

# 6-Months Report 2004

## CENIT AG Systemhaus

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The logo for CENIT, consisting of the word "cenit" in a bold, lowercase, sans-serif font. The letters are white and set against a teal background. The logo is oriented vertically on the right side of the page.

**CENIT AT A GLANCE (unaudified)**

At a glance - January 1 until June 30, 2004

in Mill. EUR	June 30, 2004	June 30, 2003
<b>Sales</b>	<b>32,34</b>	<b>30,30</b>
<b>Gross profits</b>	<b>22,51</b>	<b>20,35</b>
<b>EBITDA</b>	<b>2,12</b>	<b>0,39</b>
<b>Operating returns (EBIT)</b>	<b>1,77</b>	<b>-0,18</b>
<b>EBT</b>	<b>1,80</b>	<b>-0,21</b>
<b>Net Income/loss of the group</b>	<b>1,45</b>	<b>-0,21</b>
<b>Result per share (basic) in EURO</b>	<b>0,35</b>	<b>-0,05</b>
<b>Result per share (diluted) in EURO</b>	<b>0,35</b>	<b>-0,05</b>
<b>Number of employees at end of period</b>	<b>463</b>	<b>425</b>
<b>EBIT - Margin</b>	<b>5,5%</b>	<b>-0,6%</b>
<b>Profit - Margin</b>	<b>4,5%</b>	<b>-0,7%</b>
in Mill. EUR	June 30, 2004	December 31, 2003
<b>Equity in ratio</b>	<b>54,0%</b>	<b>41,4%</b>
<b>Equity</b>	<b>11,56</b>	<b>10,06</b>
<b>Liabilities</b>	<b>9,83</b>	<b>14,23</b>
<b>Balance sheet total</b>	<b>21,39</b>	<b>24,29</b>

## **LETTER TO SHAREHOLDERS**

***Dear Shareholders, Business Partners, Customers and Interested Parties***

Product Lifecycle Management and Enterprise Content Management projects have a profound impact on a company's structure and processes. It is therefore understandable that increasingly companies only trust firms of this kind that possess a sound balance sheet and professional management. CENIT has been able to uphold and underpin this trust on a lasting basis with its past and current quarterly results.

This trust in CENIT is perceptible not least among you, our shareholders. After all, on all the points discussed at the Annual Shareholders Meeting on 17 June you expressed your trust in the ability of CENIT's Executive Board and Supervisory Board to push ahead with CENIT's positive corporate development with a majority of over 99 per cent. At this point, we should like to express our appreciation of this once more.

Today, we are able to prove the fact that this trust is paying off with an extremely satisfactory 2004 6 monthly report, which in addition to sales growth of some 7 percent also shows a significant EBIT margin of over 5 percent. For the current financial year, we remain optimistic with respect to sales and growth in earnings.

**The Executive Board**

## **MANAGEMENT REPORT**

The Information Technology, Telecommunications and New Media (ITK) sector has begun to grow again in Germany. According to information from BITKOM, the ITK sector will put on 2.5 percent in the current year. The turnaround started last year with an increase of 0.3 percent - precisely the figure forecast by BITKOM. For 2005, the association is expecting growth of 3.7 percent. Software providers are also acknowledging perceptible growth. While they had to be content with a fall of 1.5 percent last year, this year the market will grow by 2.5 percent to Euro 15.2 billion and even by 5 percent to Euro 16 billion in 2005, according to BITKOM. The providers of IT services have also achieved the turnaround: they are expected to increase their sales in 2004 by 1.7 percent to Euro 26.5 billion, having reported a loss of 0.7 percent in 2003. For the coming year, BITKOM is forecasting a gain of 3.9 percent to Euro 27.6 billion.

In the PLM and ECM markets, which are especially important for CENIT, renowned market analysts are prophesying growth rates of 10 to 25 percent in the Software and Service division for 2004 and 2005.

