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CENIT AT A GLANCE

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CENIT AG

First half year 1998

	First half of 1998	First half of 1997
Sales revenue	44,761 TDM	27,487 TDM
Gross earnings	20,880 TDM	12,559 TDM
Operating earnings (EBIT)	1,305 TDM	- 2,917 TDM
Flotation costs	3,711 TDM	- TDM
Earnings after tax	- 1,014 TDM	- 1,273 TDM
Net profit DVFA/SG	545 TDM	- 1,273 TDM
Number of employees at the end of the period	251	196

Figures which are negative are shown with a minus sign. Otherwise no sign is shown.

The present report is determined in accordance with HGB (German Commercial Code) guidelines.

[2]

The development of business

The positive development of business in the first quarter was continued for CENIT AG in the second quarter of 1998.

Business segments with a high proportion of services worked to full capacity. Divisions which are concerned mainly with the sale of software products and hardware posted good figures at the end of the second quarter and in some cases are above the envisaged targets.

Incoming orders in the second quarter were buoyant. Major medium and long-term projects for well-known enterprises ensure the

vigorous development of the Workflow and Document Management segment in future. The same applies to the Systems Management division.

Operating costs continued to develop as planned. However, the costs of going public put heavy pressure on second-quarter results. This aspect must be especially borne in mind when assessing the following tables.

The management is very satisfied with the course of operating business. The company's ambitious growth targets are again within reach.

The development of earnings

At the end of the second quarter 1998, operating earnings amounted to DM 1,305,000, and have thus risen by DM 4,221,000 on the same period of last year.

The development of earnings in the first two quarters is marked by non-recurring expenses of DM 3,711,000 for going public. The deviation from the planned costs of going public is essentially attributed to the fact that the new shares were issued at the upper end of the bookbuilding range.

DVFA earnings at the end of the first half of 1998, at DM 0.55 per share, are higher than expected.

Since the course of CENIT AG's business is subject to marked seasonal fluctuations, it is not possible to draw direct conclusions regarding the end of the year from these figures. Despite the positive development of business, it is still too early to make a projection for the end of the year.

Statement of income

	First half of 1998 Jan. 1, 1998 – June 30, 1998 TDM	First half of 1997 Jan. 1, 1997 – June 30, 1997 TDM	Change in absolute terms TDM	Change %
Sales revenues	44,761	27,487	17,275	63
Change in inventories	818	1,450	- 632	- 44
Gross earnings	45,579	28,937	16,643	58
Cost of materials	24,699	16,378	8,322	51
Gross margin	20,880	12,559	8,321	66
Personnel costs	13,203	10,355	2,848	28
Other operating expenses	3,327	2,261	1,066	47
Overheads	2,029	1,940	89	5
EBDIT	2,321	- 1,997	4,318	
Depreciation	1,016	920	96	10
EBIT (operating earnings)	1,305	- 2,917	4,221	
Financial earnings	- 96	- 334	238	
Other operating expenditure/revenue	114	222	- 108	- 49
Flotation costs	3,711	0	3,711	
Other non-recurring expenses/income	- 25	0	- 25	
EBT (pre-tax earnings)	- 2,413	- 3,029	615	
After-tax earnings	- 1,014	- 1,273	258	
Earnings according to DVFA/SG	545	- 1,273	1,818	
Earnings per share according to DVFA/SG	0.55 *			

* DM per share

[3]

Notes to the balance sheet

The effects of going public and the resulting consequences on the balance sheet structure have become evident for the first time in the present half-year report.

Before the company went public, the subscribed capital was raised from DM 1,000,000 to DM 3,500,000. In the course of flotation

it was raised by another DM 1,500,000 to

DM 5,000,000. From the sale of the new shares stemming from this, the company obtained a premium of DM 36,000,000 which was transferred to capital reserves. The capital ratio is now 79% (at last balance sheet date: 14%).

