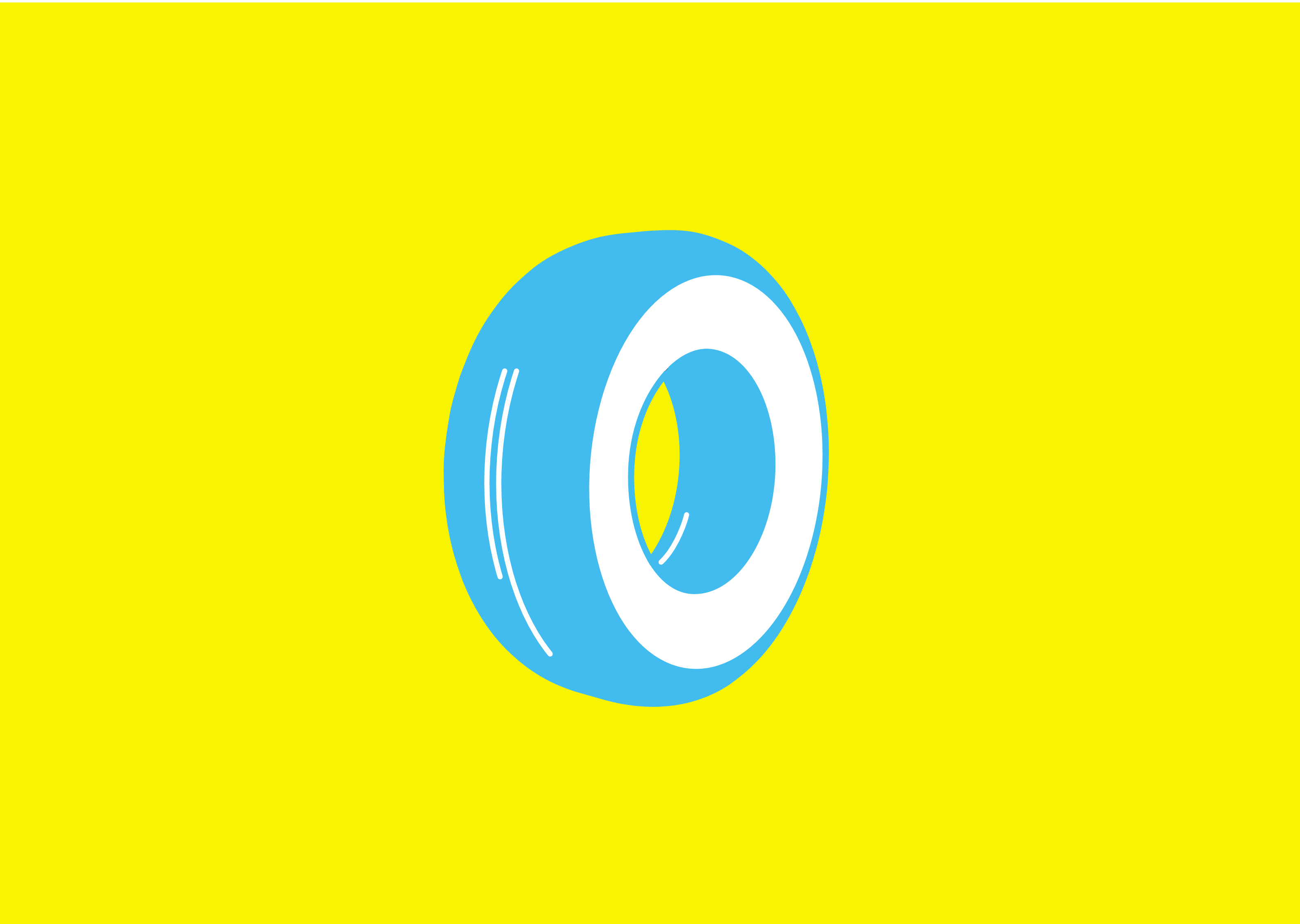
The CENIT AG Systemhaus has been awarded a follow-on order by VW, in the amount of € one million. Since 1996, CENIT has been responsible for the employment of the CATIA CAD/CAM system and is now to implement other systems and outfit more than 1000 workplaces.

09/06/

SAP adopts a product developed by the CENIT AG Systemhaus – SAP's PLM* Integration for CATIA – for use as a standard component around the world. The associated contract, providing for joint sales of the CATIA/SAP integration, opens up new market potentials for CENIT, particularly in back-up and support for SAP/PLM introduction. Formula-1 racing customizer Sauber Petronas has been gained as the first reference customer for a CATIA/SAP integration launch.

09/28/

The CENIT AG Systemhaus and CAA AG, Filderstadt, Germany, conclude a far-reaching strategic cooperation agreement in the fields of m-commerce and m-service, targeting initial sales volume of more than € 5 million. Utilizing the latest standards in transmission technology as the basis, CAA enables communication in vehicles: CENIT delivers the complete infrastructure along with the software platforms needed for developing and operating m-commerce applications in the car. The project provides a full spectrum of vehicular communications: preventive maintenance via the Internet, repair shop assistance anywhere and anytime, monitoring and assessing a wealth of vehicle data captured in the vehicle for viewing and analysis via the Internet in the safety and comfort of the home. If desired, data can be forwarded to repair shops or the manufacturer. The mobile office will become reality – maintaining the user's appointment calendar and e-mails while on the road. Shopping from the parking lot will be possible and, in the future, providing the passengers with a movie. The role assumed by CAA AG is to develop and engineer complex, integrated motorist information systems based on the CAA software platform. CENIT supplies the complete infrastructure together with the software platform used for the development and the operation of m-commerce applications in the motor vehicle.



CENIT IS RUNNING FULL SPEED AHEAD

SITUATION REPORT FOR THE COMPANY AND THE GROUP, 2000

3,900,000,

WORLD MARKET FOR INFORMATION AND TELECOMMUNICATIONS TECHNOLOGY
SOURCE: BITKOM

1. OVERALL ECONOMIC DEVELOPMENT

The overall economic picture in Germany during the year 2000 was characterized by stable growth. Current estimates published by the Federal Statistics Office indicate that gross domestic product grew by 3 per cent (1.6 per cent in 1999). Unemployment dropped slightly and certain important political decisions have brought about a marked improvement in the operating environment.

Primary among these is the corporate taxation reform which not only provides relief on the corporate cost side but also permits the tax-free sale of holdings in joint stock companies. It is this latter item in particular which will stimulate holdings management and create improved opportunities to enter into strategic partnerships and expand the market position by way of acquisitions.

The German export trade rang up new records, particularly in the second half of the year. In Western Europe growth remained relatively strong, in the opinion of the Deutsche Bundesbank, although business lost some momentum toward the close of the year. The cooling economic climate in the US.was a very significant issue in this field.

2. DEVELOPMENTS IN THE IT INDUSTRY

The world market for information and telecommunications technology registered 10 per cent in turnover growth last year, rising to 3.9 trillion DM, according to a current market study conducted by the National Information, Telecommunications and New Media Industry Association (BITKOM). The three most important markets – the USA, Europe and Japan – accounted for 70 per cent of this growth. The largest single national market, after the USA and Japan, is Germany with about six per cent.

There is no doubt that one of the major driving forces in the overall favorable business situation was the information and telecommunication industry. According to the 2001 Market Study carried out by the BITKOM, this sector continued to ride the crest of an ongoing wave in the past year. Between 1999 and 2000 turnover in information technology and telecommunications, as a share of German gross domestic product, rose by 0.4 per cent to 5.7 per cent. In the year 2000, this share was 6.3 per cent for Western Europe and 8.7 per cent for the U.S.A.

Weakened investment activity in information technology – noticeable above all in the USA in the fourth quarter of 2000 – could have an effect on the industry's developments in Europe. Growth in IT investments shrank from more than

000,000 DM

30 per cent in the first quarter to just ten per cent in the fourth quarter.

3. POSITIONING AND STRATEGY FOR THE CENIT GROUP

Seen as a whole, the favorable business situation in Germany and Europe had a positive influence on CENIT Group business, particularly in the first three quarters. In the year just closed, the CENIT AG Systemhaus Group was able to establish itself as one of the leading IT systems houses and service providers not only in Germany and in Europe but – to an ever increasing extent – all around the globe. Operating on this solid foundation, we intend to become the worldwide engine behind the implementation of business processes based on Internet technologies. Our prime areas of interest are subdivided into the e-engineering and e-business divisions.

In the e-business division we link the extensive opportunities offered by the Internet, intranets and extranets with procedures internal to the companies, thus creating seamless processes. The spectrum of our capabilities includes solutions for e-commerce incorporating Intershop, imaging, workflow, document and content management using FileNET and groupware solutions based on Lotus Notes/Domino.

The e-engineering division focuses on products and services associated with the entire product generation processes. With the help of innovative technologies – e-design, e-manufacturing, PDM product data management, infrastructures, hardware and consulting – our portfolio embraces the entire process chain, from the initial idea, through development and engineering, and all the way to manufacturing.

In both business divisions we fashion for our clients turnkey solutions and IT systems based on market standard concepts such as CATIA, Tivoli, FileNET, Lotus Notes, Delmia and Enovia. These generally attain a level of significance which becomes crucial to the company's operations. The products which we have developed ourselves, such as the "SAP PLM Integration for CATIA," make it possible to integrate a diversity of systems.

Following the premises inherent to the full-service concept, our portfolio includes consulting for system conceptualization, implementation and operation as well as complete outsourcing, training and schooling. We also support our customers in procuring and configuring the required hardware.

With this business model we have been successful in always turning a profit, ever since the CENIT GmbH was founded

118.5

twelve years ago. One of the pillars of the corporate strategy is participation in strategic partnerships such as those now in place with IBM, Dassault, SAP, Lotus, Tivoli, FileNET and Intershop.

The IPO at mid-1998 and the capital reaped in that effort were devoted to further expansion of our enterprises – not only geographically but also in the individual business divisions. CENIT has advanced to become a multi-CAD vendor for many industries, including aviation, naval and mechanical engineering and the automotive and consumer goods industries. The e-business division is being strongly expanded. Today we offer solutions for electronic document management, collaborative commerce, systems and service management for the financial services industry and for mercantile and utility companies, along with mobile commerce concepts.

Within the framework of further internationalization at CENIT, top priority has been assigned to establishing a brand name and presence known around the world.

Among our clients are top references in the business world. We work with EADS-Airbus, Boeing, Bell Helicopter, ABB, Chrysler, Bombardier, the Allianz and R+V-Versicherung insurance companies, GZ-Bank, the Metro and Quelle retail organizations, Honda, Porsche, BMW, VW, General Motors and Ferrari.

4. PROGRESS OF BUSINESS FOR THE CENIT GROUP DURING 2000

4.1 Primary indicators for the Group (turnover and yields)

In the 2000 business year the CENIT AG Systemhaus Group achieved its planned turnover level. Consequently, consolidated turnover for the group grew by 49 per cent and attained the targeted level at € 118.5 million. In comparison with the previous year's turnover, at € 79.5 million, this represents a rise of just about € 39 million. Gross returns grew by 57 per cent to € 63.8 million (from 40.5 in 1999). It was also possible to register a growth of about 72 per cent in order receipts. The Group's operating returns (EBIT) dropped to € 1.3 million due to the massive expenditures devoted to internationalization. The amortization of goodwill represented a burden of € 1.2 million on the EBIT. Pre-tax profits (EBT) came to € 1.0 million. Calculated yields came to € -0.15 per share (undiluted as per IAS). In the reporting year the CENIT AG Systemhaus Deutschland was able to achieve turnover of € 92.3 million (1999: € 77.7 million) and operating returns (EBIT) of € 3.2 million (1999: € 5.6 million).

The Executive Board and the Supervisory Board will propose to the Annual

mil.€

CONSOLIDATED TURNOVER FOR THE CENIT GROUP 2000

General Meeting on June 20, 2001, that the year's surplus at the CENIT AG be appropriated to retained income.

4.2 The year's highlights

The overall positive business developments were also reflected in an excellent order situation. In 2000 we were the most successful partners to IBM and Dassault in regard to the CATIA, ENOVIA and DELMIA products. We were also able to enter into further strategic cooperative and partnership arrangements. Thus we developed an m-commerce solution for the automotive industry, working in collaboration with the CAA AG, a firm whose shares are traded on the Neuer Markt exchange. In cooperation with ENOVIA we jointly developed an SAP/VPM interface. SAP has selected CENIT for its strategic partner for CATIA/PLM integration and is marketing our software worldwide.

Alfred Kärcher GmbH & Co., a renowned manufacturer of cleaning equipment, commissioned CENIT with the introduction of Tivoli. At the same time it was possible to carry out to completion a key project for Kärcher – integrating SAP with the CATIA Direct Interface at 150 workplaces. This is the worldwide roll-out for this solution. In the field of outsourcing we were able to conclude major, long-term contracts with BMW, VW, Mann+Hummel and Allianz.

Developments in order receipts in the e-business sector have been particularly gratifying. The REWE retailing company selected CENIT for the introduction of FileNET; the Bosch GmbH commissioned the further refinement of its internal electronic marketplace; BusinessMart AG gave us the assignment to develop and introduce a virtual marketplace for power tools. At the same time it was possible for CENIT to wrap up development for a variety of e-business products. Among those products was an online shop, based on Intershop Enfinity, to be found at www.beautyspy.com.

5. INVESTMENTS

Investments at the CENIT AG in tangible and intangible assets came to € 5.3 million in 2000. The major share, € 3.6 million, was dedicated to software licenses. A further € 1.7 million was sunk in the expansion of the technical infrastructure and business furnishings and fittings. This represents an increase in investments by 89 per cent.

Depreciation on tangible and intangible assets rose by € 377,000 to € 2.1 million.

The CENIT AG financial assets climbed, resulting from the acquisition of several company groups – Desktop Engineering Ltd. of Great Britain, Spring Technologies

GERMANY / SWIT
FRANCE / GREAT
CANADA / USA / M

SA in France, and L&H Consultants Inc. in Canada – from € 27.5 million to € 27.6 million.

Depreciation on financial assets at CENIT AG came to € 37,000.

Investments undertaken by the CENIT Group amounted to € 34.2 million; tangibles and software licenses accounted for € 8.0 million while securities accounted for € 26.2 million.

6. HOLDINGS

6.1 STRATEGIC GOALS

Internationalization was the watchword in 2000. We have come a great step closer to our objective of developing a global brand identity. To this end we have acquired three company groups, involving investments of € 27.6 million. This was partially funded in cash, in shares and by way of stock options.

Consequently the CENIT Group is represented in the following international markets: Germany, Switzerland, France, England, North America and Central America.

As a world market leader in system integration for CAD/CAM technologies, CENIT is predestined to capitalize on the opportunities presented by further globalization of markets and, on this basis, to further develop the rapidly growing e-business segment.

