

3-Months Report 2003

cenit

CENIT AG Systemhaus

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CENIT AT A GLANCE (unaudited)

AT A GLANCE - 01.01.03 until 31.03.03

	1 st Quartal 03	1 st Quartal 02
	m. EUR	m. EUR
Sales	16.87	23.11
Gross profits	9.99	13.15
EBITDA	- 0.2	0.0
Operating returns (EBIT)	- 0.5	- 0.63
Group results EBT	- 0.5	- 0.74
Result per share (basic) in EURO	- 0.13	- 0.15
Result per share (diluted) in EURO	- 0.13	- 0.15
Number of employees at end of period	412	605
Gross profit margin in %	- 3.18	- 2.75
Equity ratio in %	46.8	30.0
Equity	7.74	8.27
Liabilities	8.79	19.25
Balance sheet total	16.54	27.52

LETTER TO SHAREHOLDERS

Dear Shareholders, Business Associates and Customers,

The 2003 financial year allows CENIT to take a more optimistic view of the future. Among other things, we seized the opportunities presented to us in 2002 to position the Company in a manner that will allow us to meet the political and economic challenges that lie before us. We are confident that CENIT will be able to extend its business activities within the fields of Product Lifecycle Management and Outsourcing in the 2003 financial year. Furthermore, we remain fully committed to enhancing our profitability levels within the Group, with the express purpose of generating an above-par profit from operations. Leading our e-business division towards profitability is another issue of prime importance in the current financial year.

Provided that revenue is comparable to that achieved in the previous year and that our customers' purchasing behaviour remains within the normal parameters, CENIT is confident that operating profit for 2003 will be substantially higher than in the previous year. In addition, we believe that the sustained performance of the Company in terms of positive quarterly results will provide potential shareholders with the necessary confidence and will make investing in CENIT shares a viable and attractive proposition.

This latest quarterly report bears testimony to the success of our business model. Indeed, it underlines our ability to perform profitably and capture the imagination of the marketplace even when buffeted by a volatile economy. Our cutting-edge solutions and consulting services are designed to provide customers with unrivalled added value and rapid return on investment. For the first time, we have also included separate financial data for CENIT's operations in Germany, mainly because more than 96% of consolidated revenue is generated within our domestic market. Therefore, we believe that this area is particularly significant when it comes to outlining our business performance in the period under review.

We would like to take this opportunity to thank you, our shareholders, for the trust you have placed in CENIT. We hope you will continue to support us in our efforts.

The Executive Board

MANAGEMENT REPORT

According to the European Information Technology Observatory, the global information technology and telecommunications market grew by 1.2% in 2002. Growth for 2003 is expected to be 4.5%, while 2004 looks set to produce a rate of 5 to 6%. The growth rates for Western Europe are slightly lower: zero growth for 2002, 2 to 3% for 2003, and 4% for 2004. Worldwide revenues generated within the ITC sector are forecast to be EUR 2.25 trillion. Within this context, Germany represents the third-largest country, accounting for roughly 6%. According to BITKOM, however, Germany will not be able to emulate the current international growth rates. As BITKOM (German Association for Information Technology, Telecommunications and New Media) points out, the main reasons for this development are the weak economic climate, tight budgets within the public sector, and EUR 50 billion spent on UMTS licences, an amount which is now no longer available for other investments. BITKOM also believes that reversal of the investment bottleneck witnessed in the public sector and among SMEs is an essential prerequisite for market stability. PLM and Outsourcing are still considered to be relatively buoyant. In fact, according to market analyses conducted by CIMDATA and Daratech, these areas look set to generate double-digit growth rates in Germany and on a worldwide scale. The Gartner Group has forecast that the market for IT outsourcing in Germany will be worth EUR 11.7 billion in the year 2003 alone.

