

# 6 Months Report 2002

**cenit**

**CENIT AG Systemhaus**

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## CENIT AT A GLANCE (unaudited)

The first half-year 2002 AT A GLANCE - 01.01.02 until 30.06.02

	6 months 02	6 months 01
	kEUR	kEUR
Sales	45,881	62,539
Discontinuing operations	0	8,501
Gross profits	26,447	35,703
EBITDA	558	- 2,181
EBITA	- 487	- 4,212
Operating returns (EBIT)	- 701	- 4,985
Group results EBT	- 927	- 5,499
Result per share (basic) in EURO	- 0.19	- 1.35
Result per share (diluted) in EURO	- 0.19	- 1.28
Number of employees at end of period	590	885

## LETTER TO SHAREHOLDERS

Dear Shareholders, Business Associates  
and Customers,

CENIT AG Systemhaus, with more than 590 employees, is well on track to achieving turnaround. Indeed, we have shown that we are well positioned within our core business, despite the prevailing economic malaise. Our main area of focus is on state-of-the-art technologies for the optimisation of enterprise processes as well as computer-aided design and development solutions.

CENIT has emerged as one of the premier consulting specialists within the field of Product Lifecycle Management (PLM), in association with our partners IBM, Dassault Systèmes and SAP. We are recognised as one of the foremost partners and service specialists for CATIA development software, a powerful computer-based design tool used extensively in the manufacturing sector. Our portfolio covers the full range of solutions within this field, from selecting PLM software, advising on process chain management and implementing PLM solutions on site, to providing comprehensive services for PLM and IT outsourcing. Within the area of e-business, too, we have further enhanced our reputation as Europe's largest FileNET partner. Indeed, within this context the market shake-out witnessed in the document management area has given

us new impetus. CENIT's performance in e-business is based on its outstanding success in the field of IT outsourcing. Serving major companies such as BMW, Allianz, Mann+Hummel, VW, VR Kreditwerke, Wüstenrot & Württembergische, we are recognised as a reliable partner within this area.

The Executive Board

### MANAGEMENT REPORT

The global stock markets were once again faced with severe volatility throughout the last six months. Prices for the majority of shares declined, and Germany's DAX yet again approached the critical level of 4,000 points. Widespread speculation about possible manipulations of financial statements by US exchange-listed companies led to a great deal of uncertainty throughout the markets.

At the same time, Germany's economic environment seems to have suffered a slight setback. The German Institute for Economic Research DIW, Berlin, has predicted that the upswing in economic activity will cease in 2003. Weaker export activity due to the stronger Euro is cited as one of the main reasons for the downturn.

The level of volatility witnessed throughout the stock markets looks set to continue. Economic prospects are simply too tenuous, a situation that is compounded by ongoing political uncertainties. Moreover, the prospect of further unpleasant surprises when it comes to the „accounting practices“ of some companies has unsettled the markets. However, following the substantial decline in share prices over the past weeks, there is every chance that stocks will find some sort of footing in the near future.

#### IDC Technology Forecast is Upbeat

„European enterprises have experienced a traumatic period of economic decline. Operating within this environment, corporate objectives and strategies have once again come under close scrutiny. However, the current technology barometer seems to suggest an increase in European

IT expenditure,“ reports International Data Corporation (IDC) in a recent study of the market environment.

According to the research paper, 82 percent of the enterprises surveyed had stated that they were currently maintaining their IT expenditure at a level that was comparable to last year's investment activity. In fact, roughly fifty percent of these firms actually intend to increase their investment activities within the area of information technology. Potential efficiency increases and process optimisation were listed as the main reasons.

Increasingly, IT is seen as a means of achieving specific corporate objectives, rather than being an objective in its own right. 59 percent of these companies stated that they intended to achieve process optimisation and efficiency gains mainly with the help of solutions that improve staff interaction and allow the integration of existing infrastructures.

These findings reveal the incisiveness of our current positioning and point to the sustainable success of our service portfolio.

