



CENIT AKTIENGESELLSCHAFT SYSTEMHAUS

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cenit innovates

The first to third quarters 1999 at a glance

	1 st -3 rd Quarter 1999	1 st -3 rd Quarter 1998
Sales	103.36 mill. DM	71.73 mill. DM
Gross profit	52.18 mill. DM	33.79 mill. DM
Operating earnings (EBIT)	3.60 mill. DM	2.57 mill. DM
Earnings after taxes	1.87 mill. DM	- 0.32 mill. DM
Earnings acc. to DVFA/SG	1.87 mill. DM	1.24 mill. DM *
Number of employees as at the end of the period	410	281

* DVFA/SG earnings have been adjusted by the cost of going public.

All figures for the first nine months of 1999 include the figures for the wholly-owned subsidiary CENIT Ltd. Figures which are negative are shown with a minus sign. Otherwise no sign is shown.

PREFACE

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Dear Shareholders,

At our first annual general meeting in July, some decisive steps were taken to promote CENIT AG's further growth. These include, amongst other things, the provision of authorised capital - an important pre-requisite, for instance, for taking advantage of opportunities to acquire enterprises or equity participations rapidly and flexibly through the issue of new shares. Moreover, through the authorisation to repurchase our own shares we shall be able to stabilise our share price and implement company take-overs. The introduction of an employee stock-ownership program also met with broad approval - an important step towards boosting employee motivation and encouraging loyalty to the company. On August 30th we performed the share split in the ratio of 1:4 resolved at the annual general meeting.

[2]

In the period under review, the share price developed along the same lines as the market. The relative peak in mid-July was followed by the consolidation phase on the Neuer Markt. The CENIT share managed to hold its own against the NEMAX All Share index, and to gain ground again towards the end of the quarter. We believe that one of the reasons for this general trend is the Y2K problem which makes many investors cautious when it comes to investing in IT service providers.

Open and direct communication with our investors is a matter of high priority with CENIT. That we are on the right track here is demonstrated by the rating given to the Company by the business journal CAPITAL in connection with the "Investor Relations Award". Altogether 202 enterprises were examined by the jury with respect to the



quality of their capital market communications. In the overall ranking for the "Neuer Markt" section, CENIT ranked seventh, and our annual report even made it to fourth place in the CAPITAL test. This result naturally makes us a little proud of ourselves, but at the same time it is an incentive to continue to give you as comprehensive an insight as possible into the development of CENIT AG's business.

Your

A handwritten signature in dark ink, appearing to read "Gert G. ...". The signature is fluid and cursive, written over a light background.

Spokesman for the Board of Management

The development of business

Despite cautiousness on the part of some customers as regards investments - due to the Y2K problem - sales rose by 44 per cent to DM 103.36 million (September 30th 1998: DM 71.7 million). Gross profit (sales less externally purchased goods and services) developed as expected and rose to DM 52.18 million. This corresponds to an increase of 54 per cent on the first nine months of 1998 (September 30th 1998: DM 33.8 Million).

Development of earnings

Earnings continued to develop as planned. In the first nine months of the current year, the CENIT group posted an increase of 38 per cent to DM 3.6 million (September 30th 1998: DM 2.6 million) in operative earnings (EBIT).

Given the usual seasonal fluctuations in the business of the CENIT group, no conclusions can be drawn for the end of the year from the business done in the first nine months.

Employees

We stepped up our investments in sales resources and increased the workforce to 410 altogether (September 30th 1998: 281) by the end of the period under report. On completion of the present report, the Company will have 430 employees, the target planned for 1999.

CENIT Ltd.

In the first nine months, the sales revenue made by this wholly-owned subsidiary in the UK amounted to the equivalent of DM 3.41 million. CENIT Ltd. posted gross earnings of DM 2.57 million and operating earnings (EBIT) of DM 0.17 million.

CENIT's segments

Exclusive selling rights

In the e-business segment, we signed a co-operation agreement with the Irish software developer Phoenix Technology Group Ltd., Dublin. This gives CENIT exclusive selling rights for Germany for the mail-basket solution Insurance Desk Top (IDT). This software expands the workflow and document management system Panagon from FileNET with the addition of numerous powerful functions. Developed originally for insurance companies, IDT can be used for any branch of industry as a flexible workflow and image-processing solution.

[4]

Cooperation with ITI

We entered into another co-operation in the CAD/CAM solutions segment. As the sole CATIA partner throughout Germany, CENIT sells the software of the International TechneGroup Inc. (ITI), Cincinnati, one of the world's biggest independent providers of integration solutions for product data. In its turn, ITI takes over worldwide sales of DMU Checkers - a tool developed by CENIT for the quality assurance of CATIA models. With this co-operation, the two companies want to pool their know-how in the data exchange sector and take advantage of resulting synergies.

Economics Minister visits CENIT

To see the innovative power and dynamism of CENIT AG Systemhaus for himself - that was what Baden-Württemberg's Minister of Economics, Dr. Walter Döring wanted. Accompanied by three other members of the Ministry, he came to visit us on August 25th. After a short briefing about the company, we presented "Virtual Reality" on the giant screen of our customer centre for the Minister. He was visibly impressed by the varied possibilities opened up by this technology. The presentation was followed by a discussion with the board of management on topics such as the problem of a company's location, the tax load and staff recruitment.

In order to continue promoting contacts with politicians, a member of CENIT's board of management accompanied Baden-Württemberg's Premier Erwin Teufel as member of a delegation on a week's trip to the north-east of the USA and Canada at the end of September.