## **EARNINGS REVIEW**

CENIT is continuing its positive development of the first quarter successfully. The expansion of the divisions Product Lifecycle Management Consulting, Outsourcing Services and Enterprise Content Management Solutions led to an increase in sales in the first 6 months of this year of around 7 percent. A sharp rise in the EBIT margin to 7 percent in the second quarter underlines CENIT's future positive prospects. As at 30.06.2004, the company had booked incoming orders of EUR 41 million.

Consolidated sales rose by 7 percent to EUR 32.34 million (2003: EUR 30.3 million). In addition, the concentration on consultancy business led to an increase of over 10% in Group gross profit to EUR 22.51 million (2003: EUR 20.35 million). EBITDA for the Group amounted to EUR 2.12 million (2003: EUR 0.39 million/ 443%). Group EBIT rose by 1083 percent to EUR 1.77 million (2003: EUR - 0.18 million). Group EBT was at EUR 1.8 million EUR (2003: EUR - 0.21 million/957%). Group EPS amounted to EUR 0.35 (2003: EUR - 0.05 EUR/ 800%) undiluted.

Group cash flow from operating activities totalled EUR 1.52 million. The Group's total assets fell from EUR 24.29 million to EUR 21.39 million. The equity ratio improved from 41% in 2003 to 54%. At the end of the period under review, equity was at EUR 11.56 million (31.12.2003: EUR 10.06 million). Short-term liabilities from banks include only a goods financing loan of EUR 0.9 million (31.12.2003: EUR 3.25 million). At 30.06.2004, cash and cash equivalents totalled EUR 8.13 million (31.12.2003: EUR 7.15 million).

**ADDITIONAL EXPLANATORY NOTES**

There were no changes in accounting policies.

**DEVELOPMENT OF COSTS**

Operating costs developed in accordance with our financial planning and were reduced by 4% compared with 2003.

**CAPITAL EXPENDITURE**

Capital expenditure in the first 6 months of 2004 amounted to EUR 0.3 million (31.12.2003: EUR 0.68 million). These costs comprised the usual expansion and replacement investments in connection with IT, software and office equipment.

**BREAKDOWN OF EARNINGS**

CENIT operates in two business segments. Approx. 70% of total revenue was attributable to the Company's e-engineering business unit and approx. 30% to the e-business business unit.

**CHANGES IN EXECUTIVE BOARD AND SUPERVISORY BOARD**

None

**EVENTS OF PARTICULAR SIGNIFICANCE THAT COULD AFFECT****BUSINESS OPERATIONS**

None

**INTERIM DIVIDENDS**

No interim dividends were distributed.

**AMOUNT DISTRIBUTED OR PROPOSED FOR DISTRIBUTION**

No dividend was distributed or proposed for distribution.

## **NEW ORDERS**

In the first 6 months, CENIT saw incoming orders rise by 10% to EUR 41 million. As at 30.06.2004, the volume of orders in hand totalled EUR 21 million, up a further 20% on the previous figure.

## **ORDERS OF PARTICULAR SIGNIFICANCE**

As part of a software development project for Eurocopter, a subsidiary of the largest European aeronautics and astronautics company EADS, CENIT has developed an offline programming environment for new robotic equipment for testing composite fibre materials ultrasonically. The aim is to test batches of structural components for helicopters and aircraft on a non-contact basis. In addition, Dassault Systèmes, the world's leading SW developer of Product Lifecycle Management solutions, announced in June that CENIT had fulfilled the highest standards of quality and service for its PLM education and training schemes and has therefore been designated the first Certified Education Partner for Germany.

## **EQUITY INVESTMENTS**

CENIT Switzerland achieved earnings before interest and tax (EBIT) of EUR -0.08 million on unconsolidated sales of EUR 0.98 million. CENIT North America achieved sales of EUR 0.4 million and EBIT of EUR 0.01 million.

## **CASH, CASH EQUIVALENTS AND SECURITIES**

As at 30 June 2004, cash and cash equivalents, including marketable securities, amounted to EUR 8.13 million. For further details, please refer to the Cash Flow Statement included in this interim report.