### EARNINGS REVIEW

CENIT was able to improve its earnings performance by a considerable margin and is thus well on track to meeting its objective of positive bottom-line results for 2002.

Within this context, the earnings performance of CENIT Germany is of particular interest. Around 78% of consolidated revenues within the CENIT Group is generated in Germany. Here, revenues for the first six months of the 2002 financial year amounted to EUR 35.9 million. Gross profit stood at EUR 20.2

## RESULT DEVELOPMENT

million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 0.75 million in Germany. A strong second quarter in Germany proved to be a key contributor within this respect.

This translated into an improved EBITDA performance of 126 percent for the CENIT Group compared with the same period in 2001. In Germany, earnings before interest and taxes (EBIT) for the first six months stood at minus EUR 0.1 million, thus exceeding our own expectations by a considerable margin. Looking specifically at the second quarter of 2002 in Germany, our EBIT performance of EUR 0.1 million and our EBT of EUR 0.1 million were both above par. We have once again managed to reduce our accumulated loss by a substantial amount.

Short-term borrowings fell from EUR 12.9 million in the same period last year to EUR 7 million in the period under review. This corresponds to a EUR 1.2 million decrease compared with the first quarter of 2002, which had seen short-term borrowings of EUR 8.2 million. Cash flow from operating activities was positive once again. CENIT's equity ratio stands at 43 percent.

### **Additional explanatory notes: Explanatory notes pursuant to Neuer Markt Rules and Regulations**

There were no changes in accounting policies.

### **Development of costs**

Costs developed in accordance with our financial planning, and were reduced by 29% compared to 2001.

### **Capital expenditure**

Capital expenditure in the first six months of 2002 amounted to EUR 0.44 million (31 Dec. 2001: EUR 3.5 million). This included the usual expansion and replacement investments in connection with IT, software and office requirements.

### **Breakdown of earnings**

CENIT operates within two business segments. Approx. 76% of total revenue was attributable to the company's „e-engineering“ business unit. The business unit „e-business“ accounted for 24% of total revenue.

### **Changes in Executive and Supervisory Board**

The following changes relate, in part, to the publication period of this interim report for the first six months, rather than to the reporting period itself:

Effective from July 31, 2002, Falk Engelmann resigned from the Executive Board; but was appointed a member of CENIT's Supervisory Board as of August 7, 2002, by the district court in charge of the commercial register.

## BUSINESS DEVELOPMENT

Mr. Engelmann is one of the five original founders of the company. Until recently, he was responsible for CENIT's e-engineering business unit. In future, Falk Engelmann will assume an advisory role with regard to CENIT's strategic positioning.

Andreas Schmidt will be responsible henceforth for the operational duties formerly covered by Falk Engelmann. At the same time, he will take over the role of spokesperson of the Executive Board.

Hubertus Manthey, Member of the Executive Board responsible for Human Resources, Marketing and Investor Relations, and Andreas Schmidt, both among the group of founders of CENIT in 1988, will remain members of the Executive Board, thus ensuring the level of continuity needed within this area. Christian Pusch, who joined CENIT in June 2002, holds the position of CFO. Christian Pusch (41), a graduate industrial engineer, was appointed as a member of the Executive Board of CENIT AG Systemhaus effective from June 1, 2002. Christian Pusch can draw on his many years of management experience on an international scale.

The Chairman of the Supervisory Board Dr. Axel Sigle resigned from his post as a member of CENIT's Supervisory Board effective from July 31, 2002.

CENIT AG Systemhaus would like to express its gratitude to Dr. Axel Sigle for his committed contribution. His hard work and dedication have contributed to the success of CENIT; Dr. Sigle will continue to be available to the company in an advisory capacity.

### **Events of particular significance that could affect business operations**

No significant events.

### **Interim dividend**

No interim dividend was distributed

### **Dividend paid or proposed amount to be paid**

No dividends were paid, and no proposals for dividend payments were put forward.

