

6-Months Report 2003

CENIT AG Systemhaus

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The logo for CENIT, consisting of the letters 'CENIT' in a bold, sans-serif font, oriented vertically on the right side of the page.

CENIT AT A GLANCE (unaudified)

At a glance - January 1 until June 30, 2003

in Mill. EUR	June 30, 2003	June 30, 2002
Sales	30,30	45,88
Gross profit	20,35	26,45
EBITDA	0,39	0,56
Operating return (EBIT)	-0,18	-0,70
Group results (EBT)	-0,21	-0,93
Result per share (basic) in EURO	-0,05	-0,19
Result per share (diluted) in EURO	-0,05	-0,19
Number of employees at end of period	425	590
Gross profit margin in %	-0,69%	-2,03%
in EUR '000	June 30,2003	June 30,2002
Equity in ratio	44,3%	30,06%
Equity	8,11	8,27
Liabilities	10,19	19,25
Balance sheet total	18,30	27,52

Letter to Shareholders

Dear Shareholders, Business Associates and Customers,

The positive trend in CENIT's earnings performance displayed over the course of the last quarters continued without interruption in the first six months of the current financial year. We succeeded in expanding our business activities within the area of Product Lifecycle Management and Outsourcing. Furthermore, we not only stabilised our e-business division but also turned it around with great success.

In spite of the fact the industry as a whole is currently having to contend with extremely cautious investment behaviour, demand for our service offering is slowly but surely becoming more buoyant. Indeed, we recorded encouraging growth and incoming orders within the area of aviation, automotive technology and financial services. This solid performance is underlined by the latest study conducted by CIMdata Inc. According to market analyses, CENIT is currently ranked second among the top PLM services enterprises in Europe, and pundits believe that the Company has even more growth potential.

As you are aware, the Annual Meeting of Shareholders traditionally plays a prominent role in the second quarter of the financial year. CENIT's shareholders supported the Company in every possible manner, by ratifying the management's actions and approving resolutions put forward with a clear majority. We would like to take this opportunity to thank you for the trust placed in us.

The Executive Board

MANAGEMENT REPORT

It seems that a new word is doing the rounds: alongside recession, i.e. the successive decline in real gross domestic product, the general public has been made aware of the adverse effects that deflation can have on the economy as a whole. Currently, however, the world of politics and business is brushing aside the IMF's Cassandra cries of imminent doom. The prevailing view is that there are no indications of an acute deflationary problem. However, it should be noted that a company such as CENIT is not impervious to these trends and opinions.

As expected, demand for hardware remains sluggish. In contrast, the financial services sector in particular has witnessed a host of new and follow-up investments despite the immense pressure on margins. Software and licence business remains tentative, while consulting and services are experiencing palpable growth. Indeed, within these areas CENIT has successfully extricated itself from the recessionary spiral. In fact, we have every reason to believe that our consulting and services business will continue to gain momentum, thus underpinning our targets within the area of earnings performance.

EARNINGS REVIEW

CENIT's focus on consulting services centred around Product Lifecycle Management, Outsourcing, and E-Business solutions once again bore fruit in the second quarter. The Company achieved significant earnings growth in the first six months of the current financial year. EBT for Q2/2003 amounted to EUR 0.32 million. This performance was supported in particular by growing demand for consulting services within the automotive and aviation sectors. The Company was able to capture additional market share within these areas. The business volume gained by hardware sales has declined in this fiscal year but the concentration on profit-yielding consultancy services in part compensated for it.

CENIT Deutschland once again performed admirably in the period under review, generating above-par EBITDA of EUR 1.36 million (2002: EUR 0.80 million/70%) despite an 18% decline in revenue to EUR 29.43 million. EBIT increased to EUR 0.82 million (2002: EUR -0.09 million/1011%). EBT amounted to EUR 0.83 million (2002: EUR -0.28 million/396%).

