

# 9 Months Report 2006

## CENIT AG Systemhaus

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The logo for CENIT, consisting of the letters 'c', 'e', 'n', 'i', 't' in a bold, lowercase, sans-serif font, stacked vertically. The letters are white with a teal outline, set against a teal background.

<b>CENIT AT A GLANCE (unaudified)</b>		
<b>At a glance - January 1 until September 30, 2006</b>		
in Mill. EUR	<b>September 30, 2006</b>	<b>Sept. 30, 2005</b>
<b>Sales</b>	<b>58,33</b>	<b>54,51</b>
<b>Gross profits</b>	<b>43,51</b>	<b>38,77</b>
<b>EBITDA</b>	<b>8,00</b>	<b>7,13</b>
<b>Operating returns (EBIT)</b>	<b>7,28</b>	<b>6,55</b>
<b>EBT</b>	<b>7,05</b>	<b>6,43</b>
<b>Netincome of the group</b>	<b>5,62</b>	<b>4,59</b>
<b>Result per share (basic) in EURO</b>	<b>0,67</b>	<b>0,55</b>
<b>Result per share (diluted) in EURO</b>	<b>0,67</b>	<b>0,55</b>
<b>Number of employees at end of period</b>	<b>563</b>	<b>511</b>
<b>EBIT - Margin in %</b>	<b>12,5</b>	<b>12,0</b>
<b>Profit - Margin in %</b>	<b>9,6</b>	<b>8,4</b>
in Mill. EUR	<b>September 30, 2006</b>	<b>December 31, 2005</b>
<b>Equity in ratio in %</b>	<b>67</b>	<b>58</b>
<b>Equity</b>	<b>21,65</b>	<b>19,57</b>
<b>Liabilities</b>	<b>10,70</b>	<b>14,34</b>
<b>Balance sheet total</b>	<b>32,35</b>	<b>33,91</b>

\*change in disclosure

## FOREWORD

***Dear shareholders, partners, customers and interested parties,***

The 9 months' figures reported here represent a direct continuation of our solid business numbers for the first 6 months, in view of which we will again be increasing our worldwide staffing levels in the 4th quarter. As the market is generally stronger in the second half of the year, we are very confident of achieving further organic growth. Sales were up again across all CENIT regions and business segments during the period under review, both in Germany throughout Europe. Business grew fastest in the US and Switzerland. Only hardware sales posted a decline, down 13%. Restructuring measures were implemented.

We see software sales as key to future growth, with our distribution agreement with FileNet and partnerships with SAP and Dassault, particularly in the US, playing a critical role. CENIT shares recovered substantial momentum in the period under review, recovering from the general stock market malaise during the summer months.

We would like to thank you for your confidence in CENIT as we look forward to a successful 4th quarter for our shareholders, customers and employees.

***The Executive Board***

## MANAGEMENT REPORT

According to the latest ifo Investitionstest 2006 survey, manufacturing and industrial firms are looking to invest approximately 9% more in new construction and equipment than the previous year. After four years of declining investment, there are many indications that industry investing will again pick up. Corporate earnings have improved along with economic conditions, and now firms have some catching up to do given the low levels of investment seen over the last several years. In Germany, manufacturing/industrial investment is set to rise by a healthy 9% nominally, spread across all major sectors and most industries.

The mood remains favourable in information technology and telecommunications. BITKOM, the national IT, telecom and media industry association, reported a slight decline in its industry index down to 40.8 points, though still stable and in squarely positive territory. This sentiment indicator is calculated based on BITKOM's quarterly survey of the IT/telecom sector. Nearly two thirds of all companies are anticipating increasing revenues for the current year, as confirmed by BITKOM's growth forecast for the German information technology and telecommunications market of 2.5% up to €146.4 billion for the year 2006. Business is excellent in the software and IT services (maintenance, IT consulting, IT outsourcing etc.) segments. 73% of software companies and 69% of IT service providers surveyed expect sales to be higher for full-year 2006. Businesses are again investing heavily in information technology according to BITKOM, focusing on projects for enhancing operational process efficiency, heightening IT security and outsourcing IT functions to external service providers. Only the hardware market appears shaky to BITKOM, which it characterises as set for falling profits.

## EARNINGS DEVELOPMENT I

The CENIT Executive Board's strategic decision to expand operations in the US in 2006 already results in profits after only 9 months, contributing positively to Group earnings. Despite rising marketing and expansion-related expenses, business has been accelerating dramatically for CENIT software and consulting services in the US PLM market, with CENIT North America posting sales of €3.17 million (2005: €1.14 million) and EBIT of €0.28 million (2005: €0.18 million). At the half-year mark, the company reported a loss of €0.2 million. CENIT Switzerland also showed a significant growth with non-consolidated sales up 126% to €2.15 million (2005: €0.95 million) and EBIT rising to €0.84 million (2005: €0.02 million).