EARNINGS REVIEW

The first quarter of the 2003 financial year was characterised by a substantial increase in earnings compared with the same period a year ago. The decline in revenue is attributable to the deconsolidation of our French subsidiary Spring and the contraction of hardware sales. At the same time, we succeeded in increasing the proportion of services by 10%, thus improving our earnings performance. The successful expansion of our activities in the area of Product Lifecycle Management (PLM) gives us all the more reason for optimism. Indeed, CENIT managed to capture additional market share in this segment. e-business also showed signs of improvement in the period under review. In particular, business in the area of document management solutions developed by FileNET returned to a more stable level. Retailers and financial service enterprises are beginning to invest again and are placing their trust in CENIT. The level of incoming orders is good.

The positive reversal of trends within the CENIT Group is underlined by the solid earnings performance of CENIT in Germany. With a 96% share of consolidated revenue, i.e. EUR 16.2 million (2002: EUR 17.7 million / -9%), CENIT Deutschland plays a pivotal role within the Group. In Germany, earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 0.7 million (2002: EUR 0.1 million). In Germany, earnings before interest and tax (EBIT) amounted to EUR 0.5 million (2002: loss before interest and tax of EUR 0.4 million / 225 %), a marked improvement on the figure posted in the same period a year ago. At EUR 0.5 million, EBT was also substantially above par in the period under review (2002: loss before tax of EUR 0.5 million). A part of the sales revenue realized by the selling of the French subsidiary has a one-time positive influence in form of 0,6 millions of Euro on the German result.

In the first quarter of the 2003 financial year, CENIT's consolidated revenue amounted to EUR 16.9 million (2002: EUR 23.1 million / -27%). Consolidated gross profit for the Group stood at EUR 10 million (2002: EUR 13.1 million / -24 %). As part of the deconsolidation of our French subsidiary, we incurred a loss on disposal of EUR 0.4 million, which has effected the earnings performance of the Group. The consolidated loss before interest, taxes, depreciation and amortisation amounted to EUR 0.2 million in the period under review (2002:

loss of 0.0 million). For the Group as a whole, the loss before interest and tax amounted to EUR 0.5 million in the first three months of the financial year (2002: loss before interest and tax of EUR 0.6 million / 18%). Excluding the loss on disposal attributable to the French subsidiary, the loss before interest and tax would have been EUR 0.1 million. The consolidated loss before tax stood at EUR 0.5 million (2002: loss of EUR 0.7 million / 28%). The loss per share for the Group (basic) was EUR 0.13 (2002: loss per share of 0.15 EUR). Group cash flow from operating activities was EUR 2.6 million for the period under review (2002: EUR 2.1 million). The consolidated balance sheet total declined from EUR 27.5 million to EUR 16.5 million, while the equity ratio improved from 30% in 2002 to 47%. At the end of the first quarter, shareholders' equity stood at EUR 7.7 million (2002: EUR 8.3 million). Borrowings from banks were reduced considerably from EUR 6.2 million in 2002 to EUR 2.1 million in the period under review. As at March 31, 2003, cash and cash equivalents amounted to EUR 1.6 million (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 were reduced by 24 % compared to 2002.

CAPITAL EXPENDITURE

Capital expenditure in the first three months of 2003 amounted to EUR 0.1 million (31 Dec. 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. 80% of total revenue was attributable to the Company's "e-engineering" business unit, while approx. 20% of total revenue was generated in the "e-business" business unit.

CHANGES IN EXECUTIVE BOARD AND SUPERVISORY BOARD

There were no changes.

EVENTS OF PARTICULAR SIGNIFICANCE THAT COULD AFFECT BUSINESS OPERATIONS

As part of an ad hoc disclosure of February 7, 2003, CENIT announced that it would be selling its French subsidiary Spring Technologies S.A. to the current management of the entity, as part of a management buyout. The final framework of this disposal was agreed upon by the parties involved on April 29, 2003. The sale will coincide with the establishment of a distribution agreement that envisages the continued sale of CENIT products and services in France. The sale will come into effect retroactively, as of January 1, 2003. Therefore, we have not consolidated the entity in question, and the entity will not be included in the CENIT scope of consolidation for the 2003 financial year.