CENIT's consolidated revenue was EUR 30.30 million (2002: EUR 45.88 million/ -34%). Consolidated gross profit stood at EUR 20.35 million (2002: EUR 26.45 million/-23%). EBITDA for the Group amounted to EUR 0.39 million (2002: EUR 0.56 million/-30%). The consolidated loss before interest and taxes EBIT was EUR 0.18 million for the first six months (2002: EUR -0.70 million/74%). The consolidated loss before tax EBT stood at EUR 0.21 million (2002: EUR -0.93 million/77%). The loss per share EPS for the Group (basic) was EUR 0.05 (2002: EUR -0.19/74%). Group cash flow from operating activities totalled EUR 6.34 million (2002: EUR 4.23 million/50%). The consolidated balance sheet total declined from EUR 27.52 million to EUR 18.30 million, while the equity ratio improved from 30.1% in 2002 to 44.3%. At the end of the first half, shareholders' equity stood at EUR 8.1 million (31/12/2002: EUR 8.3 million). Short-term borrowings from banks were reduced dramatically and currently amount to just EUR 0.4 million (31/12/2002: EUR 6.51 million).

As at 30 June 2003, cash and cash equivalents amounted to EUR 3.3 million (31/12/2002: EUR 2.5 million).

Additional Explanatory Notes

There were no changes in accounting policies.

Development of Costs

Costs developed in accordance with our financial planning, and decreased by 35% compared to 2002.

Capital Expenditure

Capital expenditure in the first six months of 2003 amounted to EUR 0.21 million (31/12/2002: EUR 0.9 million). This included the usual expansion and replacement investments in connection with IT, software, and office equipment.

Breakdown of Earnings

CENIT operates within two business segments. Approx. 68% of total revenue was attributable to the Company's "e-engineering" business unit, while approx. 32% of total revenue was generated in the "e-business" business unit.

Changes in Executive Board and Supervisory Board

In addition to Messrs. Dipl.-Ing. Falk Engelmann, Dipl.-Kfm. Hubert Leypoldt, and Dr. Dirk Lippold, whose tenures were confirmed at the General Meeting of Shareholders of 18 June 2003, pursuant to Section 10 paragraph 3 of the Company Bylaws Dipl.-Ing. (FH) Norbert Fink (44), Metzingen, was appointed as a replacement member of the board for the Supervisory Board members Falk Engelmann, Hubert Leypoldt, and Dr. Dirk Lippold. Within this context, Mr. Fink shall be appointed as a member of the Supervisory Board if one of the aforementioned Supervisory Board members relinquishes his position prior to the end of his contract; he shall regain his position as replacement member of the Supervisory Board if the General Meeting of Shareholders appoints a new member of the Supervisory Board to replace a Supervisory Board member who has prematurely relinquished his position and been replaced by Mr. Fink in the interim.

Mr. Fink is not a member of other supervisory boards established in accordance with statutory requirements or any comparable supervisory bodies, either of German or foreign commercial enterprises within the meaning of Section 125 paragraph 1 sentence 3 of the German Stock Corporation Act (Aktiengesetz – AktG). Norbert Fink was one of the original founders of CENIT in 1988.

Events of particular significance that could affect business operations

Not applicable.

NEW ORDERS

CENIT recorded incoming orders of EUR 14 million in the second quarter of the 2003 financial year. As at 30 June 2003, the volume of orders in hand totalled approximately EUR 18 million.

ORDERS OF PARTICULAR SIGNIFICANCE

Within this context, the decision of a car manufacturer located in the south of Germany plays a prominent role. The aforementioned manufacturer will be deploying CATIA V5 to develop the new series of one of its passenger vehicle models. The Company generally expects that this decision will have a positive effect on the market as a whole, particularly within the supply sector, and will prompt related capital expenditure from which CENIT is likely to benefit. The decision of an international aircraft manufacturer to use CENIT as a preferred IT service enterprise resulted in a multi-million euro follow-up order for the Company.