## **FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS**

Total assets amounted to EUR 21.39 million. Trade receivables stood at EUR 6.7 million. Cash flow from operating activities at CENIT amounted to EUR 1.5 million. Staff costs for the Group rose 5 percent relative to the previous year.

## **EMPLOYEES**

As at 30.06.2004, the number of employees within the Group was 463 (2003: 425). In total, 450 people were employed in Germany, 4 in North America and 9 in Switzerland.

## **OUTLOOK**

Following an 8 percent fall in sales in the first quarter, consolidated sales over the first six months rose by 7 percent, which is a clear signal that CENIT was able to expand its position in the market. The CENIT Executive Board is again underlying its goal of increasing sales and increasing earnings substantially.





**CENIT Aktiengesellschaft Systemhaus**

**Consolidated Balance Sheet prepared in accordance with IFRS (unaudified)**

**for the period from January 1 to June 30, 2004**

in EUR '000	June 30, 2004	Dec. 31, 2003
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Subscribed capital	4.184	4.184
Capital reserve	418	418
Foreign currency reserve	-76	-122
Revenue reserves	1.239	1.239
Net income/loss of the Group	5.793	4.340
	<b>11.558</b>	<b>10.059</b>
<b>MINORITY INTERESTS</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES (long-term)</b>		
Deferred tax liabilities	455	485
Long-term liabilities to banks	0	240
	<b>455</b>	<b>725</b>
<b>LIABILITIES (short-term)</b>		
Short-term liabilities to banks	917	3.248
Trade payables	1.740	2.951
Other liabilities	6.027	6.699
Tax provisions	252	74
Other provisions	222	297
Deferred income	216	235
	<b>9.374</b>	<b>13.504</b>
	<b>21.387</b>	<b>24.288</b>

CENIT Aktiengesellschaft Systemhaus

Consolidated Income Statement prepared in accordance with IFRS (unaudited)

for the period from January 1 to June 30, 2004

in EUR '000		June 30, 2004	June 30, 2003
<b>1. Sales</b>		<b>32.340</b>	<b>30.297</b>
2.Changes in inventories in finished goods and work in process		1.367	455
Total operating performance		33.707	30.752
3. Other operating income		675	185
Operating performance		34.382	30.937
4. Cost of materials	11.873		10.583
5. Personnel expenses	14.767		14.074
6. Amortization of intangible assets and depreciation on property, plant and equipment	352		567
7. Other operating expenses	5.621		5.848
		32.612	31.072
<b>Operating result</b>		<b>1.770</b>	<b>-135</b>
8. Other interest and similar income	66		15
9. Amortization of financial assets and securities classified as current assets	0		46
10. Interest and similar expenses	37		45
		29	-76
<b>Result of ordinary activities</b>		<b>1.799</b>	<b>-211</b>
11. Extraordinary result		0	0
12. Income taxes	346		0
		346	0
13. Net loss for the period before minority interests		1.453	-211
14. Minority interests		0	0
<b>15. Net income/loss of the Group</b>		<b>1.453</b>	<b>-211</b>
Earnings per share (undiluted) in EUR		0,35	-0,05
Earnings per share (diluted) in EUR		0,35	-0,05

**CENIT Aktiengesellschaft Systemhaus**  
**Consolidated Income Statement prepared in accordance with IFRS (unaudited)**  
**for the period from April 1 to June 30, 2004**

in EUR '000	2nd Quarter, 2004		2nd Quarter, 2003
<b>1. Sales</b>		<b>17.885</b>	<b>14.559</b>
2. Changes in inventories in finished goods and work in process			
Total operating performance		-374	-143
3. Other operating income		256	144
Operating performance		17.767	14.560
4. Cost of materials	6.243		4.193
5. Personnel expenses	7.257		6.912
6. Amortization of intangible assets and depreciation on property, plant and equipment	181		299
7. Other operating expenses	2.912		2.793
		16.592	14.197
<b>Operating result</b>		<b>1.175</b>	<b>362</b>
8. Other interest and similar income	38		5
9. Amortization of financial assets and securities classified as current assets	0		29
10. Interest and similar expenses	20		14
		18	-38
<b>Result of ordinary activities</b>		<b>1.192</b>	<b>324</b>
11. Extraordinary result		0	0
12. Income taxes	251		0
		251	0
13. Net loss for the period before minority interests		942	324
14. Minority interests		0	0
<b>15. Net income/loss of the Group</b>		<b>942</b>	<b>324</b>
Earnings per share (undiluted) in EUR		0,23	0,08
Earnings per share (diluted) in EUR		0,23	0,08

