

9-Months Report 2002

cenit

CENIT AG Systemhaus

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CENIT AT A GLANCE (unaudited)

The first nine months 2002 AT A GLANCE - 01.01.02 until 30.09.02

	9 months 02	9 months 01
	kEUR	kEUR
Sales	67,626	90,025
Discontinuing operations	0	11,729
Continuing operations	67,626	78,296
Gross profits	39,575	51,174
EBITDA	1,235	- 3,209
EBITA	- 256	- 6,205
Operating returns (EBIT)	- 577	- 7,219
Group results EBT	- 922	- 7,801
Result per share (basic) in EURO	- 0.17	- 1.86
Result per share (diluted) in EURO	- 0.17	- 1.78
Number of employees at end of period	574	862

LETTER TO SHAREHOLDERS

Dear Shareholders, Business Associates
and Customers,

We are firmly committed to fostering the trust you have put in CENIT with the help of solid results and sound financial reporting. This report covering the first nine months of the 2002 financial year is a prime example. Indeed, we are particularly proud of the fact that we have yet again produced above-par earnings before interest and taxes (EBIT) for Germany, thus proving that your confidence in our company is fully justified. There can be no doubt that CENIT is well on track to become one of the premier 3D PLM suppliers in Germany. The strategic 3D PLM partnership recently signed with IBM and Dassault bears testimony to our committed approach within this field.

Our experience gained within the CAD/CAM market has also proved invaluable when it comes to being accepted as a professional service provider and consultant for 3D PLM. Drawing on this experience, we are responsible for delivering digital solutions used in the construction of the new Airbus A380, as well as submarines built by HDW and the latest vehicles rolling off the production lines at VW, BMW or DaimlerChrysler.

Product Lifecycle Management, i.e. full-scale management of a product from its birth right through to the point of recycling, has emerged as an integral part of today's

manufacturing industry, and CENIT is one of Germany's key IT consultants within this sector. Although PLM is still a fledgling discipline within the field of corporate strategy and management, analysts and experts are already hailing it as the dawn of a new era for the manufacturing industry. PLM is to be seen as a strategy, rather than one single application. It is designed to integrate existing CAD applications with Enterprise Resource Planning (ERP) as well as solutions in the field of Customer Relationship Management (CRM) and Supply Chain Management (SCM). IT analysts are already predicting substantial PLM growth in the coming years. Meta-Group has estimated an annual increase in sales of approximately 20 per cent. The US market research institute CIMdata believes that the overall market volume will be US\$ 11 billion. According to CIMdata, one of the main rationales behind the implementation of PLM concepts is to be found in the growing trend towards a reduced vertical range of production within the manufacturing industry. Based on this overall assessment, CENIT is confident that it will take on a pivotal and highly successful role within this market. Ultimately, this will benefit our customers and, of course, our shareholders.

The Executive Board

MANAGEMENT REPORT

Europe's stock markets have had to contend with a substantial decline in value in the last nine months. Alongside negative trends witnessed in the US, the key influencing factor seemed to be the encroaching economic malaise, which soon precipitated a downward spiral. Corporate profit warnings coupled with growing fears of imminent military action in Iraq played their part in accelerating the downturn. German stocks were particularly hard hit. Germany's Neuer Markt segment, which will cease at the end of 2003, failed to register any sizeable buying orders, apart from highly speculative deals in stocks such as Mobilcom. Indeed, the growth sector of yesteryear, as reflected by the Nemax All Share, continued to suffer heavy losses in terms of index points.

Particularly the dire economic crisis and the concomitant deterioration seen within the area of corporate earnings are likely to influence Europe's stock markets for some time to come. Moreover, no fresh impetus is expected from the US. On the contrary, strained economic prospects, profit warnings and a potential war against Iraq have meant that any glimmer of hope of a swift and sustained recovery of stock markets has evaporated, on both sides of the Atlantic. In fact, the situation is likely to remain extremely volatile. Having said this, stock markets finally seem to be finding some sort of footing, which may act as a solid foundation for a future upturn. The favourable price levels currently witnessed should prove conducive to recovery.