Continued progress in software marketing in the 3rd quarter fuelled CENIT's profitable growth, though the operating loss accumulated in the first 9 months of the year in the hardware business weighed on earnings and the hardware sales decreased 13 percent. Restructuring measures were started in the hardware segment to address this situation. Hardware contributed 18% of consolidated sales, while software accounted for 26% and consulting 56%. Systematically growing our consulting staff since the start of the year from 523 up to 563 approximately represents an important step for the further organic growth of CENIT in line with our strategy. Another 30 positions approximately are still unfilled at this time.

### **Summary of consolidated reporting figures:**

Consolidated sales for the first 9 months rose by 7 percent to €58.33 million (2005: €54.51 million). Group gross margin expanded again by 12% to €43.51 million (2005: €38.77 million). Consolidated EBITDA was up approximately 12% to €8.00 million (2005: €7.13 million). Consolidated EBIT improved to €7.28 million (2005: €6.55 million/11%). Consolidated EBT came out at €7.05 million (2005: €6.43 million/10%) and Group net income increased 22% to hit €5.62 million (2005: €459 million). Earnings per share (EPS) on the basis of 8,367,758 shares came to €0.67 (2005 adjusted to current number of shares: €0.55/22%). Consolidated operating cash flow totalled €7.67 million (2005: €6.24 million/23%). Total consolidated assets of €32.35 million (31.12.2005: €33.91 million) were reported. The equity ratio improved to 67% (2005: 58%), with equity totalling €21.65 million (31.12.2005: €19.57 million) at the close of the period under review. Cash and cash equivalents including securities totalled €16.40 million (31.12.2005: €20.81 million) as of the statement date. Incoming orders for the Group were valued at €61 million (2005: €59 million).

## EARNINGS DEVELOPMENT II

### ADDITIONAL NOTES

This fiscal year for the first time, service income is being accounted for using the POC (percentage of completion) method as of the start of the year in line with IAS 18.22 ff. This method concerns expenses and income recognisable for accounting periods prior to the completion of service projects.

Applying the POC (percentage of completion) method to the figures from the 2005 9 Months' Report yields the following:

Sales €54.8 million; EBITDA €7.45 million; EBIT €687 million; EBT €6.75 million; EPS €0.59.

### DEVELOPMENT OF COSTS

Other operating expenses developed in line with planning and rose by roughly 17% as against 2005.

### INVESTMENTS

Investments for the first 9 months of 2006 totalled €0.83 million (30.09.2005: €0.74 million), representing typical expansion and replacement investment in computer systems, software and office equipment.

### BREAKDOWN OF EARNINGS

CENIT operates in two business segments. The Company generated around 68% of total sales through its e-engineering business unit and around 32% through its e-business unit.

### CHANGES TO THE EXECUTIVE AND SUPERVISORY BOARDS

None

### EVENTS OF PARTICULAR SIGNIFICANCE THAT COULD AFFECT BUSINESS ACTIVITIES

None

### INTERIM DIVIDENDS

No interim dividends were distributed.

### AMOUNT DISTRIBUTED OR PROPOSED FOR DISTRIBUTION

None

## EARNINGS DEVELOPMENT III

### NEW ORDERS

Incoming orders for the Group amounted to €61 million (2005: €59 million) for the first 9 months. As of 30 September 2006, booked business amounted to €19 million (2005: €19 million).

### ORDERS OF PARTICULAR SIGNIFICANCE

None

### EQUITY INVESTMENTS

With non-consolidated sales of €2.15 million, CENIT Switzerland generated EBIT of €0.84 million. CENIT North America generated sales of €3.17 million (2005: €1.14 million) for EBIT of €0.28 million (2005: €0.18 million).

### CASH, CASH EQUIVALENTS AND SECURITIES

At the balance sheet date, cash and cash equivalents including securities totalled €16.40 million (31.12.2005: €20.81 million).

### NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Total assets amounted to €32.35 million. Trade receivables and other assets amounted to €10.51 million, while CENIT's operating cash flow was €7.67 million.

### EMPLOYEES

The number of Group employees as of 30 September 2006 was 563 (30 Sep. 2005: 511). The headcount thus increased by around 10%.

### OUTLOOK

The CENIT Executive Board anticipates CENIT Software sales to be the fastest growing over the long term, and to benefit particularly from the seasonal effect typically seen in the 4th quarter. Expansion plans for the US market will be driven forward in order to better capitalise on business opportunities there. The Executive Board views CENIT's business prospects going forward as fundamentally positive across all core business areas and regions.