CENIT Aktiengesellschaft Systemhaus

Consolidated Statement of Cash Flows prepared in accordance with IFRS (unaudited)

for the period from January 1 to Juni 30, 2004

in EUR '000	June 30, 2004	June 30, 2003
<b>Cashflow aus betrieblicher Tätigkeit</b>		
Earnings before income taxes and deferred taxes	1.799	-211
Adjusted for:		
Amortization of intangible assets and depreciation of property, plant and equipment	352	567
Amortization of intangible assets	0	0
Loss on the disposal of fixed assets	3	0
Extraordinary amortization/depreciation and loss from the disposal of deconsolidated companies		
Other non-cash expenses and income	-258	
In/Decrease of longterm provisions	0	
Interest income	-66	-15
Interest expenses	37	45
<b>Operating result before changes to net working capital</b>	<b>1.868</b>	<b>386</b>
Zunahme/Abnahme der Forderungen aus Lieferungen und Leistungen		
Increase/decrease in trade receivables and other assets	5.012	10.431
Increase/decrease in inventories	-1.261	-1.341
Increase/decrease in trade liabilities	-1.211	-1.982
Other short-termprovisions and liabilities	-2.919	-1.126
<b>Cash flow from ordinary operations</b>	<b>1.489</b>	<b>6.368</b>
Cash paid for interest	-37	-45
Cash received for interest	66	15
Cash paid for income taxes	0	
<b>Net cash received from operating activities</b>	<b>1.518</b>	<b>6.338</b>
Proceeds from extraordinary items		
Cash payments from restructuring items (Assumption of liabilities)		
<b>Net cash received from operating activities</b>	<b>1.518</b>	<b>6.338</b>
<b>Cash flow from investing activities</b>		
Formation of subsidiaries that are not consolidated		
Purchase of property, plant and equipment and intangible assets	-302	219
Proceeds from the disposal of property, plant and equipment		-1
Decrease of fixed assets carrying amount	0	
Increase in other loans		0
<b>Net cash paid for investing activities</b>	<b>-302</b>	<b>218</b>
<b>Cash flow from financing activities</b>		
Equity finance		
Payment for shareholder		
Cash proceeds (+) from bank loans		
Cash payments (-) from long-term bank loans	-240	-5.744
Change in convertible bond	0	0
<b>Net cash paid for investing activities</b>	<b>-240</b>	<b>-5.744</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>976</b>	<b>812</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7.152</b>	<b>2.450</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>976</b>	<b>812</b>
<b>Effect on cash and cash equivalents of changes in exchange rates</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>8.128</b>	<b>3.262</b>

CENIT Aktiengesellschaft Systemhaus

Consolidated Statement of Changes in Shareholders' Equity in accordance with IFRS (unaudified)

for the period from January 1 to June 30, 2004

	Subscribed capital	Capital reserve	Currency reserve	Revenue reserve	Net result of the Group	Treasury shares	Total
in EUR '000							
as of January 1, 2003	4.184	23.350	-90	3.953	-22.613	-511	8.273
Transfers to revenue reserves		-22.932		-2.714	22.932 2.714		0
Changes in equity interest in convertible bonds							0
Disposal of treasury shares					-429	511	82
Currency fluctuation			-32				-32
Net income for the Group					1.736		1.736
as of Dec. 31, 2003	4.184	418	-122	1.239	4.340	0	10.059
Transfers to revenue reserves							0
Changes in equity interest in convertible bonds							0
Disposal of treasury shares							0
Currency fluctuation			46				46
Net income for the Group					1.453		1.453
as of Juni 30, 2004	4.184	418	-76	1.239	5.793	0	11.558