INVESTMENTS

CENIT Switzerland achieved earnings before interest and tax (EBIT) of EUR 0.2 million on non-consolidated sales of EUR 1.1 million. CENIT North America confirmed its positive performance with sales of EUR 0.34 million and above-par earnings before interest and tax of EUR 0.04 million.

CASH, CASH EQUIVALENTS AND SECURITIES

Cash and cash equivalents, including marketable securities, amounted to EUR 3.3 million as at 30 June 2003. 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 18.3 million. Trade receivables stood at EUR 6.3 million. CENIT's cash flow from operating activities amounted to EUR 6.3 million. Staff costs for the Group fell by 25 per cent relative to the previous year.

EMPLOYEES

The number of employees within the Group as at 30 June 2003 was 425 (2002: 590). In total, 411 people were employed in Germany, 2 in North America, and 12 in Switzerland. We were particularly encouraged by the fact that CENIT was able to publish recruitment advertisements for 20 vacancies – a direct result of the Company's solid business performance. These positions are to be filled in the coming weeks.

OUTLOOK

Supported by a healthy performance, CENIT reaffirms its above-par earnings forecast for the Group in the 2003 financial year. Despite a decline in consolidated revenues, we expect to capture additional market share in PLM, Outsourcing, and Document Management. Our prime objective, however, is to enhance profitability and reach break-even in the current financial year.

CENIT Aktiengesellschaft Systemhaus

Consolidated Balance Sheet prepared in accordance with IFRS (unaudited)

for the period from January 1 to June 30, 2003

in EUR '000	June 30, 2003	Dec. 31, 2002
ASSETS		
FIXED ASSETS		
Intangible assets	180	265
Property, plant and equipment	1,275	2,038
Intangible assets	0	201
	1,455	2,504
DEFERRED TAX ASSETS (long-term)	2,450	2,450
CURRENT ASSETS		
Inventories	4,295	2,954
Trade receivables	6,180	16,954
Tax receivables	8	105
Other receivables	191	276
Securities	2	2
Cash and cash equivalents	3,262	2,450
	13,938	22,216
PREPAID EXPENSES	460	349
	18,303	27,519
<i>Discontinuing operations</i>		5,373

CENIT Aktiengesellschaft Systemhaus

Consolidated Balance Sheet prepared in accordance with IFRS (unaudited)

for the period from January 1 to June 30, 2003

in EUR '000	June 30, 2003	Dec. 31, 2002
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	4,184	4,184
Capital reserve	23,350	23,350
Foreign currency reserve	-42	-90
Revenue reserves	3,950	3,950
Treasury stock	-511	-511
Convertible bond	4	3
Net income/loss of the Group	-22,824	-22,613
	8,111	8,273
MINORITY INTERESTS	0	0
LIABILITIES (long-term)		
Deferred tax liabilities	370	370
Pension provisions	0	154
Long-term liabilities to banks	383	431
	753	955
LIABILITIES (short-term)		
Short-term liabilities to banks	407	6,151
Trade payables	3,604	5,586
Other liabilities	4,882	5,641
Provisions	295	422
	9,188	17,800
DEFERRED INCOME	251	491
	18,303	27,519
<i>Discontinuing operations</i>		5,373

CENIT Aktiengesellschaft Systemhaus
Consolidated Income Statement prepared in accordance with IFRS (unaudited)
for the period from January 1 to June 30, 2003

in EUR '000	June 30, 2003		June 30, 2002
1. Sales		30,297	45,881
2. Changes in inventories in finished goods and work in process		455	609
Total operating performance		30,752	46,491
<i>Discontinuing operations</i>		0	9,150
<i>Continuing operations</i>		0	37,341
3. Other operating income		185	296
Operating performance		30,937	46,786
4. Cost of materials	10,583		20,340
5. Personnel expenses	14,074		18,732
6. Amortization of intangible assets and depreciation on property, plant and equipment	567		1,259
7. Other operating expenses	5,848		7,150
		31,072	47,487
Operating result		-135	-701
<i>Discontinuing operations</i>		0	-238
<i>Continuing operations</i>		0	-463
8. Other interest and similar income	15		39
9. Amortization of financial assets and securities classified as current assets	46		0
10. Interest and similar expenses	45		265
		76	226
Result of ordinary activities		-211	-927
11. Extraordinary result		0	-21
12. Taxes on income	0		0
13. Deferred taxes	0		-158
14. Other taxes	0		-7
		0	-165
15. Net loss for the period before minority interests		-211	-783
16. Minority interests		0	0
17. Net income/loss of the Group		-212	-783
Earnings per share (undiluted) in EUR		-0,05	-0,19
Earnings per share (diluted) in EUR		-0,05	-0,19