6.2 CENIT AG Schweiz

CENIT AG Schweiz launched business operations at the start of the year 2000. The product portfolio is tailored to the needs of Swiss financial service providers and the Swiss manufacturing industry. Start-up losses had been projected for the year under report, these being associated with the new subsidiary's gaining a foothold on the Swiss market. The contribution to group turnover amounted to € 1.5 million and we are planning, based on further strong growth, to report balanced results for the year 2001.

6.3 Desktop Engineering, Ltd.

With the takeover of the Desktop Engineering Ltd. company group in Great Britain we assumed ownership of a CAE systems house well established in local industry. The purchase price for Desktop Engineering came to € 1.3 million. The crisis in the British automotive industry impacted our business. Desktop Engineering Ltd. contributed € 2.5 million to group turnover in 2000. The company operated at a loss.

We are planning to transfer operative business to a large extent to CENIT Ltd. U.K. and to appear on the market under that name.

ZERLAND /
BRITAIN /
EXICO

LOCATIONS CENIT

6.4 CENIT Ltd. U.K.

Also seriously affected by the automotive industry situation in Great Britain was our Manchester-based subsidiary, CENIT Ltd. U.K., resulting in that firm's shortfall for the year. The CENIT AG has secured the subsidiary's equity capital and has taken account of the situation by way of appropriate adjustments in the postings. We are planning to double turnover in 2001, including the contributions made by Desktop Engineering, while at the same time stabilizing the business. The firm is expected to break even.

6.5 Spring Technologies SA (France)

In assuming control of the Spring Technologies SA group of companies we were able to acquire one of France's leading CAE systems houses. Spring Technologies was taken over in May of 2000 for a purchase price of € 8.6 million. In the 8 months during which Spring was a member of the CENIT Group consolidated companies, it registered a profit on sales of € 12.7 million. This acquisition ensures a successful entry to the French market. With locations in Paris, Toulouse, Sochaux, Lyon and Nantes we cover the major industrial centers. We are projecting growth to € 17 million for 2001, closing out with a significant surplus.

6.6 L&H Consultants Inc. and SolidXperts (Canada / USA)

A further significant step toward CENIT's globalization goals was achieved by acquiring the L&H group of companies. This leading CAE systems house, with offices in the USA, Canada and Mexico, was taken over last May. With the purpose of acquiring the L&H Group, the CENIT AG had founded the CSH (CENIT Systemhaus Holding Inc.) in Canada and the CCI (CENIT Canada Investments Inc.) as holding companies. A total of € 16.9 million was invested in this début. The L&H Group has been one of the CENIT Group consolidated companies since May of 2000. Its contribution to group turnover this year amounted to € 9.1 million. The company turned a profit, even though expectations were not attained. We are planning turnover of € 18 million for 2001.

The integration of the new subsidiaries and efficient realization of the synergy potentials we are striving for are central components in our future corporate objectives. The capital we put up to secure the Desktop Engineering Ltd., UK, L&H Consultants Inc., Canada, and Spring Technologies S.A., France, with EBIT factors ranging from 5.5 to 8, is a reflection of fair purchase prices. Amortization of goodwill within the CENIT Group amounted to € 1.2 million for the reporting year.

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7. ASSETS, FINANCIAL AND YIELDS PICTURE

The annual accounts for the CENIT AG Systemhaus show a balanced overall structure, one exhibiting long-term stability. The balance sheet total rose from € 40.7 million to € 71.6 million. Receivables from deliveries and services also grew by 35 per cent to € 26.5 million. It is necessary to keep in mind that December – accounting for more than 20 per cent of annual turnover – is the strongest month and that consequently the receivables on hand reached an exceptionally high level at the cut-off date.

The reduction in cash flow from current business activity at the CENIT AG came to € 12.4 million, resulting above all from the increase in stocks on hand and in the receivables due to deliveries and services. The cash flow from investment activity declined to € 31.1 million. Due to the acquisitions, which were partly paid for in cash, there was an outflow of liquid funds amounting to € 7 million in 2000. At the close of the reporting period liquid assets came to € 1.1 million. The increase in cash flow resulting from financial activities came to € 2.2 million and results essentially from increases in the share capital and the allocation to capital reserves resulting from the issuing of new shares to finance the acquisition of holdings.

Proceeds on turnover in the fields of consulting services and licensing rose by 19 per cent. Turnover in trade goods, due in particular to the poor general market situation in the hardware sector, declined slightly. The increase in gross revenue earnings is slightly higher than the growth in turnover. The rise in personnel expenditures within Germany, 24 per cent when compared with the previous year, reflects the 26 per cent growth in staffing. This is accompanied by a 38 per cent increase in operating outlays, due above all to amplified advertising and marketing activities along with integration expenditures for the Group (about € one million).

8. EMPLOYEES

In the 2000 business year CENIT AG Systemhaus invested more vigorously in expanding the company's international presence. In addition, staff expansion was actively pursued in the year just closed and this triggered an increase in the associated expenditures for training and office equipment and supplies. The CENIT Group employs 870 associates around the world, almost double the previous year's staffing level. 337 highly qualified employees were added to the company's payrolls by way of the acquisitions. Correspondingly, personnel costs rose by 75 per cent to € 40 million. At the cut-off date the loyees around world

CENIT AG employed a staff of 533.

The number of full-time employees is distributed across the various countries as enumerated below: 533 employees in Germany (+26 per cent), 16 employees in Switzerland, 40 in Great Britain (an increase of 135 per cent), 146 employees in France and 135 staff members in North and Central America. Engineers and technicians currently make up 80 per cent of our staff; there are 14 apprentices on board. In order to keep our employees' knowledge current, the CENIT Group devoted € 906,000 to schooling and in-service training.

With an average age of less than 35 years, we exhibit a nice mixture of young employees and experienced personnel. The high degree of motivation among the staff is demonstrated by a low rate of absence due to illness and low personnel fluctuation, at 9 per cent.

9. DEVELOPMENTS FOR CENIT STOCKS

The steep rise for growth issues at the start of 2000 and the ensuing free-fall in the international stock markets were not without their effects on the CENIT stocks. Even though we can point to an established business model and a long success story, our stock dropped from a high of € 46 in February 2000 to below € 20 at times. In spite of this unfavorable development, the shares are still in the better upper third of the 336 companies listed on the Neuer Markt exchange at the close of 2000; some of those firms had lost more than 95 per cent of their market value. In the meantime CENIT has proved to be able to isolate itself, at least in part, from the general market mood so that not every blip in the index was automatically echoed in the value of our shares. The closing quotation for the CENIT shares on December 31, 2000, was € 16.50.

10. RESEARCH AND DEVELOPMENT

With its vision of becoming a global engine for the implementation of Internet-based business processes, the CENIT AG has adopted a thoroughly innovative approach. In order to be able to realize this ambitious aim we develop our own autonomous software products and system solutions.

Two R&D projects in the reporting period are worthy of particular mention.

One of these was the “SAP PLM Integration for CATIA,” which was completed during the past year. This product, now available on the market, is already used by companies such as Thyssen and Bosch. Our objective is for this solution to make us, in conjunction with SAP, the world market leader in product data management.

CENIT WILL BE THE FOR IMPLEMENTING USING WEB-BASED

The second highlight is a strategic cooperation arrangement with the CAA AG, with the goal of developing an Internet-based motorist information system that provides the vehicle occupants access to Internet functions through the car's on-board computer. At the same time, it is planned to link the car's electronic assemblies, via the Internet, to shops, dealers or the manufacturer, thus enabling remote diagnostics and maintenance.

11. OPPORTUNITIES AND THREATS TO FUTURE DEVELOPMENT

Two-thirds of the CENIT Group customers are found in the manufacturing industry, with carmakers and their suppliers leading the field. Business cycles in the automotive industry could, under certain circumstances, have an effect on the business situation at CENIT. CENIT can, however, also support the automobile industry's rationalization efforts. Moreover, the company provides a wide-ranging spectrum of services in other fields such as financial services, utility companies or trading firms; it was possible to expand activities in those areas last year.

As IBM's worldwide leading sales partner for the CATIA CAD/CAM/CAE solution, CENIT pulls in a considerable share of its revenues with CATIA, either directly or indirectly. This gives rise to a certain degree of dependency on this system and on IBM. In order to minimize this risk, we are deliberately pursuing a path toward becoming a multi-CAD vendor.

The integration of the companies which we have taken over might be considered internal risk. CENIT can establish a global brand presence and exploit the resultant synergy effects only if we are successful in mobilizing the new employees and the know-how on hand to the benefit of the new corporate identity and to unify and harmonize the financial and technical systems.

The scarcity of qualified specialists in the IT field is a further factor limiting CENIT growth. In light of the expansion of staffing, which has been very successful to date, and the low personnel fluctuation rate this is not to be expected from today's perspective.

The future development of the Internet markets, at present being evaluated with greater skepticism, may also be seen as a further risk. The fact is that all the prognoses are assuming that the "business-to-business" market in particular will experience turbulent growth – and the past few months have confirmed that forecast. There nonetheless remains a residual risk

GLOBAL ENGINE BUSINESS PROCESSES TECHNOLOGIES

that the high expansion rates will decline and that the e-business sector at CENIT cannot be enlarged in the desired form and at the desired speed.

The strategic risk management and early warning system which has been introduced and which complies with the German KonTraG rules (control and transparency in business) requirements guarantees transparent corporate governance and early recognition of threats.

12. ANTICIPATED DEVELOPMENT AND PROSPECTS FOR THE FUTURE

Once again the CENIT Group is anticipating marked growth and an improvement in returns in the current business year. In concrete terms, planning figures envision a rise of 33 per cent in the Group's consolidated turnover, to € 160 million; here we are striving to achieve returns prior to goodwill amortization (EBITA) of € 6 million. The operating returns (EBIT) are to lie at about € 4.3 million. Furthermore, an increase in the staffing level to 1060 is planned. Gross profits will rise by 39 per cent.

As for the CENIT AG Systemhaus in Germany, we are planning turnover of € 114 million at operating returns (EBIT) of € 3.6 million.

In addition, we will steadfastly continue along the path to becoming a multi-CAD vendor, the goal being to become the world's leading system integrator in the e-engineering sector. One major deal which was closed at the beginning of 2001 is seen as a milestone along this path. CENIT was commissioned by EADS Airbus GmbH to draft and implement a new design and engineering solution, based on CATIA and Enovia, to be used in the development and production of the new A3XX wide-bodied jet. The new Super-Airbus will be developed entirely digitally and will be maintained by way of PLM (product live cycle management) systems.

We are also pursuing with great purpose of mind the strategy of advancing to become a leading e-business service vendor. The joint project with CAA, in the m-commerce setting, is to culminate in concrete product developments during the course of the current year.