CENIT Aktiengesellschaft Systemhaus		
Consolidated Balance Sheet prepared in accordance with IFRS (unaudited)		
as of September 30, 2006		
in EUR k	September 30, 2006	Dec. 31, 2005
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	242	122
Property, plant and equipment	1.390	1.399
	<b>1.632</b>	<b>1.521</b>
<b>DEFERRED TAX ASSETS</b>		
	<b>1</b>	<b>87</b>
	<b>1.633</b>	<b>1.608</b>
<b>CURRENT ASSETS</b>		
Inventories	3.806	1.057
Trade receivables	9.458	10.102
Current income tax assets	716	18
Other receivables	55	164
Other financial assets at fair value through profit or loss	9.471	13.021
Cash and cash equivalents	6.927	7.786
Prepaid expenses	283	153
	<b>30.716</b>	<b>32.301</b>
<b>TOTAL ASSETS</b>		
	<b>32.349</b>	<b>33.909</b>



<b>CENIT Aktiengesellschaft Systemhaus</b> <b>Consolidated Balance Sheet prepared in accordance with IFRS (unaudited)</b> <b>as of September 30, 2006</b>		
in EUR k	Sept. 30, 2006	Dec. 31, 2005
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	8.368	4.184
Capital reserve	783	543
Currency translation reserve	-134	-119
Revenue reserves	3.373	5.039
Net income of the Group allocable to the shareholders of CENIT AG	9.214	9.879
Minority Interests	43	43
<b>TOTAL EQUITY</b>	<b>21.647</b>	<b>19.569</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	419	97
<b>CURRENT LIABILITIES</b>		
Short-term liabilities to banks	153	1.321
Trade payables	1.087	2.048
Other liabilities	8.130	8.478
Current income taxes	710	2.256
Other Provisions	179	122
Deferred Income	24	18
	<b>10.283</b>	<b>14.243</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>32.349</b>	<b>33.909</b>

CENIT Aktiengesellschaft Systemhaus			
Consolidated Income Statement prepared in accordance with IFRS (unaudited)			
for the period from January 1 to September 30, 2006			
in EUR k		Sept. 30, 2006	September 30, 2005
<b>1. SALES</b>		<b>58.328</b>	<b>54.510</b>
2. Increase/Decrease in inventories of work in process		1.743	364
Total operating performance		60.071	54.874
3. Other operating income		515	523
Operating performance		60.586	55.397
4. Cost of materials	17.075		16.627
5. Personnel expenses	25.581		23.176
6. Amortization of intangible assets and depreciation on property, plant and equipment	719		582
7. Other operating expenses	9.928		8.465
		53.303	48.851
<b>NET OPERATING INCOME</b>		<b>7.284</b>	<b>6.546</b>
8. Other interest and similar income	134		175
9. Interest and similar expenses	48		42
10. Result from financial instruments at fair value through profit or loss	-321		-247
		-236	-114
<b>RESULT FROM ORDINARY ACTIVITIES</b>		<b>7.048</b>	<b>6.432</b>
11. Income taxes		1.430	1.843
<b>12. NET INCOME OF THE GROUP FOR THE YEAR</b>		<b>5.618</b>	<b>4.588</b>
13. Thereof allocable to the shareholders of CENIT AG		5.533	4.586
14. Thereof allocable to minority interests		84	1
Earnings per share in EUR			
undiluted		0,67	0,55
diluted		0,67	

\*change in disclosure

CENIT Aktiengesellschaft Systemhaus			
Consolidated Income Statement prepared in accordance with IFRS (unaudited)			
for the period from July 1 to September 30, 2006			
in EUR k	3rd Quarter, 2006		3rd Quarter, 2005
<b>1. SALES</b>		<b>20.914</b>	<b>19.600</b>
2. Increase/Decrease in inventories of work in process		445	-482
Total operating performance		21.359	19.118
3. Other operating income		171	167
Operating performance		21.531	19.285
4. Cost of materials	7.005		6.134
5. Personnel expenses	8.307		7.567
6. Amortization of intangible assets and depreciation on property, plant and equipment	210		187
7. Other operating expenses	3.480		2.707
		19.001	16.595
<b>NET OPERATING INCOME</b>		<b>2.530</b>	<b>2.690</b>
8. Other interest and similar income	31		51
9. Interest and similar expenses	42		34
10. Result from financial instruments at fair value through profit or loss	10		-325
		-2	-309
<b>RESULT FROM ORDINARY ACTIVITIES</b>		<b>2.528</b>	<b>2.381</b>
<b>RESULT FROM ORDINARY ACTIVITIES</b>			
11. Income taxes		412	280
<b>12. NET INCOME OF THE GROUP FOR THE YEAR</b>		<b>2.116</b>	<b>2.102</b>
13. Thereof allocable to the shareholders of CENIT AG		2.093	2.101
14. Thereof allocable to minority interests		23	1
Earnings per share in EUR			
Basic earnings		0,25	0,25
Diluted earnings		0,25	0,25