### **New orders**

The first six months of 2002 continue to be affected by the strained economic climate. In spite of this situation, CENIT recorded incoming orders worth EUR 32.5 million. This corresponds to a year-on-year decline of 4.7% without UK and Canada.

### **Order of particular significance**

CENIT AG Systemhaus has been appointed general contractor by the international automotive supplier Edscha AG and will be responsible for the world-wide implementation of a Product Lifecycle Management (PLM) system based on mySAP PLM. As a development partner of SAP for CATIA integration, CENIT will be in charge of the full range of services – from process-specific consulting and the development of targeted concepts to software development –, thus offering Edscha AG a consistent product development process based on SAP solutions. The project will encompass the implementation of various CAD system integrations, including the integration of the data-exchange solution DXM by ProSTEP and connection to the FileNET document archive. This project is particularly important for CENIT's Product Data Management (PDM) operations not only in financial terms but also because it shows that the company has established a strong

presence within the highly attractive growth market of PDM/PLM, providing pertinent services and achieving excellent results. Having successfully completed the project, which covers all core components required for a fully integrated PLM backbone, CENIT will be able to use this first-class reference within the automotive industry when it comes to securing other projects in this field. Product Lifecycle Management (PLM) provides comprehensive solutions, combining CAD/CAM with Product Data Management (PDM) and other applications. Market research has predicted growth rates of over 26% p.a. within the European market.

### INVESTMENTS

CENIT Schweiz AG generated revenues of EUR 1.09 million, with an EBIT of minus EUR 0.16 million. Spring Technologies / CENIT France posted revenues of EUR 9.28 million and a slightly below-par EBIT result of minus EUR 0.23 million. Our sales office CENIT North America recorded revenues of EUR 0.44 million and positive earnings before interest and taxes of EUR 0.12 million.

### CASH, CASH EQUIVALENTS AND SECURITIES

Cash and cash equivalents, including marketable securities, amounted to EUR 1.48 million as at June 30, 2002. For further details, please refer to the Cash Flow Statement included in this interim report.

### FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS

Overall, the balance sheet of CENIT reveals a solid long-term structure. Total assets amounted to EUR 34.41 million. Trade receivables stood at EUR 14.74 million. CENIT AG's cash flow from operating activities amounted to EUR 4.28 million. At the end of the period under review, cash and cash equivalents were EUR 1.48 million. Staff costs for the Group fell by 28 percent relative to the previous year.

### EMPLOYEES

At the end of the first half of 2002, 442 people were employed in Germany (2001: 546), 16 in Switzerland (2001: 15) and 135 in France (2001: 148). Thus, at the reporting date 590 people were employed within the Group (2001: 885).

### OUTLOOK

The CENIT Group would like to reaffirm its original estimates for the current financial year. Based on our performance in the first six months of 2002, we are well on track to achieving positive consolidated earnings for the full financial year.