CENIT Aktiengesellschaft Systemhaus

Consolidated Income Statement prepared in accordance with IFRS (unaudited)

for the period from April 1 to June 30, 2003

in EUR '000	2nd Quarter, 2003		2nd Quarter, 2002
1. Sales		14,559	22,772
2. Changes in inventories in finished goods and work in process		-143	-451
Total operating performance		14,416	22,321
<i>Discontinuing operations</i>		0	4,125
<i>Continuing operations</i>		0	18,196
3. Other operating income		144	102
Operating performance		14,560	22,423
4. Cost of materials	4,193		9,122
5. Personnel expenses	6,912		9,485
6. Amortization of intangible assets and depreciation on property, plant and equipment	299		636
7. Other operating expenses	2,793		3,260
		14,197	22,503
Operating result		362	-80
<i>Discontinuing operations</i>		0	-194
<i>Continuing operations</i>		0	114
8. Other interest and similar income	5	0	26
9. Amortization of financial assets and securities classified as current assets	29	0	0
10. Interest and similar expenses	14	0	137
		38	111
Result of ordinary activities		324	-191
11. Extraordinary result		0	3
12. Taxes on income	0		-42
13. Deferred taxes	0		0
14. Other taxes	0		0
		0	-45
15. Net loss for the period before minority interests		324	-146
16. Minority interests		0	0
17. Net income/loss of the Group		324	-146
Earnings per share (undiluted) in EUR		0,08	-0,04
Earnings per share (diluted) in EUR		0,08	-0,04

CENIT Aktiengesellschaft Systemhaus

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

for the period from January 1 to June 30, 2003

in EUR '000	June 30,2003	June 30,2003
Cash flow from operating activities		
Earnings before income taxes and deferred taxes	-211	-783
Adjusted for:		
Amortization of intangible assets and depreciation of property, plant and equipment	567	1,259
Loss on the disposal of fixed assets	0	0
Extraordinary amortization/depreciation and loss from the disposal of deconsolidated companies	0	0
Other non-cash expenses and income	0	0
Interest income	-15	-65
Interest expenses	45	0
Operating result before changes to net working capital	386	411
Increase/decrease in trade receivables and other assets	10,431	10,134
Increase/decrease in inventories	-1,341	-1,818
Increase/decrease in trade liabilities and other short-term provisions and liabilities	-3,108	-4,445
Cash flow from ordinary operations	6,368	4,282
Cash paid for interest	-45	0
Cash received for interest	15	0
Cash paid for income taxes	0	0
Net cash received from operating activities	6,338	4,282
Proceeds from extraordinary items	0	0
Cash payments from restructuring items (Assumption of liabilities)	0	0
Net cash received from operating activities	6,338	4,282
Cash flow from investing activities		
Formation of subsidiaries that are not consolidated	0	0
Purchase of property, plant and equipment and intangible assets	219	-441
Proceeds from the disposal of property, plant and equipment	-1	0
Increase in other loans	0	0
Net cash paid for investing activities	218	-441
Cash flow from financing activities		
Cash proceeds (+) from bank loans	0	0
Cash payments (-) from long-term bank loans	-5,744	-5,934
Change in convertible bond	0	-2
Net cash paid for investing activities	-5,744	-5,936
Net increase/decrease in cash and cash equivalents	812	-2,096
Cash and cash equivalents at the beginning of the period	2,450	3,571
Net increase/decrease in cash and cash equivalents	812	-2,096
Effect on cash and cash equivalents of changes in exchange rates	0	0
Cash and cash equivalents at the end of the period	3,262	1,475