CENIT Aktiengesellschaft Systemhaus

Segment Report by Segments prepared in accordance with IFRS (unaudited)

for the period from January 1 to June 30, 2004

	EB	EE	not allocated	Group
in EUR `000				
<b>Sales to third parties</b>				
mid-year 2004	10,202	22,138	0	32,340
mid-year 2003	9,586	20,711	0	30,297
<b>Gross Margin</b>				
mid-year 2004	5,947	16,562	0	22,509
mid-year 2003	5,495	14,859	0	20,354
<b>EBIT</b>				
mid-year 2004	500	1,270	0	1,770
mid-year 2003	-162	-19	0	-181
<b>Interest</b>				
mid-year 2004	0	0	29	29
mid-year 2003	0	0	-30	-30
<b>Taxes on income &amp; deferred</b>				
mid-year 2004	0	0	-346	-346
mid-year 2003	0	0	0	0
<b>Net Income/loss of the group</b>				
mid-year 2004	500	1,270	-317	1,453
mid-year 2003	-162	-19	-30	-211
<b>Segment assets</b>				
30.06.2004	3,956	7,541	9,890	21,387
31.12.2003	5,435	9,757	9,096	24,288
<b>Segment liabilities</b>				
30.06.2004	2,614	5,591	1,624	9,829
31.12.2003	3,143	7,039	4,047	14,229
<b>Capital expenditure</b>				
30.06.2004	55	247	0	302
31.12.2003	95	580	0	675
<b>Amortization &amp; depreciation</b>				
mid-year 2004	81	271	0	352
mid-year 2003	208	359	0	567

EB = e-business; EE = e-engineering

**CENIT Aktiengesellschaft Systemhaus**

**Segment Report by Region prepared in accordance with IFRS (unaudited)**

for the period from January 1 to June 30, 2004

in EUR '000	D	CH	USA	Other	Consolidation	Group
<b>Intercompany Sales</b>						
mid-year 2004	295	194	90	0	-579	0
mid-year 2003	360	134	2	0	-496	0
<b>Sales to third parties</b>						
mid-year 2004	31,383	642	315	0	0	32,340
mid-year 2003	29,065	895	337	0	0	30,297
<b>Segment assets</b>						
30.06.2004	21,127	377	293	37	-447	21,387
31.12.2003	23,908	754	332	37	-743	24,288
<b>Capital expenditure</b>						
30.06.2004	297	3	2	0	0	302
31.12.2003	643	7	25	0	0	675

**CENIT Aktiengesellschaft Systemhaus**  
**ASSETS CENIT Germany (with HGB) unaudited**  
**for the period from January 1 to June 30, 2004**

in EUR '000	June 30, 2004	Dec. 31, 2003
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible assets	92	103
Property, plant and equipment	1.091	1102
Financial assets	28	28
	<b>1.211</b>	<b>1.234</b>
<b>DEFERRED TAX ASSETS (long-term)</b>	<b>0</b>	<b>0</b>
<b>CURRENT ASSETS</b>		
Inventories	2.999	1853
Receivables and other assets	6.763	11262
Tax receivables	10	46
Other receivables	10	21
Securities	2	2
Cash and cash equivalents	7.777	6.639
	<b>17.561</b>	<b>19.823</b>
<b>PREPAID EXPENSES</b>	<b>234</b>	<b>217</b>
	<b>19.006</b>	<b>21.273</b>



**CENIT Aktiengesellschaft Systemhaus**  
**EQUITY AND LIABILITIES CENIT Germany (with HGB) unaudited**  
**for the period from January 1 to June 30, 2004**

in EUR '000	June 30, 2004	Dec.31.2003
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Subscribed capital	4.184	4.184
Capital reserve	418	418
Foreign currency reserve	0	0
Revenue reserves	1.155	1.155
Treasury stock	0	0
Convertible bond	0	0
Net income/loss	2.120	
	<b>7.878</b>	<b>5.757</b>
<b>MINORITY INTERESTS</b>	<b>0</b>	<b>0</b>
<b>Provisions</b>		
Provisions	5.584	6.327
	<b>5.584</b>	<b>6.327</b>
<b>LIABILITIES</b>		
liabilities to banks	917	3.488
Trade payables	1.713	2.941
Other liabilities	2.698	2.530
	<b>5.328</b>	<b>8.959</b>
<b>DEFERRED INCOME</b>	<b>216</b>	<b>231</b>
	<b>19.006</b>	<b>21.273</b>