CONSOLIDATED STATEMENT OF INCOME

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Consolidated statement of income

	1 st -3 rd quarter 99 mill. DM	1 st -3 rd quarter 98 mill. DM	Change in absolute terms	Change %
1. Sales revenue	103.361	71.733	31.628	44.09
2. Other income/ Changes in inventories	- 0.712	1.413	- 2.125	
3. Gross earnings	102.649	73.146	29.503	40.33
4. Costs of material	50.474	39.091	11.383	29.12
5. Gross profit	52.175	34.055 *	18.120	53.21
6. Personnel expenses	33.023	21.454	11.569	53.92
7. Depreciation on intangible and tangible assets	2.365	1.488	0.877	58.95
8. Other operating expenses	13.184	8.282	4.902	59.19
9. Operating earnings (EBIT)	3.603	2.831 *	0.772	27.26
10. Net financial income	0.249	0.132	0.117	88.59
11. Earnings of ordinary business	3.852	2.963 *	0.889	29.99
12. Extraordinary expenses/income	0.001	3.731	- 3.730	
13. Pre-tax earnings (EBT)	3.851	- 0.768	4.619	
14. Taxes	1.984	- 0.446	2.430	
15. Net income	1.867	- 0.322	2.189	

[5]

* Slight deviations from the data given in the nine-month report 1998 are due to changes in classifications in the statement of income.

CONSOLIDATED BALANCE SHEET

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Consolidated balance sheet

	September 30, 1999	September 30, 1998
Assets		
Short-term assets		
Liquid assets	21.097 mill. DM	25.279 mill. DM
Securities and own shares	0.842 mill. DM	2.000 mill. DM
Account receivable	29.702 mill. DM	18.817 mill. DM
Inventories	7.034 mill. DM	2.042 mill. DM
	58.675 mill. DM	48.138 mill. DM
Long-term assets		
Fixed assets	5.444 mill. DM	2.888 mill. DM
Intangible assets	0.761 mill. DM	0.273 mill. DM
Financial assets	0.000 mill. DM	0.000 mill. DM
	6.205 mill. DM	3.161 mill. DM
	64.880 mill. DM	51.299 mill. DM
Liabilities		
Short-term borrowings		
Provisions	6.597 mill. DM	1.853 mill. DM
Special items with reserve portion	0.005 mill. DM	0.000 mill. DM
Accounts payable for goods and services and other liabilities	6.010 mill. DM	4.196 mill. DM
Liabilities to banks	6.309 mill. DM	3.073 mill. DM
	18.921 mill. DM	9.122 mill. DM
Long-term borrowings	1.406 mill. DM	1.500 mill. DM
Stockholders' equity		
Subscribed capital	5.000 mill. DM	5.000 mill. DM
Reserve for own shares	0.000 mill. DM	0.000 mill. DM
Capital reserve scheduled for 1999	37.667 mill. DM	36.000 mill. DM
Currency reserve	0.019 mill. DM	0.000 mill. DM
Unappropriated retained earnings	1.867 mill. DM	-0.323 mill. DM
	44.553 mill. DM	40.677 mill. DM
	64.880 mill. DM	51.299 mill. DM

[6]

STATEMENT OF CASH FLOW

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Statement of cash flow from January 1, 1999 – September 30, 1999

Net income for the period	1.867 mill. DM
Depreciation of fixed assets	2.365 mill. DM
Changes in accruals	0.612 mill. DM
Disposal of fixed assets	0.000 mill. DM
Changes in inventories	- 0.182 mill. DM
Changes in accounts receivable for goods and services and other assets	8.477 mill. DM
Changes in payments received, in liabilities due to bills of exchange and in other liabilities	- 3.360 mill. DM
Cash flow from operating activities	9.779 mill. DM
Payments for investments in fixed assets	- 4.360 mill. DM
Outflows from investment activities	- 4.360 mill. DM
Securities	0.043 mill. DM
Changes in liabilities to banks	- 3.132 mill. DM
Transfers to currency reserves	0.010 mill. DM
Payments to shareholders	- 1.000 mill. DM
Proceeds from financial activities	- 4.080 mill. DM
Changes in cash and cash equivalents effected by payments	1.339 mill. DM
Cash and cash equivalents at the beginning of the period	19.758 mill. DM
Cash and cash equivalents at the end of the period	21.097 mill. DM

[7]

Given the Y2K problem, we assume that a subdued investment climate will prevail in the IT industry in the coming three months. Nevertheless, this year we again expect a rise in sales and earnings in the fourth quarter compared with the previous months, as experience has repeatedly shown this to be the case. The consistent expansion of our sales resources makes its contribution to this development. We are convinced that we shall reach our ambitious targets for 1999.

Keeping close to our customers is a fundamental element of our corporate philosophy. Consequently, we have established offices in Frankfurt, Duesseldorf, Hanover, Munich and Saarbruecken to represent us in Germany's most important centres. To expand this network further, we shall open an office in Berlin in January 2000. From there we want to serve customers in the Berlin/Potsdam, Hamburg, Bremen, Schleswig Holstein, Saxony and Thuringia regions. Emphasis will be placed on public administration, supply and disposal enterprises, financial services providers and the pharmaceutical industry.

In the coming months, CENIT will again actively promote investor relations. One of the highlights is our analyst conference on November 2nd in Frankfurt which we shall be holding together with other Neuer Markt companies. CENIT AG will also present itself to analysts and investors in Switzerland. We have arranged to participate at the following events:

- Swiss Investor Forum for European Emerging Growth Technology, Zurich, November 16th 1999
- German Equity Forum 2000, Zurich, December 13th 1999