CENIT Aktiengesellschaft Systemhaus

Consolidated Statement of Changes in Shareholders' Equity in accordance with IFRS

for the period from January 1 to June 30, 2003

	Subscribed capital	Capital reserve	Currency reserve	Revenue reserve	Net result of the Group	Treasury shares	Convertible bonds	Total
in EUR '000								
as of January 1, 2003	4,184	23,350	-90	3,950	-22,613	-511	3	8,273
Transfers to revenue reserves								0
Changes in equity interest in convertible bonds							1	1
Change in minority interests								0
Currency change			48					48
Net income for the Group					-211			-211
as of June 30, 2003	4,184	23,350	-42	3,950	-22,824	-511	4	8,111

CENIT Aktiengesellschaft Systemhaus
Segment Report by Segments prepared in accordance with IFRS (unaudited)
for the period from January 1 to June 30, 2003

in EUR '000	EB	EE	not allocated	Elimination	Continuing Operations	Discontinuing Operations			Group
						EB	EE	not allocated	
Sales to third parties									
Q1 2003	9,586	20,711	0	0	30,297	0	0	0	30,297
Q1 2002	11,002	25,750	0	0	36,752	0	9,129	0	45,881
EBIT									
Q1 2003	-162	-19	0	0	-181	0	0	0	-181
Q1 2002	-1,038	821	0	-246	-463	0	-238	0	-701
Interest									
Q1 2003	0	0	0	0	-30	0	0	0	-30
Q1 2002	0	0	0	0	-192	0	-34	0	-226
Extraordinary result									
Q1 2003	0	0	0	0	0	0	0	0	0
Q1 2002	0	0	0	0	0	0	-21	0	-21
Taxes on income & deferred									
Q1 2003	0	0	0	0	0	0	0	0	0
Q1 2002	0	0	0	0	71	0	94	0	165
Net Income/loss of the group									
Q1 2003	0	0	0	0	-211	0	0	0	-211
Q1 2002	0	0	0	0	-584	0	-199	0	-783
Segment assets									
31.03.2003	5,767	9,264	3,272	0	18,303	0	0	0	18,303
31.12.2002	5,644	14,064	2,438	0	22,146	0	5,255	118	27,519
Segment liabilities									
31.03.2003	2,681	6,721	790	0	10,192	0	0	0	10,192
31.12.2002	2,502	5,948	6,374	0	14,824	0	4,215	207	19,246
Capital expenditure									
31.03.2003	36	183	0	0	219	0	0	0	219
31.12.2002	230	527	0	0	757	0	116	0	873
Amortization & depreciation									
Q1 2003	208	359	0	0	567	0	0	0	567
Q1 2002	305	614	0	214	1,133	0	126	0	1,259

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, 2003

in EUR '000	D	CH	USA	Elimination	Continuing Operations	Discontinuing Operations	Group
Intercompany Sales							
Q1 2003	360	134	2	-496	0	0	0
Q1 2002	450	160	49	-806	-147	147	0
Sales to third parties							
Q1 2003	29,065	895	337	0	30,297	0	30,297
Q1 2002	35,431	932	389	0	36,752	9,129	45,881
Segment assets							
31.03.2003	17,425	644	234	0	18,303	0	18,303
31.12.2002	21,037	806	303	0	22,146	5,373	27,519
Capital expenditure							
31.03.2003	213	2	4	0	219	0	219
31.12.2002	749	1	7	0	757	116	873