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 23.7 million. As at March 31, 2003, the volume of orders in hand totalled EUR 18.0 million. Thus, the level of orders is comparable to that recorded in the same period a year ago.

ORDER OF PARTICULAR SIGNIFICANCE

In the first quarter of the 2003 financial year, CENIT successfully continued its close partnership in the automotive sector as a systems supplier to a well-known car manufacturer located in the south of Germany. The current order, which is worth over EUR 4 million, will span a period of one year. CENIT has been working as an IT consultant for the above-mentioned car manufacturer since 1992, providing fail-safe operations and support for applications. The latest contract mainly encompasses applications support and operation for CATIA Pro/E and Robcad running on Unix as well as Windows XP. CENIT AG Systemhaus has thus underlined its premier positioning in the field of Product Lifecycle Management (PLM) and IT outsourcing for tailor-made enterprise applications.

INVESTMENTS

CENIT Switzerland achieved earnings before interest and tax (EBIT) of EUR 0.02 million on non-consolidated sales of EUR 0.7 million. CENIT North America confirmed its positive performance with sales of EUR 0.2 million and above-par earnings before interest and tax of EUR 0.02 million.

CASH, CASH EQUIVALENTS AND SECURITIES

Cash and cash equivalents, including marketable securities, amounted to EUR 1.6 million as at March 31, 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 16.5 million. Trade receivables stood at EUR 7.0 million. CENIT's cash flow from operating activities amounted to EUR 2.6 million. At the end of the period under review, cash and cash equivalents were EUR 1.6 million. Staff costs for the Group fell by 23 percent relative to the previous year.

EMPLOYEES

The number of employees within the Group as at March 31, 2003, was 412 (2002: 605). In total, 398 people were employed in Germany, 2 in North America, and 12 in Switzerland.

OUTLOOK

We are confident that this year's performance in Germany and the United States will be similar to that recorded in the 2002 financial year, however with a substantial improvement in our net profit for the year. Our foreign operations in Switzerland are expected to break even. One of the prime objectives of CENIT in 2003 is to become more profitable and to achieve break-even in the current financial year.

CENIT Aktiengesellschaft Systemhaus
Consolidated Balance Sheet prepared in accordance with IFRS
for the period from January 1 to March 31, 2003

in T EUR	31.03.2003	31.12.2002
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	4,184	4,184
Capital reserve	23,350	23,350
Foreign currency reserve	-85	-90
Revenue reserves	3,950	3,950
Treasury stock	-511	-511
Convertible bond	2	3
Net income/loss of the Group	-23,150	-22,613
	7,740	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	2,129	6,151
Trade payables	1,361	5,586
Other liabilities	3,791	5,641
Provisions	485	422
	7,766	17,800
DEFERRED INCOME		
	276	491
	16,535	27,519
<i>Discontinuing operations</i>		5,373

CENIT Aktiengesellschaft Systemhaus, Stuttgart
Consolidated Income Statement prepared in accordance with IFRS
for the period from January 1 to March 31, 2003

in EUR '000		31.03.2003	31.03.2002
1. Sales		16,871	23,109
2. Changes in inventories in finished goods and work in process		-440	1,060
Total operating performance		16,431	24,169
<i>Discontinuing operations</i>		0	5,025
<i>Continuing operations</i>		0	19,144
3. Other operating income		41	194
Operating performance		16,472	24,363
4. Cost of materials	6,485		11,217
5. Personnel expenses	7,162		9,247
6. Amortization of intangible assets and depreciation on property, plant and equipment	268		623
7. Other operating expenses	3,055		3,904
		16,970	24,991
Operating result		-498	-628
<i>Discontinuing operations</i>		0	-34
<i>Continuing operations</i>		0	-594
8. Other interest and similar income	10		13
9. Amortization of financial assets and securities classified as current assets	17		0
10. Interest and similar expenses	31		128
		38	115
Result of ordinary activities		-536	-743
11. Extraordinary result		0	-24
12. Taxes on income	0		-130
13. Deferred taxes	0		0
14. Other taxes	0		0
		0	-130
15. Net loss for the period before minority interests		-536	-637
16. Minority interests		0	0
17. Net income/loss of the Group		-536	-637
Earnings per share (undiluted) in EUR		(-)0.13	(-)0.15
Earnings per share (diluted) in EUR		(-)0.13	(-)0.15