## INCOME STATEMENT 6-MONTHS REPORT (unaudited)

	6 months 02	6 months 01	Changes in	Changes in
	kEUR	kEUR	absolute	%
<b>Revenues</b>	<b>45,881</b>	<b>62,539</b>	<b>-16,658</b>	<b>-27</b>
Discontinuing operations	0	8,501	-8,501	-100
Continuing operations	45,881	54,038	-8,157	-15
Other operating income	296	294	2	1
Changes in inventories of finished goods/work in progress	609	- 963	1,572	163
Production for own fixed assets capitalized	0	0	0	0
Costs of purchased materials and services	20,339	26,167	-5,828	-22
Personnel expenses	18,732	26,062	-7,330	-28
Depreciation and amortization	1,045	2,031	-986	-49
Amortization of goodwill	214	773	-559	-72
Other operating expenses	7,157	11,822	-4,665	-39
<b>Operating income / loss</b>	<b>- 701</b>	<b>- 4,985</b>	<b>4,284</b>	<b>86</b>
Discontinuing operations	0	- 2,408	2,408	100
Continuing operations	- 701	- 2,577	1,876	73
Interest income and expense	- 226	- 514	288	
Income from investments and participations	0	0	0	
Income and expense from associated companies	0	0	0	
Other income / expenses	0	0	0	
<b>Result before income taxes (and minority interest)</b>	<b>- 927</b>	<b>- 5,499</b>	<b>4,572</b>	
Income tax	- 165	139	-304	
Extraordinary income / expenses	- 21	- 30	9	
<b>Result before minority interest</b>	<b>- 783</b>	<b>- 5,668</b>	<b>4,885</b>	
Minority interest	0	0	0	
<b>Net income / loss</b>	<b>- 783</b>	<b>- 5,668</b>	<b>4,885</b>	
Net income per share (basic)	-0.19	- 1.35		
Net income per share (diluted)	-0.19	- 1.28		
Weighted average shares outstanding (basic) (No.)	4,169,242	4,169,242		
Weighted average shares outstanding (diluted) (No.)	4,169,242	4,433,862		
Financial characteristic numbers				
EBITDA	558	- 2,181		
EBITA	- 487	- 4,212		
EBIT	- 701	- 4,985		
EBT	- 927	- 5,499		

## INCOME STATEMENT 2<sup>nd</sup> QUARTER 2002 (unaudited)

	2 <sup>nd</sup> Quarter 02	2 <sup>nd</sup> Quarter 01	Changes in	Changes in
	kEUR	kEUR	absolute	%
<b>Revenues</b>	<b>22,772</b>	<b>31,564</b>	<b>-8,792</b>	<b>-28</b>
Discontinuing operations	0	4,683	-4,683	-100
Continuing operations	22,772	26,881	-4,109	-15
Other operating income	102	195	-93	-48
Changes in inventories of finished goods/work in progress	-451	- 2,030	1,579	78
Production for own fixed assets capitalized	0	0	0	0
Costs of purchased materials and services	9,122	11,819	-2,697	-23
Personnel expenses	9,485	13,425	-3,940	-29
Depreciation and amortization	529	1,064	-535	-50
Amortization of goodwill	107	386	-279	-72
Other operating expenses	- 3,253	6,288	-3,035	-48
<b>Operating income / loss</b>	<b>-73</b>	<b>-3,253</b>	<b>3,180</b>	<b>98</b>
Discontinuing operations	0	- 1,420	1,420	100
Continuing operations	- 73	- 1,833	1,760	96
Interest income and expense	- 111	- 359	248	
Income from investments and participations	0	0	0	
Income and expense from associated companies	0	0	0	
Other income / expenses	0	0	0	
<b>Result before income taxes (and minority interest)</b>	<b>- 184</b>	<b>- 3,612</b>	<b>3,428</b>	
Income tax	- 35	2	-37	
Extraordinary income / expenses	3	- 12	15	
<b>Result before minority interest</b>	<b>- 146</b>	<b>- 3,626</b>	<b>3,480</b>	
Minority interest	0	0	0	
<b>Net income / loss</b>	<b>- 146</b>	<b>- 3,626</b>	<b>3,480</b>	
<b>Net income per share (basic)</b>	<b>-0.04</b>	<b>- 0.87</b>		
<b>Net income per share (diluted)</b>	<b>-0.04</b>	<b>- 0.82</b>		
<b>Weighted average shares outstanding (basic) (No.)</b>	<b>4,169,242</b>	<b>4,169,242</b>		
<b>Weighted average shares outstanding (diluted) (No.)</b>	<b>4,169,242</b>	<b>4,433,862</b>		
Financial characteristic numbers				
EBITDA	563	- 1,803		
EBITA	34	- 2,867		
EBIT	- 73	- 3,253		
EBT	- 184	- 3,612		