NEW YORK CITY
2
3
MAY

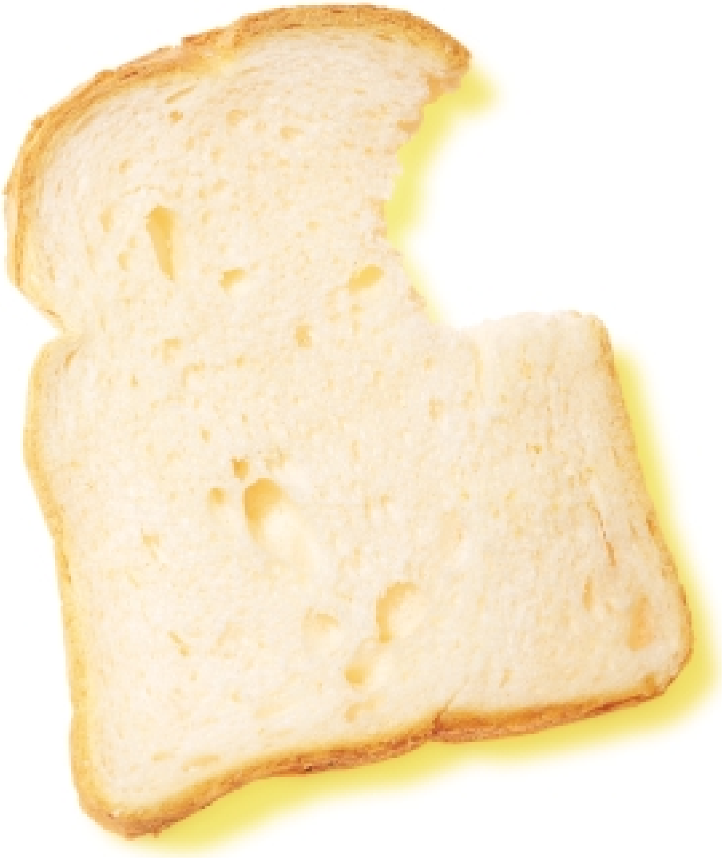
CENIT REDIS-COVERED AMERICA IN 2000

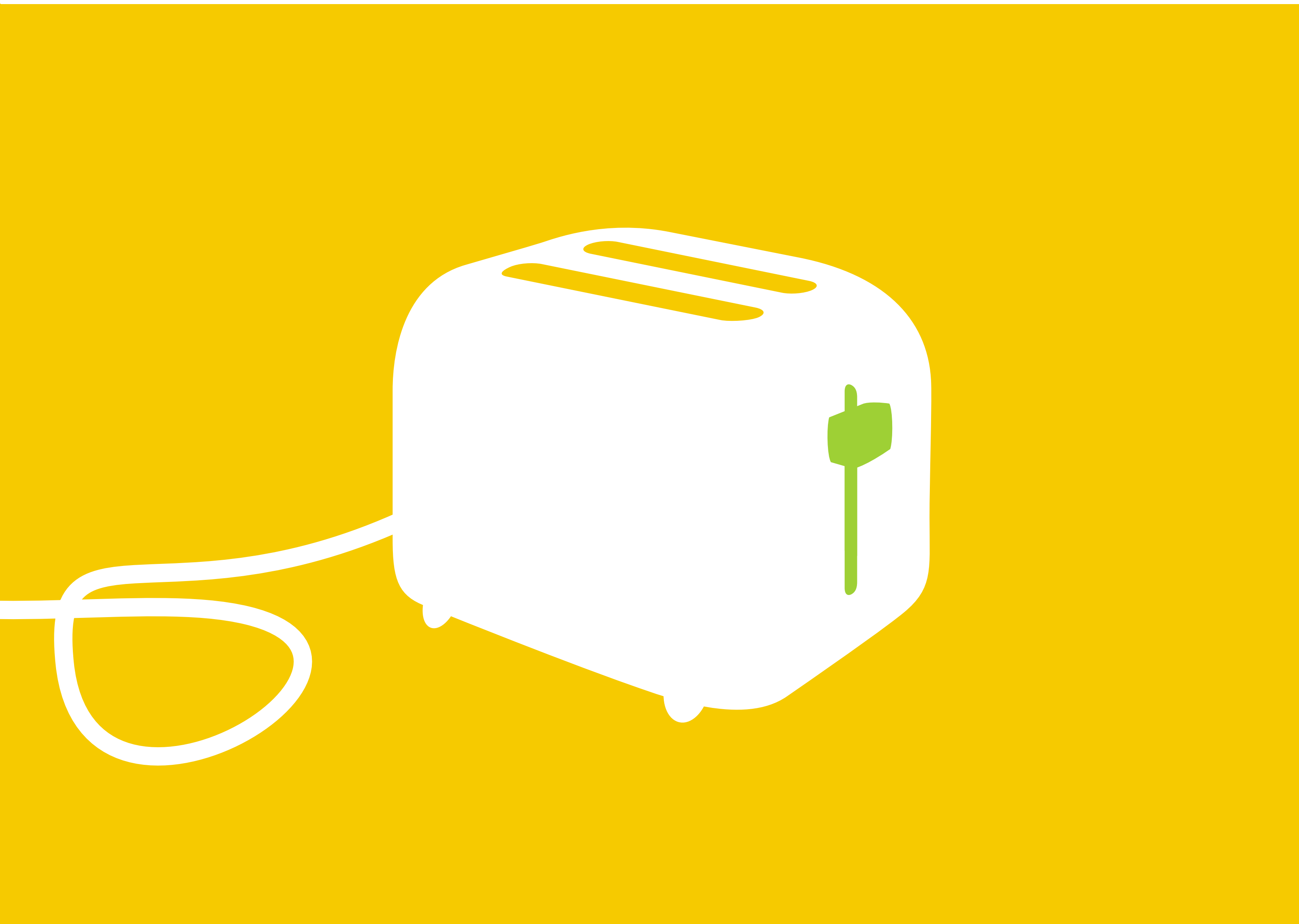
CAD/CAM

Among our business divisions, the CAD/CAM segment in particular has exhibited sterling development. Turnover climbed from € 40.5 million to € 68.9 million, representing growth of more than 70 per cent. Consequently this segment has further expanded its position within the CENIT AG – now accounting for 58 per cent of overall turnover (1999: 51 per cent). This strong rise resulted on the one hand from successful acquisitions; on the other hand it reflects strong organic growth. Examples of this include major orders such as those placed by the EADS European Airbus Consortium or by SIG Corpoplast. All in all, the CENIT AG was able to further extend its global market position. The new CATIA V5 version now available in its full and complete form has also had its influence on the expansion of the CAD/CAM business.
Once again CENIT was the foremost IBM/Dassault partner for CATIA applications. Due to hefty investments, mainly in the internationalization of the CAD/ CAM division with € 4.8 million (1999 investments: € 1.4 million), it was not possible to maintain the previous high returns level in 2000. The operating returns (EBIT) thus came to € 1.4 million (€ 3.6 million in 1999).

+70%

TURNOVER GROWTH TO € 68.9 MILLION IN 2000





CENIT PUTS BITE IN E-BUSINESS

E-BUSINESS

With a healthy rise in turnover, by more than 32 per cent, to € 24.3 million, the e-business segment was able to register significant growth. Thus the CENIT AG has proven itself to be one of the central providers of e-business solutions in a setting which is becoming ever more difficult. Thus customers such as REWE, Edscha and Lufthansa Cityline commissioned CENIT to build web-based content management systems based on FileNET. A pivotal factor here is extensive technological competence in the fields of electronic data management, collaborative commerce, systems and service management, and infrastructure. In this division, too, the high investments at € 958,000 (1999: € 338,000) dampened returns so that the EBIT for the year 2000 came to € 121,000 (1999: € 840,000).

+32%

TURNOVER GROWTH TO € 24.3 MILLION IN 2000

WITH CENIT YOU'RE ALWAYS RIGHT ON TARGET

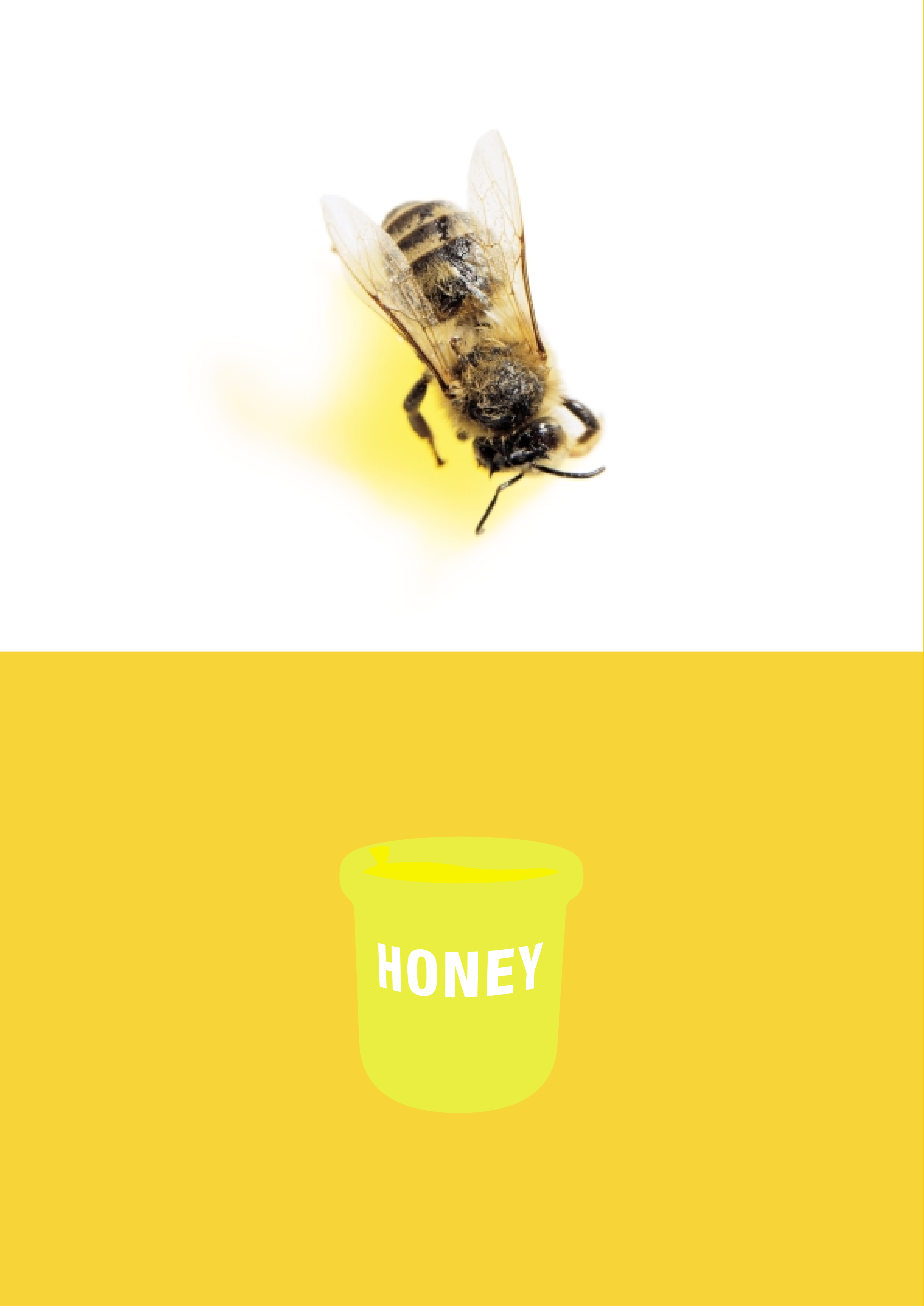
IT SERVICE DIVISION

IT SERVICES

Developments in the IT service division were also favorable. At a 23 per cent growth rate, turnover in this segment ran to € 25.4 million for 2000 (€ 20.7 million in 1999). With major orders arriving from VW, Allianz insurers, Mann+Hummel or BMW, for instance, this division has been successful in establishing itself as a full-value outsourcing partner vis-à-vis other major vendors. In this division, too, investments, amounting to € 2.3 million, almost doubled (1999: € 1.2 million) so that the operating profits could not quite be maintained. In 2000 the EBIT for the IT service division was € 854,000 as against € 1.2 million in 1999.

+23%

TURNOVER GROWTH TO € 68.9 MILLION IN 2000


HONEY

NO SWEET WITHOUT SWEAT

In pursuing our corporate vision – to make CENIT the world-wide engine in the implementation of business processes using Web-based technologies – we need a strong team in which each employee is at ease and at the same time highly motivated, a team which pulls together to transcend current frontiers while at the same time fostering a sense of individual responsibility.

To move forward along this path we have devised a personnel development program which is intended to nurture the individual advancement of each and every employee so that they can all respond to and master new challenges whenever they may arise. Each associate has the opportunity to embark on a course of change; the appropriate developmental and promotional measures are open to all of them. One of the many aspects to be considered here is the rapid integration of our subsidiaries by way of group-wide employee exchange programs.

This program is propelled by the CENIT codex of corporate values: partnership – enterprise – shaping the future – dynamic action. Each individual must be measured against these values, which express themselves in our dealings with customers, partners and colleagues. When all of them have become innate to our everyday activities they mark a milestone toward the achievement of our goals.

HOLDING THEIR OWN ON THE NEUER MARKT

The consolidation process now taking place on the Neuer Markt exchange for new-technology stocks represents a shakeout in the booming Internet market – one which is indeed painful but nonetheless necessary. While weeding out non-performers and providing the required correction for an overheated market, this development in no way casts doubt on the overall Internet trend. Even though CENIT shares were swept along in the general downturn, it is gratifying to note that we were nonetheless able to make a good showing, ranking in the top third among the corporations traded on the Neuer Markt. A comparison of CENIT stock quotations with the NEMAX technology enterprises average reveals striking parallels. This demonstrates that investors have by no means lost faith in the CENIT AG.

STOCK QUOTATIONS 2000
Source: Handelsblatt.com, date 5.1.01

SUPERVISORY BOARD _ CENIT

>> > HUBERT LEYPOLDT >> DR. DIRK LIPPOLD >> DR. AXEL SIGLE

REPORT OF THE SUPER

During the 2000 business year the Supervisory Board discharged the duties imposed upon it by the law and by the Memorandum of Association for the CENIT AG Systemhaus and monitored management's activities. The Supervisory Board was regularly informed about the Company's business developments and all important matters in the course of its six meetings and by way of written and oral reports submitted by the Management Board. Over and above this, the Chairman of the Supervisory Board continuously conferred with the Management Board on the most important business transactions and on fundamental questions of corporate policy. Once again in the 2000 business year the Supervisory Board established no committees. The Board's consultations focused upon the Company's acquisition strategy and the attendant reorganization of the business units.

The present financial statements and the situation report for the 2000 business year were examined by the auditors – Dr. Ebner, Dr. Stolz & Partner GmbH Accountants and Tax Consultants, Stuttgart – who had been appointed by way of a resolution taken by the Shareholders' Meeting May 31, 2000. Their inspection revealed that the bookkeeping and the financial statements comply with the provisions of the law and that the financial statements give an accurate picture of the current situation in regard to the Company's assets, financial position and yields. The situation report is consistent with the financial statements and accurately mirrors the course of business and the Company's position. The auditors have awarded their unreserved confirmation.

The group financial statements for the year 2000 and the group situation report were also examined by the auditors and have received unreserved confirmation. The consolidated group accounts, to include the cash flow statement and the profit allocation account, thus provide a true and accurate representation of all material aspects in regard to the Group's assets and financial situation as per December 31, 2000, as well as in regard to the yields situation and cash flows during the business year just completed. The accounts comply with the rules set forth by the International Accounting Standards Committee (IASC).

The group situation report is consistent with the group accounts and provides a true representation of the Group's development.

VISORY BOARD

The Supervisory Board examined the situation report, the proposal for the allocation of the balance-sheet profits, the consolidated group accounts and the group situation report and discussed the same at its meeting on March 14, 2001. The auditor attended that meeting, reporting on the material results of the examination and providing information in response to questions. The Supervisory Board expressed its concurrence with the findings of the audit.

Following the conclusion of our own examination of the group financial statements and situation report we see no reason to lodge objection. The Supervisory Board approves the financial statements prepared by the Management Board and adopts them herewith. The Supervisory Board agrees with the Management Board's proposal for the allocation of the balance-sheet profits from the 2000 business year. The Supervisory Board expressed its concurrence with the group financial statements and group situation report.

The 2000 business year placed heavy demands on all the members of the Management Board and, in particular, on each and every employee. We feel much obliged for their commitment and dedication.

Stuttgart, March 2001

For the Supervisory Board

Dr. Axel Sigle, Chairman

FINANCIAL STATEMENT

GROUP FINANCIAL STATEMENT AS PER IAS
CENIT AG SYSTEMHAUS FINANCIAL STATEMENT AS PER GERMAN COMMERCIAL CODE

GROUP BALANCE SHEET (IAS)

for the period from 1 January to 31 December 2000

in €	Note	31 Dec 2000	31 Dec 1999
ASSETS			
Fixed assets			
Intangible assets	*F1*	28,335,156.86	189,768.44
Tangible assets	*F2*	5,265,868.80	3,223,289.40
Financial assets	*F3*	172,141.61	0.00
Deferred Taxes	*F4*	499,699.60	908,276.17
		34,272,866.87	**4,321,334.01**
Current assets			
Inventories	*F5*	5,349,125.73	1,573,896.37
Trade receivables	*F6*	36,546,823.74	20,134,080.98
Other receivables	*F7*	1,885,162.66	253,554.97
Securities		2,550.00	0.00
Cash and cash equivalents	*F8*	2,355,120.15	15,517,375.96
		46,138,782.28	**37,478,908.28**
Deferred charges and prepaid expenses	*F9*	**1,093,467.63**	**191,486.82**
		81,505,116.78	**41,991,729.11**

in €	Note	31 Dec 2000	31 Dec 1999
LIABILITIES			
Shareholders' Equity			
Subscribed capital	*F10*	4,183,879.00	4,000,000.00
Capital surplus	*F10*	36,503,837.07	16,962,967.13
Currency reserve	*F10*	-137,650.50	7,567.55
Earned surplus	*F10*	2,769,196.21	869,196.20
Retained earnings	*F10*	-991,314.06	3,949,460.12
Convertible bonds	*F11*	10,257.32	14,975.82
		42,338,205.04	**25,804,166.82**
Minorities		**-50,470.90**	**0.00**
Special reserves with an equity portion		**0.00**	**2,326.89**
Provisions	*F12*	**3,957,624.37**	**3,503,334.94**
Deferred taxes	*F13*	**232,007.32**	**105,088.89**
Liabilities			
Convertible bonds	*F10*	87,442.66	93,724.18
Liabilities due to banks	*F14*	13,891,405.84	6,447,557.24
Trade liabilities	*F15*	15,602,048.82	3,382,689.69
Other liabilities	*F16*	5,446,853.63	2,652,840.46
		35,027,750.95	**12,576,811.57**
		81,505,116.78	**41,991,729.11**