**Consolidated Statement of Cash Flows prepared in accordance with IFRS
for the period from January 1 to March 31, 2003**

in EUR '000	1st Quarter 2003	1st Quarter 2002
Cash flow from operating activities		
Earnings before income taxes and deferred taxes	-536	-637
Adjusted for:		
Amortization of intangible assets and depreciation of property, plant and equipment	268	623
Losses on the disposal of fixed assets	17	0
Extraordinary amortization/depreciation and losses from the disposal of deconsolidated companies	0	0
Other non-cash expenses and income	0	0
Interest income	-10	-13
Interest expenses	31	128
Operating result before changes to net working capital	-230	101
Increase/decrease in trade receivables and other assets	7,569	7,090
Increase/decrease in inventories	1,682	-1,355
Increase/decrease in trade liabilities and other short-term provisions and liabilities	-6,381	-3,654
Cash flow from ordinary operations	2,640	2,182
Cash paid for interest	-31	-128
Cash received for interest	10	13
Cash paid for income taxes	0	0
Net cash received from operating activities	2,619	2,067
Proceeds from extraordinary items	0	0
Cash payments from restructuring items (Assumption of liabilities)	0	0
Net cash received from operating activities	2,619	2,067
Cash flow from investing activities		
Formation of subsidiaries that are not consolidated	0	0
Purchase of property, plant and equipment and intangible assets	621	0
Proceeds from the disposal of property, plant and equipment	0	-354
Increase others	-17	0
Net cash paid for investing activities	604	-354
Cash flow from financing activities		
Cash proceeds (+) from long-term bank loans	0	0
Cash payments (-) from bank loans	-4,022	-4,783
Cash payments (-) from long-term bank loans	-48	0
Change in convertible bond	-1	0
Net cash paid for investing activities	-4,071	-4,783
Net increase/decrease in cash and cash equivalents	-848	-3,070
Cash and cash equivalents at the beginning of the period	2,450	3,571
Net increase/decrease in cash and cash equivalents	-848	-3,070
Effect on cash and cash equivalents of changes in exchange rates	4	-1
Cash and cash equivalents at the end of the period	1,606	500

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

for the 3-Months Report

	Subscribed capital KEUR	Capital reserve KEUR	Currency reserve KEUR	Revenue reserve KEUR	Treasury shares KEUR	Net result of the Group KEUR	Convertible bonds KEUR	Total KEUR
Balance 01.01.2003	4,184	23,350	- 90	3,950	- 22,613	- 511	3	8,273
Transfer to revenue reserves								0
Change in equity interest in convertible bond						- 1	- 1	
Change in minority interests								0
Currency change			5					5
Net income for the Group					- 537			- 537
Balance 31.03.2003	4,184	23,350	- 85	3,950	- 23,150	- 511	2	7,740

SEGMENT REPORT (unaudited)

SEGMENT REPORT BY SEGMENTS (in KEUR)