EARNINGS REVIEW

CENIT managed to maintain its positive earnings performance in the third quarter

of the financial year 2002, thus emulating the accomplishments of the two preceding quarters. Within the Group, earnings before interest, taxes, depreciation and amortisation (EBITDA) have been improved by 138%. Currently standing at EUR 1.24 million, EBITDA is well above par. The successful expansion of our activities in the area of Product Lifecycle Management (PLM) is considered to be particularly conducive to achieving positive bottom-line results for the full financial year. The company has gained further market share in the area of Product Lifecycle Management, while also cementing its position by extending its alliance with IBM and Dassault.

In the course of the financial year 2002, we have successfully adjusted our resources and cost structures in line with our customers' investment behaviour and the prevailing economic climate.

Earnings performance in Germany is of particular interest to the company, in view of the fact that approx. 80% of our revenues are generated in this country. Despite the prevailing economic difficulties, CENIT was able to achieve revenues of EUR 53.13 million in Germany (09/2001: EUR 64.96 million). EBITDA for Germany stood at EUR 1.37 million after the first nine months of 2002, a year-on-year increase of 316% (09/2001: loss of EUR 0.63 million before interest, taxes, depreciation and amortisation). For the second time in succession CENIT has posted positive earnings before interest and taxes (EBIT) in Germany, amounting to EUR 0.12 million. In comparison, the loss before interest and taxes for the first nine months of 2001 stood at EUR 3.14 million.

Consolidated revenues for the Group amounted to EUR 67.63 million (09/2001: EUR 90.03 million). Group EBITDA improved by 138 % to EUR 1.24 million (09/2001: loss of EUR 3.21 million before interest, taxes, depreciation and amortisation). Our consolidated loss before interest and taxes amounted to EUR 0.58 million, a 92% year-on-year improvement (09/2001: loss of EUR 7.22 million before interest and taxes.). The consolidated loss before taxes improved to EUR 0.92 million (09/2001: loss of 7.80 million before taxes). At minus EUR 0.17, our EPS – basic and diluted – has also improved on the previous year's figure (09/2001: minus EUR 1.86 / minus EUR 1.78). As at the balance sheet date, CENIT employed 574 people (09/2001: 862).

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 30% compared to 2001.

Capital expenditure

Capital expenditure in the first nine months of 2002 amounted to EUR 0.68 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. 75 % of total revenue was attributable to the company's „e-engineering“ business unit. The business unit „e-business“ accounted for approx. 25% of total revenue.

Changes in Executive and Supervisory Board

As published in our Six-Month Report, Mr. Falk Engelmann has been appointed Chairman of the Supervisory Board, and Mr. Andreas Schmidt has assumed the position of spokesperson of the Executive Board of CENIT AG Systemhaus.

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

CENIT recorded incoming orders of EUR 41.9 million. This corresponds to a year-on-year decline of 8%.

Orders of particular significance

CENIT AG Systemhaus has the overall IT responsibility for ensuring the smooth implementation and operation of the full processing activities of Schäfer Shop GmbH,

BUSINESS DEVELOPMENT

an international business-to-business mail-order company. This contract covers development of the IT strategy, the supply of hardware and software, as well as the implementation and support of the systems. Schäfer Shop intends to convert all its processing activities to FileNET eProcess workflow technology.

Furthermore, Airbus GmbH placed a follow-up order with CENIT worth more than EUR 2.3 million. Airbus GmbH will continue to put its trust in CENIT when it comes to developing its new twin-deck superjumbo A380 and the A400M military transport aircraft. Boasting 555 seats on two decks, the A380 will become the world's largest passenger aircraft. The extensive development project will be implemented with the aid of Product Lifecycle Management (PLM) applications. CENIT will be responsible for advising Airbus and providing technical support. More than 800 engineers will be trained to use the 3D PLM solutions CATIA V4 and CATIA V5. At the same time, CENIT AG will be assisting the specialised divisions with the development of PLM methods and will show them how they are to be applied.

CENIT has also been extremely successful in the US. Ford Vehicle Operations in Allan Park, Michigan, have opted for the world's leading PLM solution: 3D PLM CATIA. This is the first CATIA licence purchased by the Ford Motor Company. The car manufacturer ultimately chose CENIT because of its pioneering PLM solution for laser cutting, which is distributed in the US via CENIT North America Inc. in Troy, Michigan.

Harley Davidson, the famous motorcycle company with a product pedigree going back to 1903, have also chosen finalised an agreement with CENIT; it also covers the

first 3D PLM CATIA licence in combination with the CENIT PLM laser cutting solution.