GROUP PROFIT AND LOSS STATEMENT (IAS)

for the period from 1 January to 31 December 2000

in €	Note	2000	1999
1. Sales	E1	**118,546,725.82**	**79,494,295.16**
2. Changes in work in progress		- 95,714.76	-213,481.02
3. Total output		118,451,011.06	79,280,14.14
4. Other operating income	E2	593,375.71	291,382.27
Operating output		**119,044,386.77**	**79,572,196.41**
5. Cost of materials	E3		
a) Cost of products		51,124,114.24	36,926,896.04
b) Cost of purchased services		4,103,274.22	2,144,097.04
		55,227,388.46	**39,070,993.08**
6. Personnel expenses	E4		
a) Wages and salaries		33,756,686.51	19,992,040.09
b) Social security, pension and other benefit costs		5,941,928.72	3,171,038.67
		39,698,615.23	**23,163,078.76**
7. Depreciation on intangible assets and tangible assets	E5	3,815,288.69	1,798,732.86
8. Other operating expenses	E6	18,965,649.34	9,832,455.39
Operating result		1,337,445.05	5,706,936.32
9. Other interest and similar income	E7	179,975.02	272,249.45
10. Write-downs on marketable securities		5,550.00	0.00
11. Interest and similar expenses	E8	475,822.99	91,413.97
12. Results of ordinary operations		**1,036,047.08**	**5,887,771.80**
13. Taxes on income	E9	1,713,706.10	2,885,142.71
14. Deferred taxes	E9	-39,128.48	- 222,248.12
15. Other taxes	E10	42,068.79	17,487.72
16. Net losses before minorities		**- 680,599.33**	**3,207,389.49**
17. Profit/loss attributable to minorities		83,785.29	0.00
18. Consolidated net loss (previous year: net profit)		**- 596,814.04**	**3,207,389.49**
Earnings per share (undiluted) in €	E11	- 0.15	0.80
Earnings per share (diluted) in €	E11	- 0.15	0.80

CONSOLIDATED CASH FLOW STATEMENT (IAS)

for the period from 1 January to 31 December 2000

in € 000	2000	1999
Cash flow from operations		
Earnings before tax	994	5,870
Adjustment for:		
Depreciation on intangible and tangible assets	3,815	1,799
Losses due to asset disposals	51	2
Changes in value of fixed assets due to exchange rates	6	-13
Interest income	-180	-272
Interest expenses	476	91
Operating result before changes in net current assets	**5,162**	**7,477**
Increase in trade receivables and other assets	-12,824	-492
Increase/decrease in inventories	-3,377	1,930
Increase in trade liabilities and		
other short-term provisions and liabilities	15,272	2,448
Cash flow generated by ongoing operations	**4,233**	**11,363**
Interest expenses	-476	-91
Interest income	215	278
Taxes on income paid	-1,941	-2,678
Net cash generated by ongoing operations	**2,031**	**8,872**
Cash flow from investment operations		
Acquisition of equity participations	-7,384	0
Acquisition of fixed assets	-6,080	-2,917
Income generated by the disposal of fixed assets	10	1
Net cash employed for investment operations	**-13,454**	**-2,916**
Cash flow generated by financing operations		
Payments (-) from long-term bank loans	-192	-48
Acquisition of own shares	-511	0
Dividend payments to shareholders	-996	-511
Payments received from capital increase	0	15
Net cash employed for financing operations	**-1,699**	**-544**
Net increase/decrease in cash and cash equivalents	**-13,122**	**5,412**
Cash and cash equivalents at start of reporting period	**15,517**	**10,102**
Net increase/decrease in cash and cash equivalents	**-13,122**	**5,412**
Impact of exchange rate changes on cash and cash equivalents	**-40**	**3**
Cash and cash equivalents at end of reporting period	**2,355**	**15,517**

STATEMENT OF CHANGES IN EQUITY (IAS)

for the period from 1 January to 31 December 2000

in € 000	Subscribed capital	Capital surplus	Currency reserve	Earned surplus	Retained earnings	Convertible bonds	Total
Balance 1.1.1999	2,557	18,406	5	0	2,122		23,090
Allocation to earned surplus				869	-869		0
Dividend payment for 1998					-511		-511
Capital increase out of company funds	1,443	-1,443					0
Payment received from issue of convertible bonds						15	15
Net profit					3,207		3,207
Currency changes			3				3
Balance 31.12.1999	**4,000**	**16,963**	**8**	**869**	**3,949**	**15**	**25,804**
Balance 1.1.2000	4,000	16,963	8	869	3,949	15	25,804
Allocation to earned surplus				1,900	-1,900		0
Change in equity content of convertible bonds						-5	-5
Capital increase by way of non-cash contribution	184	19,541					19,725
Currency changes			-146				-146
Dividend payment for 1999					-996		-996
Adjustement of deferred tax (assets)					-908		-908
Acquisition of own shares					-511		-511
Net loss			-597		-597		
Other					-28		-28
Balance 31.12.2000	**4,184**	**36,504**	**-138**	**2,769**	**-991**	**10**	**42,338**

GROUP ANNEX FOR THE CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART,

for the 2000 business year

A REGISTRY OF COMPANIES AND OBJECT OF THE COMPANY

The Company is domiciled in Stuttgart and incorporated in the Register of Companies, Section B, main-tained by the local Civil Court there, under No. 19117.

The object of the Company is any and every type of service associated with introducing and operating information technologies and with the sale of and trading in software and information technology systems. The Company may acquire enterprises and holdings in enterprises if the target company is active in software or information technology.

B ACCOUNTING PRINCIPLES

The group balance sheet for the CENIT Aktiengesellschaft Systemhaus, Stuttgart, is drawn up and published on the basis of the International Accounting Standards (IAS).

The group balance sheet is based on uniform accounting and valuation practices. The principles set forth in the Framework and in the International Accounting Standards promulgated by the International Accounting Standards Committee (IASC), in the version valid on the cut-off date, were applied.

Information on the application of special IAS provisions will be found later in the Annex, in the explanations of the individual items in the statement.

The consolidated annual financial statement also complies with the requirements of Title 292a of the German Commercial Code (exonerating group financial statement). Deviations from the accounting, valuation and consolidation practices for group financial statements set forth in Titles 290 ff. of the Commercial Code are summarized in Note I.2, as they are not found directly in the explanations for the individual items. The group financial statement is based upon uniform accounting and valuation principles.

The annual financial statements and/or the sub-group accounts for the companies included in the consolidated group financial statement have been adjusted to the cut-off date for the group financial statement.

The revised International Accounting Standard 12 (rev. 2000), “Accounting for deferred tax liabilities and deferred tax claims,” was applied even before the date upon which this became mandatory for the first time.

GROUP ANNEX

FIG. 1

HOLDINGS

NO.	NAME	Currency	Holdings %	of	Subscribed Capital TLC*	Date of first consolidation
2	CENIT Limited, Altrincham/Great Britain	GBP	100.00	1	30	16 June 1996
3	CENIT (Schweiz) AG, Frauenfeld/Switzerland	CHF	90.00	1	500	26 October 1999
4	Desktop Engineering Limited,					
	Oxford/Great Britain	GBP	100.00	1	63	1 April 2000
5	Desktop Engineering Solutions Limited,					
	Oxford/Great Britain	GBP	100.00	4	3	1 April 2000
6	Desktop Engineering Services Limited,					
	Oxford/Great Britain	GBP	100.00	4	0	1 April 2000
7	Spring Technologies S.A.,					
	Montreuil/France	FRF	100.00	1	4,194	1 May 2000
8	CAD Ecole SGAO SARL, Montreuil/France	FRF	100.00	7	250	1 May 2000
9	CENIT SARL, Montreuil/France	FRF	100.00	7	250	1 May 2000
10	CENIT SYSTEMHAUS HOLDING (CSH) INC.,					
	Montreal/Canada	CAD	100.00	1	5,000	1 May 2000
11	CENIT CANADA INVESTMENTS (CCI) INC.,					
	Montreal/Canada	CAD	92.58	10	7,613	1 May 2000
			7.42	1		
12	L & H Consultants Inc., St. Laurent/Canada	CAD	100.00	11	0.1	1 May 2000
13	L & H Consultants Inc., Detroit/USA	USD	100.00	12	10	1 May 2000
14	Alta Technologia en Diseno por Computadores S.A.					
	de C.V., Wisconsin/Mexiko	MXP	99.00	12	50	1 May 2000
15	Solid Xperts Inc., St. Laurent/Canada	CAD	100.00	11	0.1	1 May 2000
16	Solid Xperts Inc., Charlotte/USA	USD	100.00	15	0.1	1 May 2000

*TLC = Thousands of units of the local currency

C CONSOLIDATION PRINCIPLES

1 *Consolidated group*

The group financial statement includes all affiliated companies in which the CENIT AG holds, directly or indirectly, majority voting rights or, on the basis of other rights, exercises control in the spirit of IAS Section 27. Initial consolidation takes place with effect as of the day upon which the CENIT AG entered into a controlling relationship, either direct or indirect, with the subsidiary. Amounts due to minority shareholders are shown separately in the group accounts and in the group statement of profits and losses.

Included in the CENIT AG group financial statement, as prescribed in IAS Section 27, are the following subsidiaries:
Refer to **FIG. 1**

The group's proceeds from sales increased as a result of additions to the consolidated group by € 24,349,000; the deficit for the year increased by € 215,000 and the balance sheet total rose by € 17,768,000.

2 *Consolidation methods*

The basis for the group financial statement is formed by the annual financial statements and sub-group statements for the companies included in the consolidated group, these being prepared in accordance with uniform rules as per 31 December 2000, and examined and certified by the auditors.

The consolidation of capital for the subsidiaries was undertaken in accordance with the book value method by offsetting the acquisition costs against the equity capital devolving to the parent company at the time of acquisition. The goodwill resulting from the consolidation of capital is depreciated in linear fashion over a 15-year period of time.

Intercompany turnovers, expenditures and revenues as well as all receivables and payables among the consolidated companies were eliminated.

No asset items resulting from inter-company deliveries are included in the inventories or in the fixed assets. No elimination of intermediate results is required.

3 *Foreign currency conversion*

The group financial statement is prepared in euros (€). The concept of the functional currency was applied in converting the financial statements drawn up by the consolidated companies in a foreign currency. Since the group companies operate their businesses autonomously, they are handled as "foreign entities" in the spirit of IAS Section 21. Thus, asset items and debts are

FIG. 2

EURO CONVERSION RATE IN €

	Rate of cut-off date		Averaged annual rate	
	31 Dec 2000	31 Dec 1999	2000	1999
GBP	0.6340	0.6204	0.6128	0.6605
CHF	1.5231	1.6051	1.5135	1.5997
CAD	1.4183	–	1.3669	–
FRF	6.55957	–	6.55957	–

converted at the rate applicable on the balance sheet date, equity capital at the historic rate, and expenditures and revenues at the averaged annual rate.

The resulting differential is applied to the equity capital so as to be neutral in regard to the operating result.

Transactions in foreign currencies are converted at the exchange rate prevailing on the transaction date. At the close of the business year the assets and liabilities are calculated at the rate on the cut-off date. Any discrepancies resulting from conversion are handled so as to be reflected in the operating results.

The following exchange rates were used when calculating foreign currency items: Refer to FIG. 2

D ACCOUNTING AND VALUATION PRINCIPLES

The group financial statement is based on the original cost principle. Unless otherwise noted, the assets and liabilities are listed at their nominal values, less any required adjustments which may be required.

Intangible assets are posted at the procurement prices together with the costs associated with procurement. These assets are depreciated in linear, scheduled fashion over their anticipated useful lives, normally three years. Extraordinary depreciation will be taken where necessary; it will later be reversed should the reason for the write-down cease to exist. No extraordinary value adjustments (decreases and increases) were required in the reporting year.

Intangible assets generated internally are not capitalized, due to the absence of identity with the criteria in IAS Section 38, Paragraph 45.

Goodwill deriving from capital consolidation is capitalized as per IAS Section 22; linear depreciation is taken over a period of fifteen years.

Fixed assets are reported at their purchase or manufacturing costs as per IAS Section 16, Paragraph 14, less scheduled depreciation as per IAS Section 16, Paragraph 41. Extraordinary depreciation as provided for in IAS Section 36 was not required. Financing costs are not capitalized as per IAS Section 23, Paragraph 11, since they cannot be allocated directly to specific asset items.

Items in the fixed assets are depreciated at a rate corresponding to their useful economic lives. For other assets and for items of manufacturing plant and business equip-

ment this economic life is set between four to ten years. There were no significant residual values as per IAS Section 16, Paragraph 46, which required consideration when establishing the depreciation amount.
Revaluations as per IAS Section 36, Paragraph 94, which become necessary as soon as the reason for the write-down ceases to exist, were not undertaken in the reporting year.

Financial assets are valued at the procurement costs, reduced by any foreseeable, enduring reductions in value. No write-downs were undertaken in the reporting year.

Repair costs are posted directly, as expenses.The inventories listed are always reported at the purchase or manufacturing costs and prepayments remitted are reported at the nominal value.

Financing costs are not capitalized since the direct allocation required by IAS Section 23 is not satisfied.

There was no need to adjust inventories, in accordance with IAS Section 2, to the lowest net sales value which can be realized.

Claims deriving from deliveries and services are posted at the nominal value. Risks of default are taken into account by way of individual value adjustments of sufficient extent. No global value adjustments have been made.

As prescribed in IAS Section 32 securities are valued at the purchase price or, if lower, at the market rate on the cut-off date.

Reserves are posted at their nominal value and are formed to cover legal and effective liabilities which originated in the past where it is probable that discharging the liabilities will result in an outflow of resources and a dependable estimate of the amount of the liability can be made.

The liabilities are always posted at the repayment amount.
Sales are posted as proceeds at the time at which delivery is made or the service is rendered for the customer.

Proceeds from sales are reported without value added tax and following the deduction of any discounts which may have been granted.

In compliance with the “liability method” as prescribed in IAS Section 12 (rev. 2000), deferred taxes are posted to temporary differences between the tax balance sheet and the group financial statement. Deferred taxes on valuation adjustments are quantified using the national tax rates for the individual group companies.

FIG. 3

PERSONNEL EXPENDITURES in € 000

	2000	1999
Wages and salaries	33,757	19,992
Social security, pensions and other benefit costs	5,942	3,171
	39,699	**23,163**
Employees (annual average)	749	363

Deferred tax claims and deferred tax liabilities are calculated on the basis of the laws and directives in force on the cut-off date. An asset item for tax-relevant losses carried forward is capitalized only to the extent that future taxable income will probably be available for offsetting.