**BALANCE SHEET (unaudited)**

	30.06.02	31.12.01
	kEUR	kEUR
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,475	3,571
Short-term investments / marketable securities	3	3
Trade accounts receivable	14,740	22,976
Accounts receivable due from related parties	0	0
Inventories	4,688	2,870
Deferred tax assets	0	0
Prepaid expenses and other current assets	571	2,469
<b>Total current assets</b>	<b>21,477</b>	<b>31,889</b>
<b>Non current assets</b>		
Property, plant and equipment	2,725	3,279
Intangible assets	299	390
Goodwill	5,496	5,710
Investments	178	181
Deferred taxes	4,233	4,079
Other assets	0	0
<b>Total non current assets</b>	<b>12,931</b>	<b>13,639</b>
<b>Total ASSETS</b>	<b>34,408</b>	<b>45,528</b>

## BALANCE SHEET (unaudited)

	30.06.02	31.12.01
	KEUR	KEUR
<b>LIABILITIES AND SHAREHOLDERS` EQUITY</b>		
<b>Current liabilities</b>		
Short-term debt and current portion of long-term debt	7,002	12,936
Trade accounts payable	6,209	7,773
Accounts payable due to related parties	0	0
Advance payments received	0	0
Accrued expenses	2,095	4,510
Income tax payable	0	0
Deferred tax liability	158	162
Other current liabilities	3,624	3,932
<b>Total current liabilities</b>	<b>19,088</b>	<b>29,313</b>
<b>Non-current liabilities</b>		
Long-term debt, less current portion	432	432
Deferred tax liability	0	0
Pension accrual	0	0
Others	69	76
<b>Total non-current liabilities</b>	<b>501</b>	<b>508</b>
<b>Minority interest</b>	<b>0</b>	<b>0</b>
<b>Shareholders` equity</b>		
Share capital	4,184	4,184
Additional paid-in capital	23,350	23,350
Treasury stock	- 511	- 511
Retained earnings/accumulated deficit	- 16,002	- 15,219
Accumulated other comprehensive income/loss	3,929	3,950
Others	- 131	- 47
<b>Total shareholders` equity</b>	<b>14,819</b>	<b>15,707</b>
<b>Total LIABILITIES AND SHAREHOLDERS` EQUITY</b>	<b>34,408</b>	<b>45,528</b>

## CASH FLOW STATEMENT (unaudited)

	01.01.02- 30.06.02	01.01.01- 30.06.01
	kEUR	kEUR
<b>Cash flow from operating activities</b>		
Net profits/loss	- 783	- 5,668
Minority interest	0	0
Depreciation and amortization	1,259	2,804
Increase/decrease in provisions and allowances	- 2,415	- 1,788
Increase in deferred tax assets	- 154	0
Losses/gains on the disposal of fixed assets	0	- 63
Other invalid payment expenses and revenues	- 65	9
Change in inventories	- 1,818	1,199
Change in accounts receivable for goods and other assets	10,134	6,306
Change in advance payments received, bills payable and liabilities for goods and services and other liabilities	- 1,876	- 6,015
<b>Net cash provided by operating activities</b>	<b>4,282</b>	<b>- 3,216</b>
<b>Cash flow from investing activities</b>		
Acquisition of subsidiaries	0	- 12
Proceeds from disposal of a subsidiary, net of cash transferred	0	0
Purchase of property, plant and equipment	- 441	- 1,688
Proceeds from sale of equipment	0	0
Others	0	0
<b>Net cash used in investing activities</b>	<b>- 441</b>	<b>- 1,700</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	0	0
Proceeds from short- or long-term borrowings	0	0
Change in liabilities due to banks	- 5,934	2,949
Others	-2	830
<b>Net cash provided by financing activities</b>	<b>- 5,936</b>	<b>3,779</b>
Net effect of currency translation in cash and cash equivalents	-1	0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>- 2,096</b>	<b>- 1,137</b>
Cash and cash equivalents at beginning of period	3,571	2,355
<b>Cash and cash equivalents at end of period</b>	<b>1,475</b>	<b>1,218</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE  
6 MONTHS REPORT (unaudited)**