Both of these deals underline the fact that the PLM software solutions developed by CENIT (LaserCUT, CUT4AXES, C-Post, MB5AXES) have been well received in the United States. There can be no doubt that we have succeeded in positioning the CENIT subsidiary in the Product Lifecycle Management segment.

Strategic partnerships

In September, we finalised one of our most important agreements. We are confident that the extension of the strategic alliance formed between CENIT, IBM and Dassault Systèmes will produce a decisive competitive advantage. The partnership was established with the express purpose of pooling the individual strengths of the three companies. The main focus is on creating a higher level of cooperation when it comes to sales, consulting and development activities for Product Lifecycle Management solutions, particularly those designed for the manufacturing industry and the core sectors of car manufacturing and shipbuilding; the partnership also aims to develop successful interfaces with other e-business solutions.

Thus, CENIT is one of the key IBM Premium Business Partners for the sale of CATIA. The company has already IBM PLM solutions within the Dassault Systèmes 3D PLM product range, which includes CATIA, ENOVIA, SMARTEAM and DELMIA. Furthermore, CENIT is able to provide its customers with integrated IBM solutions, including IBM PLM software and services. Building on its successful partnership, IBM will also be granting CENIT direct access to its industry competence centre, as well as other units operated in association with Dassault Systèmes. An additional consulting

agreement between CENIT and Dassault will ensure that the partners' practical experience and consulting expertise is utilised in the best possible manner, to the benefit of all partners.

SUSIDIARIES

In France, CENIT generated revenues of EUR 13.12 million, producing a loss before interest and taxes of EUR 0.20 million. CENIT Switzerland achieved revenues of EUR 1.77 million and a loss before interest and taxes of EUR 0.23 million. CENIT North America once again confirmed its strong performance by generating revenues of EUR 0.66 million and earnings before interest and taxes of EUR 0.18 million.

CASH, CASH EQUIVALENTS AND SECURITIES

Cash and cash equivalents, including marketable securities, amounted to EUR 655 thousand as at September 30, 2002. 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 32.6 million. Trade receivables stood at EUR 14.68 million. CENIT AG's cash flow from operating activities amounted to minus EUR 4.42 million. At the end of the period under review, cash and cash equivalents were EUR

0.65 million. Staff costs for the Group fell by 27 per cent relative to the previous year.

EMPLOYEES

As at September 30, 2002, 574 people were employed within the Group (09/2001: 862 – includes the subsidiaries in the US and the UK, which were sold at the end of 2001; these are no longer consolidated in the first nine months of 2002). At the end of the period under review, Germany had 430 employees. France employed 129 members of staff and Switzerland 15.

OUTLOOK

CENIT would like to reaffirm its original estimates for the current financial year. We remain committed to our prime objective, which is to achieve above-par consolidated results for the full financial year.

INCOME STATEMENT 9-MONTHS REPORT (unaudited)

	9 months 02	9 months 01	Changes in	Changes in
	kEUR	kEUR	absolute	%
Revenues	67,626	90,025	- 22,399	- 25
Discontinuing operations	0	11,729	- 11,729	- 100
Continuing operations	67,626	78,296	- 10,670	- 14
Other operating income	426	503	- 77	- 15
Changes in inventories of finished goods/work in progress	1,484	- 1,580	3,064	194
Production for own fixed assets capitalized	0	0	0	0
Costs of purchased materials and services	29,961	37,774	- 7,813	- 21
Personnel expenses	27,633	37,953	- 10,320	- 27
Depreciation and amortization	1,491	2,996	- 1,505	- 50
Amortization of goodwill	321	1,014	- 693	- 68
Other operating expenses	10,707	16,430	- 5,723	- 35
Operating income / loss	- 577	- 7,219	6,642	92
Discontinuing operations	0	- 2,945	2,945	100
Continuing operations	- 577	- 4,274	3,697	86
Interest income and expense	- 313	- 672	359	
Income from investments and participations	0	0	0	
Income and expense from associated companies	0	0	0	
Other income / expenses	0	0	0	
Result before income taxes (and minority interest)	- 890	- 7,891	7,001	
Income tax	- 213	42	- 255	
Extraordinary income / expenses	- 32	90	- 122	
Result before minority interest	- 709	- 7,759	7,050	
Minority interest	0	10	- 10	
Net income / loss	- 709	- 7,749	7,040	
Net income per share (basic)	- 0.17	- 1.86		
Net income per share (diluted)	- 0.17	- 1.78		
Weighted average shares outstanding (basic) (No.)	4,169,242	4,169,242		
Weighted average shares outstanding (diluted) (No.)	4,169,242	4,363,162		
Financial characteristic numbers				
EBITDA	1,235	- 3,209		
EBITA	- 256	- 6,205		
EBIT	- 577	- 7,219		
EBT	- 922	- 7,801		