E PROFIT AND LOSS STATEMENT

The profit and loss statement is prepared in accordance with the total cost type of accounting.

1 *Sales proceeds*

Proceeds from sales are broken down by corporate divisions and geographic regions and are reviewed in the segment report in Note H. The sales proceeds ascertained there are the result of ordinary business activity.

2 *Other operating proceeds*

Other proceeds include substantially rent revenues, research grants, proceeds from the release of reserves and insurance damage compensation payments.

3 *Materials expenses*

These are expenses for bought-in goods and outlays for outside services.

4 *Personnel expenditures*

The figures reported fundamentally include salaries, voluntary fringe benefits, allocations to vacation reserves, profit sharing and Executive Board emoluments as well as social security payments and expenditures for post-retirement pensions.

Refer to FIG. 3

5 *Depreciation on intangible assets and fixed assets*

The make-up of the depreciation values results from the changes in capital assets, depicted in Notes F1 to F3

6 *Other operating expenses*

Refer to FIG. 4

7 *Other interest and similar income*

Those are exclusively interest returns on deposits with banks and financial institutions.

8 *Interest and similar charges*

The interest charges result from drawing on credit lines and guarantees.

9 *Taxes on income*

The expenses for taxes on income are as follows: Refer to FIG. 5

The proceeds from deferred taxes are: Refer to FIG. 6

FIG. 4

OTHER OPERATING EXPENDITURES in € 000

	2000	1999
Selling costs	10,591	5,253
Administration costs	8,198	4,517
Other	177	62
	18,966	**9,832**

FIG. 5

TAXES ON INCOME in € 000

	2000	1999
Current taxes	1,714	2,885
Deferred taxes	-39	-222
	1,675	**2,663**

FIG. 6

DEFERRED TAXES in € 000

	2000	1999
IAS adjustments		
Corporation tax credit re. retained earnings	0	- 238
Write-back of depreciation	107	0
Write-back of general provisions	- 22	- 13
Foreign currency items valued on reference date	- 23	22
Differences between national commercial and tax accounts	- 43	6
Tax rate change	- 7	0
Loss carried forward	- 71	0
Warranty provision	20	0
	- 39	**- 223**

The deferred taxes on losses carried forward refer to the CENIT (Schweiz) AG, Frauenfeld, Switzerland.

Deferred taxes on valuation adjustments were determined using the applicable national tax rates (Germany 39.75 per cent, Switzerland 12.1 per cent, Great Britain 20 per cent, France 33 per cent and Canada 25.6 per cent).

In 2000 the deferred taxes – on reinvested profits to the amount of € 970,000 – which had been capitalized in previous years were adjusted in accordance with IAS Section 12 (rev. 2000) so as to be neutral in regard to results.

As regards the changes in deferred taxes, reference is made to Notes F 4 and F 13.

The anticipated tax burden on the results reported for tax purposes (accumulation rate) is 52.68 per cent on the cut-off date and is calculated as follows:
Refer to FIG. 7

The difference between actual tax outlays and the calculated tax yields which would result at a 52.68 per cent tax rate for the CENIT AG is made up as follows:
Refer to FIG. 8

10 Other taxes
This item refers to motor vehicle tax.

11 Profits per share
The number of shares was taken to be the annual average of 4,098,265.

This gives results of € -0.15 per share.

The Company has issued convertible bonds to employees to the amount of € 97,700.00. With the issuing of the convertible bond the holders acquire the right to exchange their convertible bonds, either in whole or in part, against CENIT shares. Each € 100.00 in face value of convertible bonds can be exchange against 100 individual CENIT share certificates made out to bearer. Since, however, neither the performance criteria nor the waiting period required to exercise this right has been satisfied, there is no dilution which must be taken into account.

The stock options granted in conjunction with the acquisition of all rights to the firms founded under Canadian law – Lemire & Habrich Consultants Inc. and Solid Xperts Inc., both domiciled in St. Laurent, Canada – have no dilution effect since the shares are issued at a value above the adjusted temporal value (IAS Section 33.35).

FIG. 7

ACCUMULATION RATE in %

Trade tax levied at 443%	18.14
Corporation tax (40% of profit after trade tax)	32.74
Solidarity surcharge (5.5% of corporation tax)	1.80
Tax rate	**52.68**

FIG. 8

TRANSITIONAL ACCOUNTS in € 000

	2000
Expected tax at a rate of 52.68 %, applied to earnings before tax of € 994,000	524
Tax effect of non-allowable expenses	59
Tax effect of eliminated inter-company transactions	514
Losses for which non-deferred tax has been capitalized	318
Non-allowable depreciation on goodwill	578
Tax rate differences, deferred tax	- 143
Impact of lower tax rates abroad	- 802
Other	626
Taxes on income, 2000, as per consolidated income statement	**1,674**

FIG. 9

INTANGIBLE ASSETS in € 000

	*)	Goodwill	Total
At cost			
Balance 1.1.2000	676	0	676
Currency conversion difference	0	- 209	- 209
Additions	3,594	26,226	29,820
Balance 31.12.2000	**4,270**	**26,017**	**30,287**
Cumulative depreciation			
Balance 1.1.2000	487	0	487
Currency conversion difference	0	- 6	- 6
Additions	298	1,173	1,471
Balance 31.12.2000	785	1,167	1,952
Remaining book values	**3,485**	**24,850**	**28,335**

*) Franchises, trademarks, patents, licenses and similar rights and licenses to such rights

F FINANCIAL STATEMENT

1 *Intangible assets*

Reported here are franchises, industrial property rights and similar rights and assets, including licenses to such rights and assets: Refer to FIG. 9

The expansion of the consolidated group has resulted in additions to the intangible assets in the amount of € 26,226,000.

2 *Fixed assets*

Refer to FIG. 10

The increase in the residual book value, amounting to € 1,973,000, resulted from the enlargement of the consolidated group.

3 *Financial investments*

Reported here are other loans granted. The additions to the investments arose in the course of expanding the consolidated group. Refer to FIG. 11

4 *Deferred taxes (assets)*

Movements in deferred tax (assets) are stated as follows: Refer to FIG. 12

Movements in deferred tax (assets) comprise the following: Refer to FIG. 13

No offsetting of latent taxes (assets and liabilities) was undertaken.

5 *Inventories*

Refer to FIG. 14

6 *Trade accounts receivable*

Receivables in foreign currencies are converted as per IAS rules at the rate applicable on the cut-off date for the transaction and later, as per IAS Section 21, at the rate prevailing on the balance sheet cut-off date. The amount of the difference is posted so as to be reflected in the expenses.

7 *Other receivables*

The other receivables are composed as follows: Refer to page 62 FIG. 15

8 *Cash assets*

Changes in liquid assets, which form the financial facilities as per IAS Section 7, are depicted in the cash flow statement.

9 *Accruals and deferrals*

These are accruals and deferrals for usufructuary rights, motor vehicle insurance policies, disagio, final leasing installments and the like.

FIG. 10

FIXED ASSETS in € 000

	*)	**)	***)	Total
At cost				
Balance 1.1.2000	403	6,320	1,113	7,836
Currency conversion difference	0	- 5	- 1	- 6
Additions	659	2,256	1,507	4,422
Disposals	0	- 84	- 621	- 705
Balance 31.12.2000	**1,062**	**8,487**	**1,998**	**11,547**
Cumulative depreciation				
Balance 1.1.2000	158	3,606	848	4,612
Currency conversion difference	- 1	- 10	- 1	- 12
Additions	154	1,647	543	2,344
Disposals	0	- 48	- 615	- 663
Blance 31.12.2000	**311**	**5,195**	**775**	**6,281**
Residual book value	**751**	**3,292**	**1,223**	**5,266**

*) Land and buildings including buildings on non-owned land rights
**) Technical equipment, plant and machinery
***) Operational and office equipment

FIG. 11

FINANCIAL INVESTMENT in € 000

At cost	
Balance 1.1.2000	0
Additions	172
Balance 31.12.2000	**172**
Cumulative depreciation	
Balance 1.1.2000	
=Balance 31.12.2000	0
Residual book value	**172**

FIG. 12

DEFERRED TAXES (ASSETS) in € 000

Balance on 1.1.2000	908
Additions	500
Disposals	908
Balance on 1.1.2000	**500**

FIG. 13

DEFERRED TAXES (ASSETS) in € 000

	31 Dec 2000	31 Dec 1999
Claim for reduction in corporation tax	0	907
Valuation of foreign currency items on reference date	6	1
Loss carried forward	196	0
Fixed assets	58	0
Other assets and liabilities	147	0
Pension provisions	93	0
	500	**908**

FIG. 14

INVENTORIES in € 000

	31 Dec 2000	31 Dec 1999
Products purchased for resale	4,171	886
Advances paid	1,136	671
Work in progress	42	17
	5,349	**1,574**

FIG. 15

OTHER RECEIVABLES in € 000

	31 Dec 2000	31 Dec 1999
Tax prepayments	1,445	0
Credits	203	0
Suppliers with debit balances	13	172
Interest, time deposits	0	18
Other	224	64
	1,885	**254**

10 Equity capital

The Company's nominal capitalization is € 4,183,879.00. It is distributed across 4,183,879 individual units of stock. These are bearer shares.

Authorized Capital I

The authorization given in Article 5, Paragraph 3 of the Articles of Association, empowering the Executive Board, with the consent of the Supervisory Board, to increase the Company's nominal capitalization, in a single lot or in multiple lots and by 1 July 2004, by an amount up to a maximum of € 200,000.00 (Authorized Capital I) is rescinded.

The Executive Board is authorized, with the consent of the Supervisory Board, to increase the Company's nominal capitalization by 1 July 2005, in a single lot or in multiple lots, by an amount up to a maximum of € 400,000.00 by issuing new individual bearer shares (common stock) against contributions in cash or in kind (Authorized Capital I). The shareholders are to be granted stock options. The Executive Board is, however, entitled to exclude large blocks of stock from the shareholders' option. The Executive Board is authorized in addition and with the consent of the Supervisory Board to have the new shares taken over by a financial institution with the commitment to offer them to the shareholders by way of indirect option. Finally, the Executive board is further authorized, with the consent of the Supervisory Board, to establish the other details of the increase of capital.

Authorized Capital II

The Executive Board is authorized, with the consent of the Supervisory Board, to the Company's nominal capitalization increase by 1 July 2004, in a single lot or multiple lots, by an amount up to a maximum of € 600,000.00 by issuing new individual bearer shares (common stock) against contributions in cash or in kind (Authorized Capital II). The Executive Board is entitled, with the consent of the Supervisory Board, to suspend shareholders' purchase option as provided for by law for the purpose of acquiring enterprises or holdings in enterprises; the acquisition of an enterprise or holdings in an enterprise may be effected only if the object of the target enterprise is substantially within the scope of the corporate objects of the Company as defined in Section 2, Paragraph 1, of the Articles of Association.

Having obtained the consent of the Supervisory Board, the Executive Board on 10 April 2000 increased the nominal capitalization by € 27,200.00 by activating Authorized Capital II. Having obtained the consent of the Supervisory Board, the Executive Board on 13 April 2000 increased the

FIG. 16

CONTINGENT CAPITAL

		Units	€
1.	Contingent capital, convertible bonds	120,000	120,000.00
2.	Contingent capital, employee ownership participation program	40,000	40,000.00
3.	Contingent capital, L & H acquisition	355,520	355,520.00
		515,520	**515,520.00**

nominal capitalization by € 156,679.00 by activating Authorized Capital II.

After these increases in capital, Authorized Capital II comes to € 416,121.00.

Authorized Capital III

The Executive Board is authorized, with the consent of the Supervisory Board, to increase the Company's nominal capitalization by 1 July 2005, in a single lot or multiple lots, by an amount up to a maximum of € 400,000.00 by issuing new individual bearer shares (common stock) against contributions in cash or in kind (Authorized Capital III).

The Executive Board is entitled, with the consent of the Supervisory Board, to suspend shareholders' purchase option as provided for by law for the purpose of acquiring enterprises or holdings in enterprises; the acquisition of an enterprise or holdings in an enterprise may be effected only if the object of the target enterprise is substantially within the scope of the corporate objects of the Company as defined in Section 2, Paragraph 1, of the Articles of Association. If the authorization to exclude stock options is not exercised, the Executive Board is entitled to exclude large blocks of stock from the stock options for shareholders as provided for by law. Finally, the Executive Board is further authorized, with the consent of the Supervisory Board, to establish the other details of the increase in capital.

Contingent capital

The contingent capital comprises the following: Refer to FIG. 16

A contingency increase in nominal capitalization (Contingent Capital) by as much as € 120,000.00 may be effected by issuing up to 120,000 shares of bearer stocks (common stock). The contingent capital increase serves to guarantee exchange entitlements for holders of convertible bonds which were issued in accordance with the authorization of the Shareholders' Meeting on 14 July 2000.

The convertible bonds may be proffered exclusively to CENIT Group employees; these potential bond holders comprise employees at CENIT Aktiengesellschaft Systemhaus (Group 1), members of management at the group companies (Group 2) and employees at group companies (Group 3). In total 95.75 per cent of the convertible bonds may be issued to Group 1, up to 1.25 per cent to Group 2 and up to 3.00 per cent to Group 3.

Conversion rights may be exercised at the earliest two years after the issue of the convertible bonds.

FIG. 17

CONVERTIBLE BONDS

	Units
Balance on 1.1.2000	10,870
Retirement	1,100
Balance on 1.1.2000	**9,770**

Conversion rights may furthermore be exercised only if one of the following criteria is satisfied:

- The average closing quotation for the common stock at the Frankfurt Stock Exchange for the last five days of trading prior to the start of the conversion period, adjusted for actions affecting capital undertaken by the Company in the meantime, comes to at least 135 per cent of the market quotation for the CENIT Aktiengesellschaft Systemhaus shares on the day of the Executive Board's decision to issue the convertible bonds.

- The change in the value of the CENIT share, adjusted for any dividend pay ments, stock options and other special rights in the interim, is – between the issuance of the convertible bond and the exercising of the conversion rights – at least 15 per cent higher than the value development for the Neuer Markt index in the same period of time.

- The closing rate on the day of the Executive Board's decision is taken as the value of the CENIT share when the convertible bond is issued. The decisive quotation for the convertible bonds issued is € 46.00.

The number of outstanding convertible bonds developed changed the reporting year as shown below: Refer to FIG. 17

With the decision taken by the Shareholders' Meeting on 31 May 2000, the Company's nominal capitalization is increased by up to € 40,000.00 by issuing as many as 40,000 individual shares of bearer stocks (common stock). The increase in contingent capital serves exclusively to guarantee the rights of holders of stock options issued by the Company until 1 May 2004, in accordance with the Executive Board's authorization to grant stock options to management personnel within the framework of an employee ownership participation program.