All other balance sheet items developed as

Assets/TDM	As at June 30, 1998	As at Dec. 31, 1997
Fixed assets	2,435	2,151
Current assets	1,706	888
Accounts receivable	16,533	20,862
Liquid assets	29,725	609
Deferred charges and Prepaid expenses	134	150
	50,533	24,660

Liabilities/TDM	As at June 30, 1998	As at Dec. 31, 1997
Subscribed capital	5,000	1,000
Equity/ revenue reserves	36,000	1,304
Retained earnings	- 1,014	1,196
Equity	39,986	3,500
Accruals	216	2,493
Liabilities	10,331	18,667
	50,533	24,660

[4]

Statement of cash flow from January 1, 1998–June 30, 1998/TDM

Net income for the period	- 1,014
Depreciation of fixed assets	1,016
Changes in accruals	- 2,276
Disposals of fixed assets	- 15
Changes in inventories	- 818
Changes in accounts receivable for goods and services	3,932
Changes in other assets and deferred charges and prepaid expenses	413
Changes in payments received, in liabilities due to bills of exchange and in liabilities from accounts payable	732
Changes in other liabilities and in prepaid and deferred items	- 1,488
Cash flows from operating activities	482
Payments for investments in fixed assets	- 1,285
Outflows from investment activities	- 1,285
Payments by shareowners	1,500

Statement of cash flow from January 1, 1998–June 30, 1998/TDM (continued)

Premium from flotation	36,000
Changes in liability to banks	- 7,580
Proceeds from financial activities	29,920
Changes in cash and cash equivalents effected by payments	29,116
Cash and cash equivalents at the beginning of the period	609
Cash and cash equivalents at the end of the period	29,725

Financial statements according to HGB

The results presented in this report were obtained in accordance with HGB (German Commercial Code) guidelines.

CENIT AG plans to present its accounts according to IAS for the 1998 annual report. Adherence to these standards is not expected to result in substantial changes to the figures.

Successful start on the stock market

On May 6, 1998, CENIT AG became the first systems vendor to be quoted on the Neuer Markt of the Frankfurt stock exchange. Interest in the CENIT share was overwhelming. With an initial issue price of DM 125, the share was subscribed 127 times over by the end of the bookbuilding phase.

On June 30, 1998, the price of the CENIT share was DM 288. For CENIT AG shareholders, this means a rise of 130% compared with the issue price, and an increase of DM 63 or 28% compared with the price on the first day of trading.

The CENIT share was recommended as a sound growth equity on the Neuer Markt by many investment services.

The CENIT management is very satisfied with the development of the share price to date.

Development of human resources

At the end of the second quarter of 1998, CENIT AG had a workforce of 251 (Q2 last year: 196). Thirty-nine new jobs have been created since the beginning of the year.

Despite the difficulties in finding qualified personnel in the IT sector, CENIT AG succeeded in obtaining the envisaged number of staff for 1998 more rapidly than expected. Thanks to going public, CENIT successfully managed to present itself to its employees as an attractive employer.

Personnel turnover and days lost through sickness were still low.

CENIT UK Ltd.

This wholly owned subsidiary of CENIT AG will again play a subordinate role in the overall business development of the CENIT Group in 1998.

The business of CENIT UK Ltd. is developing as planned. For 1998, a positive contribution to the consolidated financial statements is expected. So far a revenue of £ 294,474 has been reached.

CENIT UK currently employs nine people.

CENIT UK earnings have not yet been included in the quarterly reports.

[5]

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The second half of 1998

The current overall economic situation, the great demand for IT technology and services, and especially CENIT AG's order book position suggest that a profound development can be expected in the second half of 1998.

Thanks to its selection of products holding a lead on the world market, and the highly qualified services based on these, CENIT AG has positioned itself very well for the future. All business segments still give evidence of above-average growth potential.

In the Corporate Solutions division, CENIT AG's expertise as an integration partner gives it an edge. This is because demand for solutions is rising in Systems Management, groupware and Workflow and Document Management, in conjunction with the respective integration know-how. Contracts with several well known customers in financial services, publishing and public administration will exercise a positive influence on the development of business in the second half of the year.

The Professional Services business segment will appreciably benefit from rising demand for outsourcing services and high-availability solutions. Moreover, incoming orders in Client/Server Solution Concepts and their implementation can be expected to reach a good level.

At the end of the second quarter 1998, CENIT AG stepped up its M&A activities. Very promising talks are currently under way with several target enterprises.

[6] The cooperation agreed at the end of the first half year with the Fraunhofer Gesellschaft FHG/Institut für Arbeitswirtschaft und Organisation, makes CENIT AG an all-round provider of Virtual Reality (VR). Central to the agreement are the exclusive marketing rights for industrial applications of the VR software developed by the Fraunhofer Gesellschaft. This is the logical expansion to CENIT AG's portfolio in the Computer Aided Engineering sector, and reinforces its position as a leading provider of innovative technologies.