CENIT Aktiengesellschaft Systemhaus, Stuttgart

INCOME STATEMENT CENIT Germany (with HGB) unaudited

for the period from January 1 to June 30,2004

in EUR '000	June 30, 2004		June 30, 2003
<b>1. Sales</b>		<b>31.678</b>	<b>29.425</b>
2.Changes ininventories in finished goods and work in process		1.278	455
Total operating performance		32.956	29.880
3. Other operating income		1.109	235
Operating performance		34.065	30.115
4. Cost of materials	11.823		10.637
5. Personnel expenses	14.109		13.417
6. Amortization of intangible assets and depreciation on property, plant and equipment	316		533
7. Other operating expenses	5.540		4.704
		31.786	29.291
<b>Operating result</b>		<b>2.278</b>	<b>824</b>
8. Other interest and similar income	69		48
9. Amortization of financial assets and securities classified as current assets	0		0
10. Interest and similar expenses	37		45
		32	3
<b>Result of ordinary activities</b>		<b>2.310</b>	<b>827</b>
11. Extraordinary result		0	0
12. Taxes on income	190		0
13. Other taxes	0		0
		190	22
<b>14. Net income/loss</b>		<b>2.120</b>	<b>805</b>
EBITDA		2.594	1.362
EBIT		2.278	829

**CENIT Aktiengesellschaft Systemhaus**  
**INCOME STATEMENT CENIT Germany (with HGB) unaudited**  
**for the period from April 1 to June 30, 2004**

in EUR '000	2nd Quarter, 2004		1st Quarter, 2003
<b>1. Sales</b>		<b>17.527</b>	<b>14.213</b>
2. Changes in inventories in finished goods and work in process		-329	-142
Total operating performance		17.198	14.071
3. Other operating income		613	126
Operating performance		17.811	14.197
4. Cost of materials	6.240		4.252
5. Personnel expenses	6.948		6.601
6. Amortization of intangible assets and depreciation on property, plant and equipment	163		283
7. Other operating expenses	2.903		2.707
		16.254	13.843
<b>Operating result</b>		<b>1.558</b>	<b>354</b>
8. Other interest and similar income	39		22
9. Amortization of financial assets and securities classified as current assets			29
10. Interest and similar expenses	20		14
		19	-21
<b>Result of ordinary activities</b>		<b>1.576</b>	<b>333</b>
11. Extraordinary result			
12. Taxes on income	190		
13. Other taxes			12
		190	12
<b>14. Net income/loss</b>		<b>1.386</b>	<b>321</b>
EBITDA		1.721	666
EBIT		1.558	383

## **DIRECTORS´ Holding**

### **EXPLANATORY NOTES TO SHARES AND SUBSCRIPTION RIGHTS HELD BY DIRECTORS, COMPANY OFFICERS AND EMPLOYEES IN ACCORDANCE WITH Section 160 Subsection 1 No. 2 AND Section 5 AktG**

The Directors and Officers of the company have no share option rights.  
Aktienbezugsrechte

The employees of CENIT have  
subscription rights to 6,490 convertible  
bonds in accordance with employee  
equity programme

#### **Directors´ Holding: Number of shares as at June 30, 2004**

Total Number of Shares                      4.183.879

#### **Shares owned by the Executive Board:**

Hubertus Manthey                              317.508

Christian Pusch                                      1.450

Andreas Schmidt                                  393.796

#### **Shares owned by the Supervisory Board:**

Falk Engelmann                                      180.000

Hubert Leyboldt                                      800

Dr. Dirk Lippold                                      0