	Share capital kEUR	Addit. paid-in capital kEUR	Reserve for currency kEUR	Surplus reserve kEUR	Retained earning kEUR	Treasury stock kEUR	Convertible bonds kEUR	Result kEUR
<b>Balance 01.01.2002</b>	4,184	23,350	-53	3,950	-15,219	-511	6	15,707
Change in currency			- 82					- 82
Change in Minority interest				-21				-21
Net income/-loss					- 783			- 783
Change in convertible bonds							- 2	- 2
<b>Balance 30.06.2002</b>	4,184	23,350	- 135	3,929	-16,002	-511	4	14,819

## SEGMENT REPORT (unaudited)

### SEGMENT REPORT BY SEGMENTS (in kEUR)

EE = e-engineering; EB=e-business

	EB	EE	not assigned	Consolidation	Continuing Operations	Discontinuing Operations		Group
						EB	EE	
<b>Intercompany sales</b>								
Half-year/2002	116	690	0	- 806	0	0	0	0
Half-year/2001	207	434	0	- 641	0	0	0	0
<b>External net sales</b>								
Half-year/2002	11,002	34,879	0	0	45,881	0	0	45,881
Half-year/2001	15,867	38,171	0	0	54,038	258	8,243	62,539
<b>EBIT</b>								
Half-year/2002	- 1,038	583	0	- 246	- 701	0	0	- 701
Half-year/2001	- 1,726	- 386	0	- 465	- 2,577	-34	- 2,374	- 4,985
<b>Segment assets</b>								
30.06.2002	5,236	27,600	1,585	- 13	34,408	0	0	34,408
31.12.2001	9,592	31,188	5,745	-997	45,528	0	0	45,528
<b>Segment liabilities</b>								
30.06.2002	2,663	11,529	7,434	- 2,037	19,589	0	0	19,589
31.12.2001	4,445	14,866	13,440	-2,930	29,821	0	0	29,821
<b>Capital Expenditure</b>								
30.06.2002	74	367	0	0	441	0	0	441
31.12.2001	716	2,588	0	0	3,304	13	225	3,542
<b>Depreciation</b>								
Half-year/2002	305	740	0	214	1,259	0	0	1,259
Half-year/2001	361	1,490	0	298	2,149	6	649	2,804

## SEGEMENT REPORT (unaudited)

### SEGMENT REPORT BY REGIONS (in kEUR)

	D	CH	F	not assigned	Consoli- dation	Continuing Operations	Discontinuing Operations	Group
<b>Intercompany sales</b>								
Half-year/2002	450	160	147	49	- 806	0		0
Half-year/2001	245	250	146	0	- 641	0	0	0
<b>External net sales</b>								
Half-year/2002	35,431	932	9,129	389		45,881		45,881
Half-year/2001	44,091	878	9,069	0		54,038	8,501	62,539
<b>Segment assets</b>								
30.06.2002	25,483	993	7,541	404	- 13	34,408		34,408
31.12.2001	38,096	1,393	6,624	205	-790	45,528	0	45,528
<b>Capital Expenditure</b>								
30.06.2002	365	1	75	0	0	441		441
31.12.2001	1,982	40	1,282	0	0	3,304	238	3,542

## DIRECTOR'S HOLDING

### **EXPLANATION TO OWNING SHARES AND PRE-EMPTIVE RIGHTS OF DIRECTORS, OFFICERS AND EMPLOYEES ACCORDING TO § 160 Abs. 1 Nr. 2 AND 5 AktG.**

Directors and Officers of the company have no share pre-emptive rights.

CENIT employees have pre-emptive rights on 73.100 convertible bonds according to the employee shares participation program.

#### **Director's Holding:**

Stock of shares as of 30.06.2002

Total Number of Shares            4.183.879

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

Falk Engelmann                    332.396  
(Member of the Executive Board until  
31.07.02)

Hubertus Manthey                337.508

Christian Pusch                    0

Andreas Schmidt                 398.596

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

Hubert Leyboldt                    800

Dr. Axel Sigle                        0  
(resigned as of 31.07.02)

Dr. Dirk Lippold                    0