INCOME STATEMENT 3rd QUARTER 2002 (unaudited)

	3 rd Quarter 02	3 rd Quarter 01	Changes in	Changes in
	kEUR	kEUR	absolute	%
Revenues	21,745	27,486	- 5,741	- 21
Discontinuing operations	0	3,228	- 3,228	- 100
Continuing operations	21,745	24,258	- 2,513	- 10
Other operating income	130	209	- 79	- 38
Changes in inventories of finished goods/work in progress	875	- 617	1,492	242
Production for own fixed assets capitalized	0	0	0	0
Costs of purchased materials and services	9,622	11,607	- 1,985	- 17
Personnel expenses	8,901	11,891	- 2,990	- 25
Depreciation and amortization	446	965	- 519	- 54
Amortization of goodwill	107	241	- 134	- 56
Other operating expenses	3,550	4,608	- 1,058	- 23
Operating income / loss	124	- 2,234	2,358	106
Discontinuing operations	0	- 537	537	100
Continuing operations	124	- 1,697	1,821	107
Interest income and expense	- 87	- 158	71	
Income from investments and participations	0	0	0	
Income and expense from associated companies	0	0	0	
Other income / expenses	0	0	0	
Result before income taxes (and minority interest)	37	- 2,392	2,429	
Income tax	- 48	181	- 229	
Extraordinary income / expenses	- 11	120	- 131	
Result before minority interest	74	- 2,091	2,165	
Minority interest	0	1	- 1	
Net income / loss	74	- 2,090	2,164	
Net income per share (basic)	0.02	- 0.50		
Net income per share (diluted)	0.02	- 0.48		
Weighted average shares outstanding (basic) (No.)	4,169,242	4,169,242		
Weighted average shares outstanding (diluted) (No.)	4,169,242	4,363,162		
Financial characteristic numbers				
EBITDA	677	- 1,028		
EBITA	231	- 1,993		
EBIT	124	- 2,234		
EBT	26	- 2,272		

BALANCE SHEET (unaudited)

	30.09.02	31.12.01
	kEUR	kEUR
ASSETS		
Current assets		
Cash and cash equivalents	655	3,571
Short-term investments / marketable securities	3	3
Trade accounts receivable	14,684	22,976
Accounts receivable due from related parties	0	0
Inventories	3,947	2,870
Deferred tax assets	0	0
Prepaid expenses and other current assets	612	2,469
Total current assets	19,901	31,889
Non current assets		
Property, plant and equipment	2,575	3,279
Intangible assets	279	390
Goodwill	5,389	5,710
Investments	175	181
Deferred taxes	4,293	4,079
Other assets	0	0
Total non current assets	12,711	13,639
Total ASSETS	32,612	45,528

BALANCE SHEET (unaudited)

	30.09.02	31.12.01
	KEUR	KEUR
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	6,254	12,936
Trade accounts payable	3,981	7,773
Accounts payable due to related parties	0	0
Advance payments received	0	0
Accrued expenses	2,382	4,510
Income tax payable	0	0
Deferred tax liability	163	162
Other current liabilities	4,306	3,932
Total current liabilities	17,086	29,313
Non-current liabilities		
Long-term debt, less current portion	432	432
Deferred tax liability	0	0
Pension accrual	0	0
Others	68	76
Total non-current liabilities	500	508
Minority interest	0	0
Shareholders' equity		
Share capital	4,184	4,184
Additional paid-in capital	23,350	23,350
Treasury stock	- 511	- 511
Retained earnings/accumulated deficit	- 15,928	- 15,219
Accumulated other comprehensive income/loss	3,922	3,950
Others	9	- 47
Total shareholders' equity	15,026	15,707
Total LIABILITIES AND SHAREHOLDERS' EQUITY	32,612	45,528

CASH FLOW STATEMENT (unaudited)