CENIT Aktiengesellschaft Systemhaus
ASSETS CENIT Germany
for the period from January 1 to June 30, 2003

in EUR '000	June 30, 2003	Dec. 31, 2002
ASSETS		
FIXED ASSETS		
Intangible assets	168	198
Property, plant and equipment	1,124	1,377
Financial assets	28	28
	1,320	1,603
DEFERRED TAX ASSETS (long-term)	0	0
CURRENT ASSETS		
Inventories	4,242	2,489
Receivables and other assets	5,932	12,409
Tax receivables	7	104
Other receivables	191	11
Securities	21	35
Cash and cash equivalents	3,042	1,851
	13,434	16,899
PREPAID EXPENSES	356	76
	15,111	18,578

CENIT Aktiengesellschaft Systemhaus
EQUITY AND LIABILITIES CENIT Germany
for the period from January 1 to June 30, 2003

in EUR '000	June 30, 2003	Dec.31.2002
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	4,184	4,184
Capital reserve	23,350	23,350
Foreign currency reserve	0	0
Revenue reserves	3,869	3,869
Treasury stock	33	33
Convertible bond	0	0
Net income/loss	-26,770	-27,574
	4,666	3,862
MINORITY INTERESTS	0	0
LIABILITIES (long-term)		
Deferred tax liabilities	0	0
Pension provisions	0	0
Long-term liabilities to banks	384	431
	384	431
LIABILITIES (short-term)		
Short-term liabilities to banks	406	5,865
Trade payables	3,800	3,908
Other liabilities	1,871	2,085
Provisions	3,734	2,427
	9,811	14,285
DEFERRED INCOME	250	0
	15,111	18,578

CENIT Aktiengesellschaft Systemhaus, Stuttgart

PROFIT AND LOSS CENIT Germany

for the period from January 1 to June 30,2003

in T EUR		June 30, 2003	June 30, 2002
1. Sales		29,425	35,684
2.Changes in inventories in finished goods and work in process		455	938
Total operating performance		29,880	36,622
3. Other operating income		235	227
Operating performance		30,115	36,849
4. Cost of materials	10,637		16,597
5. Personnel expenses	13,417		13,746
6. Amortization of intangible assets and depreciation on property, plant and equipment	533		884
7. Other operating expenses	4,740		5,710
		29,291	36,937
Operating result		824	-88
8. Other interest and similar income	48		58
9. Amortization of financial assets and securities classified as current assets	0		0
10. Interest and similar expenses	45		250
		3	-192
Result of ordinary activities		827	-280
11. Extraordinary result		0	0
12. Taxes on income	0		0
13. Other taxes	22		32
		22	32
14. Net income/loss		805	-312

CENIT Aktiengesellschaft Systemhaus

Consolidated Income Statement prepared in accordance with IFRS (unaudited)

for the period from April 1 to June 30, 2003

in EUR '000	2nd Quarter, 2003		2nd Quarter, 2002
1. Sales		14,213	17,934
2. Changes in inventories in finished goods and work in process		-142	-219
Total operating performance		14,071	17,715
3. Other operating income		126	119
Operating performance		14,197	17,834
4. Cost of materials	4,252		7,617
5. Personnel expenses	6,601		6,904
6. Amortization of intangible assets and depreciation on property, plant and equipment	283		447
7. Other operating expenses	2,707		2,594
		13,843	17,562
Operating result		354	272
8. Other interest and similar income	22	0	24
9. Amortization of financial assets and securities classified as current assets	29	0	0
10. Interest and similar expenses	14	0	96
		-21	-72
Result of ordinary activities		333	200
11. Extraordinary result		0	4
12. Taxes on income	0		0
13. Other taxes	12		15
		12	
14. Net income/loss		312	181

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.

The employees of CENIT have subscription rights to 6,870 convertible bonds in accordance with employee equity programme

Direktors' Holding: Number of shares as at June 30, 2003

Total Number of Shares 4,183,879

Shares owned by the Executive Board:

Hubertus Manthey	341,108
Christian Pusch	0
Andreas Schmidt	398,596

Shares owned by the Supervisory Board:

Falk Engelmann	332,396
Hubert Leypoldt	800
Dr. Dirk Lippold	0