Those persons potentially authorized to purchase and the issue amount for the new shares are derived from the foregoing authorization. The increase in contingent capital is to be carried out only to the extent that those persons enjoying option rights exercise their options.

The Executive Board is authorized, with the consent of the Supervisory Board, to establish the other details of the increase in contingency capital and its execution.

No stock options had been awarded to employees by the balance sheet date.

Pursuant to a decision taken by the Shareholders' Meeting on 31 May 2000, a contingency increase in the Company's nominal capitalization by up to € 355,520.00 was approved, this to be effected by issuing up to 355,520 shares of bearer stocks (common stock). This contingency capital increase serves to guarantee stock options in conjunction with the purchase of all corporate rights to the companies founded in accordance with Canadian law and operating as "Lemire & Habrich Consultants Inc." and "Solid Xperts Inc.", domiciled in St. Laurent, Canada. The stock options were issued against contributions in kind. All the business shares in the companies founded in accordance with Canadian law and operating as Lemire & Habrich Consultants Inc. and Solid Xperts Inc. are to be transferred indirectly or directly to the Company as contributions in kind.

No use has yet been made of this stock option. The capital reserves contain the amount realized over and above the face value at the issuance of shares of CENIT stock.

The reserves accruing from foreign currency transactions contain the differential calculated so as to be neutral in regard to the results from the conversion of the financial statements of the subsidiaries.

The earnings reserves were formed from the 1999 balance sheet profits. Reference is made to the statement of changes in equity capital (refer to page 50) in regard to changes in equity capital.

11 Convertible bonds

The convertible bonds issued by CENIT, to a total amount of € 97,700.00, are divided into 9,770 units, all with equal entitlements and payable to the bearer and with face value of € 10.00 each. Interest is to be paid on the convertible bonds from 6 September 1999 to 5 September 2004 at a 2 per cent annual rate. Conversion may be undertaken in lots after the end of a two-year waiting period following the issue.

In accordance with IAS Section 32, Paragraphs 18 ff., the convertible bond was subdivided into its components – equity capital and liabilities. As prescribed in IAS Section 32, Paragraph 28, the equity capital component was determined as a residual value after the book value of the liability was first determined by discounting interest. A market interest rate of 5.2 per cent for comparable instruments was used as the basis here.

The share of the convertible bonds which is reported as a liability has a remaining period of more than one year.

FIG. 18

PROVISIONS in € 000

	31 Dec 2000	31 Dec 1999
Pension provisions	279	0
Tax provisions	465	1,369
Other provisions	3,214	2,134
	3,958	**3,503**

FIG. 19

TAX PROVISIONS in € 000

Balance on 1.1.2000	1,369
Consumption	1,369
Allocation	465
Balance on 31.12.2000	**465**

FIG. 20

MISCELLANEOUS RESERVES in € 000

Balance on 1.1.2000	2,134
Consumption	2,070
Retirement	60
Allocation	3,210
Balance on 31.12.2000	**3,214**

FIG. 21

DEFERRED TAXES (LIABILITIES) in € 000

Balance 1.1.2000	105
Increase	172
Decrease	45
Balance on 31.12.2000	**232**

FIG. 22

DEFERRED TAXES (LIABILITIES) in € 000

	31 Dec 2000	31 Dec 1999
General provisions re. claims	46	75
Warranty provision	20	0
Depreciation, own shares	107	0
Valuation of liabilities CENIT UK on reference date	0	16
Fixed assets	59	14
	232	**105**

FIG. 23

AMOUNTS OWED TO BANKS in € 000

	31 Dec 2000	31 Dec 1999
Remaining term up to 1 year	13,364	5,825
Remaining term 1 to 5 years	383	383
Remaining term more than 5 years	144	240
	13,891	**6,448**

FIG. 24

OTHER LIABILITIES in € 000

	31 Dec 2000	31 Dec 1999
Tax liabilities	2,205	1,843
Social security liabilities	717	538
Loans	1,059	0
Pre-invoiced services	610	0
Other	856	272
	5,447	**2,653**

12 Provisions

Refer to FIG. 18

Movements in tax provisions are stated as follows: Refer to FIG. 19

The miscellaneous reserves cover all discernible liabilities vis-à-vis third parties as defined in IAS Section 37. Reported here is the amount of the probable sum due.

The miscellaneous reserves have developed as follows: Refer to FIG. 20

13 Deferred taxes (liabilities)

Movements in deferred taxes (liabilities) are stated as follows: Refer to FIG. 21

The deferred taxes (liabilities) are long-term in nature. The discrepancies ascertained in the approaches and valuation principles between the results of the balance sheets for tax purposes and the commercial balance sheets as well as the adaptation of the commercial balance sheets to IAS practices for the consolidated companies resulted in deferred taxes (liabilities) for the following items, in the following amounts:

Refer to FIG. 22

The national tax rates for the various countries were applied to determine these values. No offsetting of deferred taxes (assets and liabilities) was undertaken.

14 Amounts owed to banks

The amounts owed to banks are as follows:

Refer to FIG. 23

15 Trade accounts payable

Obligations arising from deliveries and services are owed solely to other companies.

In regard to payables resulting from deliveries and services, the reservations of ownership for the items delivered, pending payment, are imposed in a fashion typical for the industry.

16 Other liabilities

The other liabilities are made up of the following: Refer to FIG. 24

The loan was granted by a former partner of an acquired subsidiary, in the amount of CAD 2.4 million. It runs to 15 September 2001, with interest payable at a rate 2 per cent above the primary refinancing rate of the Bank of Canada. Repayment of the outstanding principle is to be undertaken in three installments, on 15 March, 15 June and 15 September 2001.

FIG. 25

CASH FLOW STATEMENT in € 000

Cash and cash equivalents	537
Inventories	396
Receivables, other assets, deferred charges and prepaid expenses	7,205
Tangible assets, intangible assets, financial assets	2,233
Goodwill	26,179
Liabilities, other liabilities	- 8,904
Purchase price	**27,646**
Less acquired cash and cash equivalents	537
Net outflow of cash and cash equivalents due to acquisition	**27,109**

G CASH FLOW STATEMENT

The cash flow statement shows how liquid funds have been diminished in the course of the year by the inflow and outflow of funds. In compliance with IAS Section 7, distinction is made for payment flows resulting from operating, investment and finance activities. The effects of acquisitions are eliminated here.

Shown as inflow and outflow of funds resulting from operating activities is the sales activity, by way of which the cash flow is generated.

Investments in fixed assets and financial investments are included in the outflow of funds associated with investment activities.

The value of the assets and indebtedness taken over in the course of initial consolidation of the sub-group companies, i.e. CENIT, SYSTEMHAUS HOLDING (CSH) Inc., Montreal, Canada, Spring Technologies S.A., Montreuil, France, and Desktop Engineering Limited, Oxford, Great Britain, is as follows:
Refer to FIG. 25

The composition of the liquid assets corresponds to the balance for liquid assets shown in the financial statement as per the cut-off date.

H REPORTING BY SEGMENTS

The CENIT business divisions for which reporting is prescribed can be divided into CAD/CAM solutions, e-business and IT service.

The competency portfolio at the CAD/CAM solutions division – augmented by Internet technologies – covers the entire process chain for product creation – from design and engineering to the finished product. Among the products used here are CAM solutions integrated into CATIA for use with all standard manufacturing processes.

Over and above this, the Digital Manufacturing Solutions developed by Deneb, enable CENIT to offer high-performance tools for planning and simulating production systems and processes. Capabilities in the field of product data management embrace the ENOVIA product range and the integration of CATIA into SAP R/3. This complex is rounded out by a comprehensive spectrum of services – from providing the infrastructure through to management consulting. Advisory services beyond this cover virtual reality, digital mock-up and data exchange.

The e-business division links the extensive possibilities offered by the Internet with internal procedures to devise seamless processes. Here the performance spectrum includes solutions for e-commerce using Intershop, imaging, workflow and document management using FileNET, and groupware solutions based on Lotus Notes/Domino. With the integration of the various systems, the strengths of each individual product can be brought together to form a comprehensive, high-performance solution.

The IT services division covers the following aspects:

- IT consulting: Advice and support in formulating the IT strategy and in planning, capacity planning, IT conceptualization and reorganization.

- Out-tasking: Assuming complete responsibility for operations, e.g. for the IT infrastructure, data integrity and failure resistance, hotline service or remote maintenance of hardware and software.

- Systems management: Consulting, support and introduction of systems management using the Tivoli software.

- Concepts for data integrity, uninterrupted availability and Internet solutions.

- CENIT Academy: With its broad training program CENIT gives its customers the know-how required to use the solutions efficiently once they have been implemented.

The subdivision of turnover is depicted in the two surveys which follow, in conformity with IAS Section 14. The delivery prices for sales are agreed upon among the group companies as well as among third parties. Internal turnover among the corporate divisions is shown separately. The fields of activity for the corporate divisions and the composition of the geographic segments are shown in detail:

Business divisions refer to next page:
FIG. 26

Regions refer to next page:
FIG. 27

FIG. 26

REPORTING BY SEGMENTS

in € 000		CAD/CAM Solutions	e-business	IT services	Not distributed	Total
BUSINESS DIVISIONS						
External sales	2000	68,893	24,265	25,388	0	118,547
	1999	40,465	18,356	20,673	0	79,494
Internal sales	2000	824	0	74	0	898
	1999	166	0	0	0	166
EBIT	2000	1,353	120	849	- 985	1,337
	1999	3,642	840	1,237	- 12	5,707
Segment assets	2000	41,501	15,723	25,266	- 985	81,505
	1999	21,024	9,549	11,110	309	41,992
Segment liabilities	2000	23,049	6,169	10,000	0	39,218
	1999	8,343	3,489	4,341	15	16,188
Investments	2000	4,781	958	2,277	0	8,016
	1999	1,430	338	1,149	0	2,917
Depreciation	2000	1,529	408	893	985	3,815
	1999	832	263	704	0	1,799

FIG. 27

REPORTING BY SEGMENTS

in € 000		Germany	Great Britain	Switzerland	France	North America	Not assigned	Total
REGIONS								
Segment assets	2000	72,191	- 492	- 504	6,711	4,584	- 985	81,505
	1999	40,845	713	0	0	0	434	41,992
Investments	2000	5,246	151	329	742	1,548	0	8,016
	1999	2,797	120	0	0	0	0	2,917

FIG. 28

OTHER FINANCIAL OBLIGATIONS in € 000

Rental and leasing obligations	
Remaining term up to one year	4,690
Remaining term 1 to 5 years	12,121
Remaining term more than 5 years	7,582
	24,393

I OTHER INFORMATION

1 Liability situation and other financial obligations

As of the balance sheet cut-off date there were no liabilities which required notation in the balance sheet or explanation in the enclosures.

The Company does have other financial obligations in conjunction with rent and leasing contracts. The financial obligations resulting therefrom are shown in the listing below: Refer to FIG. 28

2 Other information pursuant to Title 292a of the German Commercial Code

In contrast to the “cost or market value, whichever is lower” principle prescribed by the Commercial Code in regard to receivables and the “maximum value method” prescribed for payables in foreign currencies, these are converted in the present group financial statement at the exchange rate prevailing on the cut-off date. The corresponding profits and losses are handled so as to be reflected in the results.

The global value adjustments to receivables resulting from deliveries and services, formed in accordance with the Commercial Code, were dissolved so as to be reflected in the results since global value adjustment is not permissible in addition to the adjustments for individual values.

The reserves for warranty services formed as per the Commercial Code were dissolved so as to be reflected in the results, since these were formed on the basis of a global calculation. The Company shares which were acquired by the Company itself were, in contrast to the provisions of the Commercial Code, deducted from the equity capital.

The acquisition of the Company's own shares was shown as a change in equity capital (SIC 16).

Furthermore, and again in contrast to Commercial Code requirements, claims arising from the future utilization of losses carried forward for tax purposes were capitalized and dealt with so as to be reflected in the results. This resulted in a sum of € 71,000 in addition.

3 Relationships with closely associated enterprises and persons

There are no relationships which exist with “related parties” in the spirit of IAS Section 24.

4 *Information on the Supervisory Board and Company management*

The following persons were members of the Company's Supervisory Board:

Axel Sigle, J.D.
Attorney, Stuttgart
Chairman
Vice-Chairman of the Supervisory Board of the Icon Brand Audit AG, Nürnberg, and of the Funk-Oase Communications AG, Ellhofen near Weinsberg, as well as member of the Supervisory Board of the eJay AG, Stuttgart, and of the telesnap AG, Stuttgart

Hubert Leypoldt, B.B.A.
Auditor and Tax Consultant, Dettingen near Erms
Vice-Chairman

Dr. Dirk Lippold
General Manager, Friolzheim

The members of the Executive Board during the reporting year are and/or were:

Falk Engelmann, B.Eng.
Leinfelden-Echterdingen

Norbert Fink, B.Eng.
Metzingen

Hubertus Manthey, B.Eng.
Pliezhausen

Andreas Schmidt, B.Eng.
Ebersbach

During the reporting year emoluments for the Executive Board amounted to € 1,050,128.52. The Supervisory Board received for its activities remuneration amounting to € 67,500.00.

At the cut-off date the Executive Board held 1,528,603 shares and thus 36.5 per cent the Company's nominal capitalization.

The members of the Supervisory Board hold 1,600 shares and thus participate, without change, in the Company's nominal capitalization.

CENIT AG Systemhaus

The Executive Board
Stuttgart, 12 March 2001

J AUDITORS' REPORT

We have audited the consolidated financial statements, comprising the balance sheet, income statement notes, cash flow statement and statement of movements in shareholders' equity of CENIT Aktiengesellschaft Systemhaus, Stuttgart, for the period between 1 January and 31 December 2000. The Company's Executive Board is responsible for preparation and contents of these consolidated financial statements. Our assignment is to provide an assessment of whether the consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) on the basis of the audit which we have carried out.

We have conducted our audit of the consolidated financial statements in accordance with German audit principles and subject to the principles of proper accounting defined by the Institut der Wirtschaftsprüfer (IDW). Accordingly, the audit must be planned and carried out in such a way that it is possible with adequate certainty to assess whether the consolidated financial statements are free from material errors. As part of the audit process, supporting evidence for the values and information set out in the consolidated financial statements have been assessed on the basis of random samples. The audit involves an assessment of the applied principles of accounting as well as an assessment of the main estimates of the statutory representatives of the Company, and also considers the overall presentation of the consolidated financial statements. We are of the opinion that our audit forms an adequate basis for our audit opinion.