EE = e-engineering; EB=e-business

	EB	EE	not allocated	Consolidation	Continuing Operations	Discontinuing Operations			Group
						EB	EE	not allocated	
Sales to third parties									
Q1 2003	3,739	13,132	0	0	16,871	0	0	0	16,871
Q1 2002	3,872	14,212	0	0	18,084	0	5,025	0	23,109
EBIT									
Q1 2003	-412	-103	0	0	-515	0	0	0	-515
Q1 2002	-809	301	0	-86	-594	0	-34	0	-628
Interest									
Q1 2003	0	0	0	0	-21	0	0	0	-21
Q1 2002	0	0	0	0	-97	0	-18	0	-115
Extraordinary result									
Q1 2003	0	0	0	0	0	0	0	0	0
Q1 2002	0	0	0	0	-37	0	13	0	-24
Taxes on income & deferred									
Q1 2003	0	0	0	0	0	0	0	0	0
Q1 2002	0	0	0	0	117	0	13	0	130
Net income/loss of the group									
Q1 2003	0	0	0	0	-536	0	0	0	-536
Q1 2002	0	0	0	0	-611	0	-26	0	-637
Segment assets									
31.03.2003	2,891	11,931	1,713	0	16,535	0	0	0	16,535
31.12.2002	5,644	14,064	2,438	0	22,146	0	5,255	118	27,519
Segment liabilities									
31.03.2003	1,444	4,839	2,512	0	8,795	0	0	0	8,795
31.12.2002	2,502	5,948	6,374	0	14,824	0	4,215	207	19,246
Capital expenditure									
31.03.2003	10	90	0	0	100	0	0	0	100
31.12.2002	230	527	0	0	757	0	116	0	873
Amortization & depreciation									
Q1 2003	90	178	0	0	268	0	0	0	268
Q1 2002	153	301	0	107	561	0	62	0	623

SEGMENT REPORT (unaudited)

SEGMENT REPORT BY REGION (in KEUR)

	D	CH	USA	Consolidation	Continuing Operations	Discontinuing Operations	Group
Intercompany sales							
Q1 2003	272	44	0	- 316	0	0	0
Q1 2002	167	107	166	- 472	- 32	32	0
Sales to third parties							
Q1 2003	15,987	690	194	0	16,871	0	16,871
Q1 2002	17,583	370	131	0	18,084	5.025	23,109
Segment assets							
31.03.2003	15,557	710	268	0	16,535	0	16,535
31.12.2002	21,037	806	303	0	22,146	5.373	27,519
Capital expenditure							
31.03.2003	96	0	4	0	100	0	100
31.12.2002	749	1	7	0	757	116	873

CENIT Aktiengesellschaft Systemhaus, Stuttgart

CENIT Germany

for the period from January 1 to March 31, 2003

in EUR		31.03.2003	31.03.2002
1. Sales		16,233,404	17,749,939
2. Changes in inventories in finished goods and work in process		(-) 424,000	1,157,683
Total operating performance		15,809,404	18,907,622
3. Other operating income		108,663	107,407
Operating performance		15,918,067	19,015,029
4. Cost of materials	6,385,280		8,980,218
5. Personnel expenses	6,816,773		6,842,230
6. Amortization of intangible assets and depreciation on property, plant and equipment	250,334		436,809
7. Other operating expenses	2,536,520		3,115,842
		15,988,907	19,375,099
Operating result		(-) 70,840	(-) 360,070
8. Other interest and similar income	26,290		34,024
9. Amortization of financial assets and securities classified as current assets	569,128		0
10. Interest and similar expenses	30,589		114,441
		564,829	(-) 80,417
11. Extraordinary result	0		(-) 37,073
12. Taxes on income	-2		0
13. Other taxes	(-) 10,057		(-) 16,357
		(-) 10,059	(-) 53,430
14. Net income/loss		483,930	(-) 493,917
15. Minority interests			
EBITDA		748,621	76,739
EBIT		498,287	(-) 360,070

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 the employee equity programme.

Directors' Holdings:

Number of shares as at March 31st, 2003

Total Number of Shares 4,183,879

Shares owned by the Executive Board:

Hubertus Manthey 341,108

Christian Pusch 0

Andreas Schmidt 398,5

Shares owned by the Supervisory Board:

Falk Engelmann 332,396

Hubert Leypoldt 800

Dr. Dirk Lippold 0