	01.01.02- 30.09.02	01.01.01- 30.09.01
	kEUR	kEUR
Cash flow from operating activities		
Net profits/loss	- 709	- 7,759
Minority interest	0	10
Depreciation and amortization	1,812	4,010
Increase/decrease in provisions and allowances	- 2,128	- 850
Increase in deferred tax assets	- 214	0
Losses/gains on the disposal of fixed assets	0	0
Other invalid payment expenses and revenues	0	0
Change in inventories	- 1,077	1,927
Change in accounts receivable for goods and other assets	10,149	11,324
Change in advance payments received, bills payable and liabilities for goods and services and other liabilities	- 3,417	- 10,439
Net cash provided by operating activities	4,416	- 1,777
Cash flow from investing activities		
Acquisition of subsidiaries	0	0
Proceeds from disposal of a subsidiary, net of cash transferred	0	0
Purchase of property, plant and equipment	- 676	- 1,661
Proceeds from sale of equipment	34	365
Others	0	0
Net cash used in investing activities	- 642	- 1,296
Cash flows from financing activities		
Proceeds from issuance of share capital	0	0
Proceeds from short- or long-term borrowings	0	0
Change in liabilities due to banks	- 6,682	2,547
Others	- 8	0
Net cash provided by financing activities	- 6,690	2,547
Net effect of currency translation in cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	- 2,916	- 526
Cash and cash equivalents at beginning of period	3,571	2,355
Cash and cash equivalents at end of period	655	1,829

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE
9-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
Balance 01.01.2002	4,184	23,350	-53	3,950	-15,219	-511	6	15,707
Change in currency			58					58
Change in Minority interest				-28				- 28
Net income/-loss					- 709			- 709
Change in convertible bonds							- 2	- 2
Balance 30.09.2002	4,184	23,350	5	3,922	-15,928	-511	4	15,026

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	
Intercompany sales								
Nine months 2002	312	741	0	- 1,053	0	0	0	0
Nine months 2001	526	568	0	- 1,488	- 394	20	374	0
External net sales								
Nine months 2002	16,615	51,011	0	0	67,626	0	0	67,626
Nine months 2001	27,071	51,618	0	0	78,689	483	10,853	90,025
EBIT								
Nine months 2002	- 1,468	1,284	0	- 393	- 577	0	0	- 577
Nine months 2001	- 1,586	- 1,814	- 1,014	139	- 4,275	125	- 2,819	- 7,219
Segment assets								
30.09.2002	5,793	25,949	833	37	32,612	0	0	32,612
31.12.2001	9,592	31,188	5,745	- 997	45,528	0	0	45,528
Segment liabilities								
30.09.2002	2,657	10,199	6,728	- 1,998	17,586	0	0	17,586
31.12.2001	4,445	14,866	13,440	- 2,930	29,821	0	0	29,821
Capital Expenditure								
30.09.2002	142	534	0	0	676	0	0	676
31.12.2001	716	2,588	0	0	3,304	13	225	3,542
Depreciation								
Nine months 2002	426	1,065	0	321	1,812	0	0	1,812
Nine months 2001	1,117	1,627	1,014	0	3,758	11	241	4,010

SEGEMENT REPORT (unaudited)

SEGMENT REPORT BY REGIONS (in kEUR)

	D	CH	F	not assigned	Consoli- dation	Continuing Operations	Discontinuing Operations	Group
Intercompany sales								
Nine months 2002	417	377	211	48	- 1,053	0	0	0
Nine months 2001	566	298	230	0	- 1,488	- 394	394	0
External net sales								
Nine months 2002	52,716	1,395	12,907	608	0	67,626	0	67,626
Nine months 2001	64,389	1,815	12,485	0	0	78,689	11,336	90,025
Segment assets								
30.09.2002	25,554	978	5,594	449	37	32,612	0	32,612
31.12.2001	38,096	1,393	6,624	205	- 790	45,528	0	45,528
Capital Expenditure								
30.09.2002	576	1	99	0	0	676	0	676
31.12.2001	1,982	40	1,282	0	0	3,304	238	3,542

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 73,100 convertible bonds in accordance with the employee equity programme.

Directors' Holdings:

Number of shares as at September 30, 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:

Falk Engelmann 332,396
(chairman of the Supervisory Board since 01.08.02)

Hubert Leypoldt 800

Dr. Dirk Lippold 0

Dr. Axel Sigle 0
(resigned as at 31.07.02)