In our opinion, the consolidated financial statements provide a true and fair view of the net worth, financial and earnings situation of the group as well the payment flows of the Company in accordance with IAS. Our audit has not resulted in any objections. In our opinion, the consolidated management report overall provides a true and fair view of the current status of the group, and details the risks involved with future developments in a realistic manner. We also confirm that the consolidated financial statements and the consolidated management report for the period 1 January to 31 December 2000 meet the requirements applicable for exempting the Company from its obligation to prepare consolidated financial statements and a consolidated management report in accordance with German law.

Stuttgart, 15 March 2001
Dr. Ebner, Dr. Stolz und Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Wolfgang Russ — Auditor

Dieter Höreth — Auditor

BALANCE SHEET OF CENIT AKTIENGESELLSCHAFT SYSTEMHAUS (HGB)

for the period from 1 January to 31 December 2000

	31 Dec 2000	31 Dec 1999
ASSETS		
A. Fixed assets	€	€ 000
I. Intangible assets		
Franchises, trademarks, patents, licenses, and similar rights		
and licenses to such rights	3,460,280.74	190
II. Tangible assets		
1. Buildings on non-owned land	226,511.91	245
2. Technical equipment, plant and machinery	2,392,860.24	2,539
3. Other equipment, operational and office equipment	202,049.51	224
	2,821,421.66	**3,008**
III. Financial assets		
Shares in affiliated companies	27,928,775.27	350
B. Current assets		
I. Inventories		
-. Work in progress	0.00	17
1. Products	3,641,138.01	886
2. Advance payments	1,136,021.75	671
	4,777,159.76	**1,574**
II. Accounts receivable and other assets		
1. Trade receivables	26,473,196.64	19,659
2. Accounts due from affiliated companies	2,379,537.22	416
3. Other assets	1,603,815.01	224
	30,456,548.87	**20,299**
III. Marketable securities		
1. Own shares	241,510.50	0
2. Other securities	2,550.00	0
	244,060.50	**0**
IV. Liquid assets	1,150,111.10	15,102
C. Deferred charges and prepaid expenses	**738,118.86**	**190**
	71,576,476.76	**40,713**

	31 Dec 2000	31 Dec 1999
LIABILITIES		
A. Shareholders' equity	€	€ 000
I. Subscribed Capital	4,183,879.00	4,000
Contingent capital EUR 515,520.00		
II. Capital surplus	23,349,597.07	16,963
III. Earned surplus		
1. Reserve for own shares	241,510.50	0
2. Other earned surplus	2,769,196.20	869
IV. Retained earnings	1,104,065.91	2,907
	31,648,248.68	**24,739**
B. Contributions made for carrying out the adopted capital increase	**13,154,240.00**	**0**
-. **Special reserves with an equity portion**	**0.00**	**2**
C. Provisions		
Tax provisions	0.00	1,369
Other provisions	1,765,174.31	2,130
	1,765,174.31	**3,499**
D. Liabilities		
1. Bonds	97,699.98	109
2. Liabilities due to banks	11,228,447.55	6,448
3. Trade liabilities	10,789,046.26	3,321
4. Accounts due to affiliated companies	17,621.64	0
5. Other liabilities	2,875,998.34	2,595
	25,008,813.77	**12,473**
	71,576,476.76	**40,713**

INCOME STATEMENT OF CENIT AKTIENGESELLSCHAFT SYSTEMHAUS (NACH HGB)

for the period from 1 January to 31 December 2000

	2000		1999	
	€	€	€ 000	€ 000
1. Sales		92,276,879.94		77,549
2. Decrease in work in progress		-17,383.92		-26
3. Other operating income		283,764.94		216
		92,543,260.96		77,739
4. Cost of materials				
a) Cost of raw materials, supplies and trading stock	41,363,585.64		36,687	
b) Cost of purchased services	4,466,348.92		2,168	
		45,829,934.56		38,855
5. Personnel expenses				
a) Salaries	23,532,798.06		18,766	
b) Social security, pension and other benefit costs	3,876,143.10		3,352	
		27,408,941.16		22,118
6. Depreciation on intangible assets and tangible assets		2,132,116.71		1,755
7. Other operating expenses		13,932,974.34		9,427
		3,239,294.19		5,584
8. Other interest and similar income	240,634.05		291	
9. Write-downs regarding financial assets and marketable securities	312,128.71		0	
10. Interest and similar expenses	245,964.60	-317,459.26	91	200
11. Result of ordinary operations		**2,921,834.93**		**5,784**
12. Taxes on income	1,544,984.39		2.881	
13. Other taxes	42,068.79	1,587,053.18	17	2,898
14. Net profit		**1,334,781.75**		**2,886**
15. Profit carried forward		10,794.66		21
16. Allocation to reserves for own shares		241,510.50		0
17. Retained earnings		**1,104,065.91**		**2,907**

STATEMENT OF FIXED ASSET MOVEMENTS OF CENIT AKTIENGESELLSCHAFT SYSTEMHAUS

for the period from 1 January to 31 December 2000

in €	At cost			
	Balance on 1.1.2000	Additions	Disposals	Balance on 31.12.2000
I. Intangible assets				
Franchises, trademarks, patents,				
licenses, and similar rights				
and licenses to such rights	676,389.58	3,567,477.58	0.00	4,243,867.16
II. Tangible assets				
1. Buildings on non-owned land	402,855.75	96,068.94	0.00	498,924.69
2. Technical equipment, plant and machinery	6,073,088.20	1,265,981.42	54,275.46	7,284,794.16
3. Other equipment, operational and office equipment	1,055,694.88	316,375.94	603,111.22	768,959.60
	7,531,638.83	**1,678,426.30**	**657,386.68**	**8,552,678.45**
III. Financial assets				
Shares in affiliated companies	349,780.30	27,646,907.69	31,318.51	27,965,369.48
	8,557,808.71	**32,892,811.57**	**688,705.19**	**40,761,915.09**

Cumuative depreciation				Book values	
Balance on 1.1.2000	Additions	Disposals	Balance on 31.12.2000	Balance on 31.12.2000	Balance on 31.12.1999
486,621.14	296,965.28	0.00	783,586.42	3,460,280.74	189,768.44
157,607.81	114,804.97	0.00	272,412.78	226,511.91	245,247.94
3,533,487.20	1,382,279.05	23,832.33	4,891,933.92	2,392,860.24	2,539,601.00
831,953.90	338,067.41	603,111.22	566,910.09	202,049.51	223,740.98
4,523,048.91	**1,835,151.43**	**626,943.55**	**5,731,256.79**	**2,821,421.66**	**3,008,589.92**
0.00	36,594.21	0.00	36,594.21	27,928,775.27	349,780.30
5,009,670.05	**2,168,710.92**	**626,943.55**	**6,551,437.42**	**34,210,477.67**	**3,548,138.66**

A ACCOUNTING PRINCIPLES

Intangible assets which were acquired are posted at the purchase price and, in so far as they are subject to depreciation, are written down by way of scheduled, linear depreciation over their service lives. Depreciation on additions are made pro rata according to the time involved.
The fixed assets are reported at the purchase or manufacturing costs required to be capitalized by the Tax Code and, to the extent that they are subject to depreciation, are written down by way of scheduled depreciation.

Depreciation is taken across the useful life standard for business operations; the linear method is employed. As regards the additions to the movable fixed assets, the simplification rules for taxation were applied. Low-value items of plant and machinery were written off completely in the year in which they were acquired, as per Title 6, Paragraph 2, of the Income Tax Law; their immediate disposal is assumed. Other disposals are posted at their book value at the time of their disposal.

Financial investments are reported at their purchase price or at the lower adjusted value. Due to the ongoing decline in value, the holdings in CENIT UK were written down to a pro-memoria figure.

Goods are always valued at their average purchase prices or if applicable at the lower replacement costs on the balance sheet date. Individual items were written down due to their long period in stock or due to the lack of or limitation on utilization options.

Pre-payments are posted without value added tax.

Receivables and other asset items are reported at their nominal values. All discernible individual risks were taken in account in the evaluation. A global adjustment of 0.5 per cent (1 per cent in the previous year) has been made to cover the general credit risk for receivables resulting from deliveries and services rendered.

Securities are valued at the purchase price or at the lower adjusted value on the balance sheet date.

The disagio contained in the accruals and deferrals is written off in linear fashion over the period of the fixed interest for the corresponding loan.

The provisions take into account all discernible risks and doubtful obligations and are valued in accordance with a reasonable commercial evaluation.

The obligations are posted at the repayment amount.

Currency conversions
In determining the purchase prices for the affiliated companies, amounts in foreign currencies were converted at the exchange rate prevailing on the date first posted.

Receivables and payables in foreign currencies are converted at the exchange rate prevailing on the date upon which they originated; if the exchange rate on the balance sheet date is lower for receivables and/or higher for payables, then evaluation is at the exchange rate applicable on the cut-off date.

B CHANGE IN VALUATION

The global adjustments to receivables resulting from deliveries and services were reduced in this reporting year from 1.0 per cent to 0.5 per cent. This measure was the result of the Company's good receivables monitoring system and the low default risk which it achieves, which is evidenced in the low default rate for receivables in the past. This change in evaluation triggered an improvement in the results by € 115,000.

C NOTES CONCERNING THE PROFIT AND LOSS STATEMENT

I Balance sheet

1 Assets
The assets movements report is an integral component of the annex.

2 Financial investments
Pursuant to an agreement dated 10 April 2000, all shares in the Desktop Engineering Limited, Oxford, Great Britain, were acquired; that firm, in turn, has holdings in Desktop Engineering Services Limited, Oxford, Great Britain, and Desktop Engineering Solutions Limited, Oxford, Great Britain.

Pursuant to an agreement dated 17 April 2000, all shares in the Spring Technologies S.A., Montreuil, France, were acquired; that firm in turn holds all shares in the CAD Ecole SGAO SARL, Montreuil, France, and the CENIT SARL, Montreuil, France.

Pursuant to an agreement dated 16 May 2000, CENIT founded the CENIT SYSTEMHAUS HOLDING (CSH) INC., Montreal, Canada, and the CENIT CANADA INVESTMENTS (CCI) INC., Montreal, Canada.

Alex Habrich and Susie Gow contributed to CENIT CANADA INVESTMENTS (CCI) INC. of Montreal, Canada, all the shares in Lemire & Habrich Consultants of Montreal, Canada, and in Solid Xperts Inc., Montreal, Canada, against the issuance of shares.

CSH acquired 5,000,000 Class 1 shares in CCI at a purchase price of CAD 5,000,000.00. Thus CSH holds all the Class 1 shares in CCI which, in turn, holds all the shares in Lemire & Habrich Consultants, Montreal, and Solid Xperts Inc., Montreal.

Pursuant to an agreement dated 16 May 2000, the Company acquired all Class 2 shares in CCI. The Class 2 shares entail proprietary and dividend rights but are not voting shares. The contingent capital was called up, with the consent of the Supervisory Board, in order to purchase the Class 2 shares; the issue price for a purchase option was set at € 37.00.

The sellers had not exercised stock options up to the time that the financial statement was prepared.

The sales agreement provides for adjustments to the purchase price in the case that turnover and results targets described in detail in the agreement are not reached. A claim for reduction of the purchase price had arisen by the balance sheet date as a result of the contractual agreements.

In an agreement between the Company and CSH, dated 15 December 2000, it was agreed that the Class 1 shares held by CSH may be sold only in proportion to the Class 2 shares held in CCE by the Company. In addition, CSH transferred to the Company the voting rights associated with the Class 1 shares.

3 *The Company's own shares*

During the reporting year 4,637 individual shares were acquired at a price of € 35.00 each and 10,000 individual shares at € 34.92 each. In total this corresponds to a 0.35 per cent share of the equity capital. The Company's own shares were evaluated at the market quotation on the balance sheet date.

In a motion adopted by the Shareholders' Meeting on 14 July 1999 the Executive Board was authorized, with the consent of the Supervisory Board, to acquire for the Company up to a total of 400,000 of its own individual chares, in a single lot or multiple lots.

A motion adopted by the Shareholders' Meeting on 31 May 2000 rescinded the authorization given on 14 July 1999 and authorized the Executive Board, with the consent of the Supervisory Board, to purchase by 31 October 2001, in a single lot or multiple lots, the Company's own individual shares for the purpose of reselling the same, which requires the consent of the Supervisory Board.

4 Receivables

Reported in the amounts owed by affiliated companies is a total of € 627,185.69 with a remaining period of more than one year.

5 Liquid assets

This item includes cash on hand and deposits in bank accounts.

6 Accruals and disposals

Included here is a disagio of € 18,935.26 (€ 22,000 in the previous year).

7 Equity capital

Nominal capitalization

The Company's nominal capital is € 4,183,879.00. It is distributed across 4,183,879 individual units of stock. These are bearer shares.

Authorized Capital I

The authorization given in Article 5, Paragraph 3 of the Articles of Association, empowering the Executive Board, with the consent of the Supervisory Board, to increase the Company's nominal capitalization, in a single lot or in multiple lots and by 1 July 2004, by an amount up to a maximum of € 200,000.00 (Authorized Capital I) is rescinded.

The Executive Board is authorized, with the consent of the Supervisory Board, to increase the Company's nominal capitalization by 1 July 2005, in a single lot or in multiple lots, by an amount up to a maximum of € 400,000.00 by issuing new individual bearer shares (common stock) against contributions in cash or in kind (Authorized Capital I). The shareholders are to be granted stock options. The Executive Board is, however, entitled to exclude large blocks of stock from the shareholders' option. The Executive Board is authorized in addition and with the consent of the Supervisory Board to have the new shares taken over by a financial institution with the commitment to offer them to the shareholders by way of indirect option. Finally, the Executive Board is further authorized, with the consent of the Supervisory Board, to establish the other details of the increase in capital.

Authorized Capital II

The Executive Board is authorized, with the consent of the Supervisory Board, to increase the Company's nominal capitali-

FIG. 29

CONTINGENT CAPITAL

		Units	€
1.	Contigent capital, convertible bonds	120,000	120,000.00
2.	Contigent capital, employee ownership participation programm	40,000	40,000.00
3.	Contigent capital, L & H acquisition	355,520	355,520.00
		515,520	**515,520.00**

zation by 1 July 2004, in a single lot or multiple lots, by an amount up to a maximum of € 600,000.00 by issuing new individual bearer shares (common stock) against contributions in cash or in kind (Authorized Capital II). The Executive Board is entitled, with the consent of the Supervisory Board, to suspend shareholders' purchase option as provided for by law for the purpose of acquiring enterprises or holdings in enterprises; the acquisition of an enterprise or holdings in an enterprise may be effected only if the object of the target enterprise is substantially within the scope of the corporate objects of the Company as defined in Section 2, Paragraph 1, of the Articles of Association.

Having obtained the consent of the Supervisory Board, the Executive Board on 10 April 2000 increased the nominal capitalization by € 27,200.00 by activating Authorized Capital II.

Having obtained the consent of the Supervisory Board, the Executive Board on 13 April 2000 increased the nominal capitalization by € 156,679.00 by activating Authorized Capital II.

After these increases in capital, Authorized Capital II comes to € 416,121.00.

Authorized Capital III

The Executive Board is authorized, with the consent of the Supervisory Board, to increase the Company's nominal capitalization by 1 July 2005, in a single lot or multiple lots, by an amount up to a maximum of € 400,000.00 by issuing new individual bearer shares (common stock) against contributions in cash or in kind (Authorized Capital III). The Executive Board is entitled, with the consent of the Supervisory Board, to suspend shareholders' purchase option as provided for by law for the purpose of acquiring enterprises or holdings in enterprises; the acquisition of an enterprise or holdings in an enterprise may be effected only if the object of the target enterprise is substantially within the scope of the corporate objects of the Company as defined in Section 2, Paragraph 1, of the Articles of Association. If the authorization to exclude stock options is not exercised, the Executive Board is entitled to exclude large blocks of stock from the stock options for shareholders as provided for by law. Finally, the Executive Board is further authorized, with the consent of the Supervisory Board, to establish the other details of the increase in capital.

Contingent capital

The contingent capital comprises the following: Refer to FIG. 29

A contingency increase in nominal capitalization (Contingent Capital) by as much as € 120,000.00 may be effected by issuing up to 120,000 shares of bearer stocks (common stock). The contingent capital increase serves to guarantee conversion rights for holders of convertible bonds which were issued in accordance with the authorization of the Shareholders' Meeting on 14 July 2000.

The convertible bonds may be proffered exclusively to CENIT Group employees; these potential bond holders comprising employees at CENIT Aktiengesellschaft Systemhaus (Group 1), members of management at the Group companies (Group 2) and employees at Group companies (Group 3). Altogether 95.75 per cent of the convertible bonds may be issued to Group 1, up to 1.25 per cent to Group 2 and up to 3.00 per cent to Group 3.

Conversion rights may be exercised at the earliest two years after the issue of the convertible bonds.

Conversion rights may furthermore be exercised only if one of the following criteria is satisfied:

- The average closing quotation for the common stock at the Frankfurt Stock Exchange for the last five days of trading prior to the start of the conversion period, adjusted for actions affecting capital undertaken by the Company in the meantime, comes to at least 135 per cent of the market quotation for the CENIT Aktiengesellschaft Systemhaus shares on the day of the Executive Board's decision to issue the convertible bonds.

- The change in the value of the CENIT share, adjusted for any dividend payments, stock options and other special rights in the interim, is – between the issuance of the convertible bond and the exercising of the conversion rights – at least 15 per cent better than the value development for the Neuer Markt index in the same period of time.

- The closing rate on the day of the Executive Board's decision is taken as the value of the CENIT share when the convertible bond is issued. The decisive quotation for the convertible bonds issued is € 46.00.

With the decision taken by the Shareholders' Meeting on 31 May 2000 the Company's nominal capitalization is increased by up to € 40,000.00 by issuing up to 40,000 individual shares of bearer stocks (common stock). The increase in contingent capital serves exclusively to guarantee the rights of holders of stock options issued by the Company up to 1 May 2004, in accordance with the Executive Board's authorization to grant stock options to management personnel within the framework

FIG. 30

CAPITAL RESERVE in €

Status on 1.1.2000	16,962,967.13
Additions	6,386,629.94
Status on 31.12.2000	**23,349,597.07**

FIG. 31

ALLOCATION RESULTING FROM CAPITAL INCREASE in €

Desktop Engineering Ltd., Oxford/England	924,800.00
Spring Technologies S.A., Montreuil/France	5,461,829.94
	6,386,629.94

FIG. 32

RESERVES FOR OWN SHARES in €

Balance on 1.1.2000	0.00
Additions	241,510.50
Balance on 31.12.2000	**241,510.50**

FIG. 33

OTHER RETAINED INCOME in €

Balance on 1.1.2000	869,196.20
Additions from the 1999 balance-sheet profits	1,900,000.00
Balance on 31.12.2000	**2,769,196.20**

FIG. 34

AMOUNTS OWED TO BANKS in €

Redidual term up to 1 year	10,701,177.80
Redidual term from 1-5 years	383,468.91
Redidual term over 5 years	143,800.84
	11,228,447.55

of an employee ownership participation program. Those persons potentially authorized to purchase and the issue amount for the new shares are derived from the foregoing authorization. The increase in contingent capital is to be carried out only to the extent that the holders of the option rights issued exercise their options.

The Executive Board is authorized, with the consent of the Supervisory Board, to establish the other details of the increase in contingency capital and its execution.

Pursuant to a decision taken by the Shareholders' Meeting on 31 May 2000 the Company's nominal capitalization was increased for contingency purposes by up to € 355,520.00 by issuing up to 355,520 shares of bearer stocks (common stock). This contingency capital increase serves to guarantee stock options in conjunction with the purchase of all company rights to the to the companies founded in accordance with Canadian law and operating as "Lemire & Habrich Consultants Inc." and "Solid Xperts Inc.", domiciled in St. Laurent, Canada. The stock options were issued against contributions in kind. All the business shares in the companies founded in accordance with Canadian law and operating as Lemire & Habrich Consultants Inc. and Solid Xperts Inc. are to be transferred indirectly or directly to the Company as contributions in kind.

No use has yet been made of this stock option. Until such time as a stock option is exercised, the item is shown at "Contributions made to carry out the approved increase in capital."

8 *Capital reserves*

Refer to FIG. 30

The postings due to increases in capital are composed as follows: Refer to FIG. 31

9 *Retained income*

Refer to FIG. 32 and FIG. 33

10 *Contributions made to carry out the authorized increase in capital*

In conjunction with the acquisition of the Class 2 shares in the CENIT CANADA INVESTMENTS (CCI) INC., Montreal, Canada, the Executive Board, with the consent of the Supervisory Board, has decided to increase capital by activating the contingency capital. The sellers of the Class 2 shares have fulfilled their obligations by contributing the companies in question but have not yet exercised their options to purchase CENIT stock.

11 *Accruals*

The miscellaneous accruals contain essentially reserves for the premium bonus model (€ 371,000), leftover vacation (€ 859,000) and emoluments (€ 111,000).

FIG. 35

OTHER OBLIGATIONS in € and € 000

	31 Dec 2000	31 Dec 1999
Tax liabilities	2,007,897.70	1,815
Liabilities in conjunction with social security schemes	668,339.49	538
Liabilities vis à vis Executive Board members	0.00	4
Other miscellaneous liabilities	199,761.15	238
	2,875,998.34	**2,595**

FIG. 36

SALES PROCEEDS BY SECTORS 2000

	€ 000	%
Services and projects	11,792	12.8
Trade goods	36,966	40.0
Advisory and consulting services	28,382	30.8
Licenses	9,690	10.5
Commissions	4,760	5.2
Travel expenses charged to others	687	0.7
	92,277	**100.0**

12 Liabilities

The bonds (convertible bonds) issued on 6 September 2000 run to 5 September 2004. The conversion right is linked to a specified performance situation and is effected in three phases. Up to 30 per cent may be converted into individual shares from the autumn of 2001 to the summer of 2002, up to 60 per cent from autumn 2002 to summer 2003, and up to 100 per cent from autumn 2003 to summer 2004.

The amounts owed to banks are composed as follows: Refer to FIG. 34

The Bürgschaftsbank Baden-Württemberg GmbH has issued an indemnity bond covering 70 per cent of the outstanding balance on the loan granted by the Stuttgart branch of the Dresdner Bank AG.

All other amounts owed have a term of one year or less.

In regard to payables resulting from deliveries and services, the reservations of ownership for the items delivered, pending payment, are imposed in a fashion typical for the industry.

The other obligations are made up of the following: Refer to FIG. 35

II Profit and loss statement

1 Sales proceeds

Refer to FIG. 36

Here 97.6 per cent of turnover was within Germany (€ 90,042,000), 1.2 per cent within the rest of the European Union (€ 1,098,000) and 1.2 per cent in the rest of the world (€ 1,137,000).

2 Revenues and expenses not related to the accounting period

There were no revenues or expenses of any significance not related to the accounting period.

3 Other operating revenues

This item contains returns from dissolving a special item, a portion of which was in the provisions, in the amount of € 2,326.89 (€ 5,000 in the previous year).

4 Affiliated companies

The miscellaneous interest and similar earnings at € 93,592.07 (€ 21,000 in the previous year) are associated with affiliated companies.

ANNEX CENIT AG SYSTEMHAUS

FIG. 37

HOLDINGS

NR.	NAME AND DOMICILE	Currency	Holdings %	of	Subscribed capital TLC*	Equity capital TLC*	Total TLC*
2	CENIT Limited, Altrincham/Great Britain	GBP	100.00	1	30	-632	- 676
3	CENIT (Schweiz) AG, Frauenfeld/Switzerland	CHF	90.00	1	500	-756	- 1,239
4	Desktop Engineering Limited,						
	Oxford/Great Britain						
5	Desktop Engineering Solutions Limited,						
	Oxford/Great Britain	GBP	100.00	4	3	3	0
6	Desktop Engineering Services Limited,						
	Oxford/Great Britain	GBP	100.00	4	0	0	0
7	Spring Technologies S.A.,						
	Montreuil/France	FRF	100.00	1	4,194	9,527	1,985
8	CAD Ecole SGAO SARL, Montreuil/France	FRF	100.00	7	250	1,881	- 1,026
9	CENIT SARL, Montreuil/France	FRF	100.00	7	250	743	- 454
10	CENIT SYSTEMHAUS HOLDING (CSH) INC.,						
	Montreal/Canada	CAD	100.00	1	5,000	4,828	- 172
11	CENIT CANADA INVESTMENTS (CCI) INC.,						
	Montreal/Canada	CAD	92.58	10	7,613	7,667	54
			7.42	1			
12	L & H Consultants Inc., St. Laurent/Canada	CAD	100.00	11	0.1	1,065	6
13	L & H Consultants Inc., Detroit/USA	USD	100.00	12	10	-1,013	164
14	Alta Technologia en Diseno por Computadores S.A.						
	de C.V., Wisconsin/Mexiko	MXP	99.00	12	50	-602	199
15	Solid Xperts Inc., St. Laurent/Canada	CAD	100.00	11	0.1	28	52
16	Solid Xperts Inc., Charlotte/USA	USD	100.00	15	0.1	-23	8

*TLC = Thousand units of the local currency

D OTHER INFORMATION

1 Information on shareholdings

On the balance sheet date the Company (referred to below as "No. 1") had direct or indirect holdings of at least 20 per cent in the following enterprises:

Refer to FIG. 37

Regarding 6: Business operations at Desktop Engineering Service Limited, Oxford, Great Britain, have been dormant for five years.

2 Personnel

An average of 477 employees were on the payroll during the business year.

3 Liability situation and other financial obligations

Liabilities in the spirit of Title 251 of the Commercial Code exist regarding obligations arising from guarantee agreements vis à vis Desktop. The Company has pledged to ensure the financial furnishings for a period of twelve months (to 31 December 2001).

The Company has other financial obligations in conjunction with rent and leasing contracts in the amount of € 18,024.00.

4 Company organs

Appointees to the Executive Board are:

Falk Engelmann, B.Eng.,
Leinfelden-Echterdingen
(Finances, Organization,
M&A activities)

Norbert Fink, B.Eng.,
Metzingen
(Personnel, M&A activities)

Hubertus Manthey, B.Eng.,
Pliezhausen (Service)

Andreas Schmidt, B.Eng.,
Ebersbach (Sales)

The Supervisory Board is made up of the following:

Axel Sigle, J.D.
Attorney, Stuttgart
Chairman
Vice-Chairman of the Supervisory Board
of the Brand Audit AG,
Nürnberg, and
of the Funk-Oase Communications AG,
Ellhofen near Weinsberg,
as well as member
of the Supervisory Board
of the eJay AG and the telesnap AG,
both of Stuttgart.

Hubert Leypoldt, B.B.A.
Auditor and Tax Consultant
Dettingen/Erms
Vice-Chairman

Dr. Dirk Lippold
General Manager, Friolzheim

During the reporting year emoluments for the Executive Board amounted to € 1,050,128.52. The Supervisory Board received for its activities remuneration amounting to € 67,500.00.

At the balance sheet date the Executive Board held 1,528,603 shares and thus 36.5 per cent of the Company's nominal capitalization. The members of the Supervisory Board hold 1,600 shares and thus participate, without change, in the Company's nominal capitalization.

E UTILIZATION OF PROFITS

The Executive Board, in concurrence with the Supervisory Board, proposes that the balance sheet profit of € 1,104,065.91 be allocated to retained income.

CENIT AG Systemhaus
The Executive Board
Stuttgart, March 2001

F AUDITOR'S OPINION

We have audited the financial statements including the accounting records and the management report and consolidated management report of CENIT Aktiengesellschaft Systemhaus, Stuttgart, for the financial year between 1 January and 31 December 2000. The statutory representatives of the company are responsible for the accounting records and for preparing the financial statements and the management report and consolidated management report in accordance with the regulations of German commercial law and in accordance with the rules as established under the German stock corporation law and also in accordance with the supplementary regulations set out in the company's articles of association.

Our assignment is to provide an assessment of the financial statements including the accounting records as well as an assessment of the management report and the consolidated management report on the basis of the audit which we have carried out.

We have conducted our audit of the financial statements in accordance with §317 HGB and subject to the principles of proper accounting defined by the Institut der Wirtschaftsprüfer (IDW). Accordingly, the audit must be planned and carried out in such a way that it is possible with adequate certainty to identify any irregularities and breaches of regulations which have a material effect on the presentation of the net worth, financial and earnings situation of the company provided by the financial statements in accordance with the principles of proper accounting and also provided by the management report and the consolidated management report.

The process of determining the audit actions has given due consideration to knowledge of the business activities and the financial and legal circumstances of the company as well as expectations of possible errors. As part of the audit process, the effectiveness of the internal control system for monitoring accounting procedures as well as supporting evidence for the information in the accounting records, financial statements and management report and consolidated management report are assessed primarily on the basis of random samples.

The audit involves an assessment of the applied principles of accounting as well as an assessment of the main estimates of the statutory representatives of the company, and also considers the overall presentation of the financial statements and of the management report and consolidated management report. We are of the opinion that our audit forms an adequate basis for our audit opinion. Our audit has not resulted in any objections.

In our opinion, the financial statements provide a true and fair view of the net worth, financial and earnings situation of the company in accordance with the principles of proper accounting. The management report and consolidated management report overall provide a true and fair view of the situation of the company and present the risks involved with future developments in a realistic manner.

Stuttgart, 15 March 2001

Dr. Ebner, Dr. Stolz und Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Wolfgang Russ — *Auditor*

Dieter Höreth — *Auditor*

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