\*change in disclosure

CENIT Aktiengesellschaft Systemhaus		
Consolidated Statement of Cash Flows prepared in accordance with IFRS (unaudified)		
as of September 30, 2006		
in EUR k	Sept. 30,2006	Sept. 30,2005
<b>Cash flow from operating activities</b>		
Earnings before income taxes and deferred taxes	7.048	6.432
Adjusted for:		
Amortization of intangible assets and depreciation of property, plant and equipment	719	582
Losses on disposals of non-current assets	0	3
Gains on disposals of non-current assets	-3	0
Dividends income		-373
Other non-cash expenses and income	-12	-261
Increase/Decrease Provisions		-7
Interest income	-134	-175
Interest expenses	48	42
<b>Net operating income before changes in net working capital</b>	<b>7.667</b>	<b>6.243</b>
Increase/decrease in trade receivables		
and other current, non-monetary assets	-75	792
Change in other financial assets that are not allocable to cash and cash equivalents	0	
Increase/Decrease in inventories	-2.749	-607
Increase/decrease in current liabilities and provisions	-3.638	-743
<b>Cash flow from ordinary operations</b>	<b>1.205</b>	<b>5.685</b>
Interest paid	-48	-42
Interest received	134	208
Dividends income		373
Income taxes paid	-1.107	-1.635
<b>Net cash flow from ordinary activities</b>	<b>183</b>	<b>4.589</b>
<b>Net cash flow from operating activities</b>	<b>183</b>	<b>4.589</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	-827	-741
Proceeds from the disposal of property, plant and equipment		-3
<b>Net cash paid for investing activities</b>	<b>-827</b>	<b>-744</b>
Cash flow from financing activities		-744
		30
Repayment of longterm bank loans	0	
Dividends paid to shareholders	-3.765	-1.255
<b>Net cash paid for investing activities</b>	<b>-3.765</b>	<b>-1.225</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-4.409</b>	<b>2.620</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>17.827</b>	<b>14.684</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13.418</b>	<b>17.304</b>

**CENIT Aktiengesellschaft Systemhaus**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IN ACORDANCE WITH IFRS) (unaudified)**  
**as of September 30, 2006**

in k	Equity allocable to the parent company's shareholders						Total
	Subscribed capital	Capital reserve	Currency translation reserve	Revenue reserve	Group result per shareholder of CENIT AG	Minority interests	
<b>as of January 1,2005</b>	<b>4.184</b>	<b>418</b>	<b>-115</b>	<b>1.239</b>	<b>8.192</b>	<b>37</b>	<b>13.955</b>
Allocation to the revenue reserve				3.800	-3.800		0
Currency fluctuation			-4				-4
Dividend distribution					-1.255		-1.255
Transfer from stock options		125					125
Net income for the Group					6.742	6	6.748
<b>as of Dec. 31,2005</b>	<b>4.184</b>	<b>543</b>	<b>-119</b>	<b>5.039</b>	<b>9.879</b>	<b>43</b>	<b>19.569</b>
Changes in revenue reserves	4.183			2.100	-2.100		4.183
Changes in revenue reserves				418	-418		0
Transfer from stock options		240					240
Dividend distribution					-3.765		-3.765
Currency fluctuation			-15				-15
Net income of the Group for the year				-4.183	5.618		1.435
<b>Sept. 30,2006</b>	<b>8.368</b>	<b>783</b>	<b>-134</b>	<b>3.374</b>	<b>9.214</b>	<b>43</b>	<b>21.647</b>

## CENIT AG Systemhaus– 9 Months Report 2006

**CENIT Aktiengesellschaft Systemhaus**  
**Segment Report by Segments prepared in accordance with IFRS (unaudited)**  
**for the period from January 1 to September 30, 2006**

in EUR `000	EB	EE	not allocated	Group
<b>Sales to third parties</b>				
Q1 - Q3 2006	18,768	39,560	0,000	<b>58,328</b>
Q1 - Q3 2005	18,940	35,570	0,000	<b>54,510</b>
<b>EBIT</b>				
Q1 - Q3 2006	1,568	5,716	0,000	<b>7,284</b>
Q1 - Q3 2005	2,064	4,482	0,000	<b>6,546</b>
<b>Interest and financial result</b>				
Q1 - Q3 2006	0	0	-236	<b>-236</b>
Q1 - Q3 2005	0	0	-114	<b>-114</b>
<b>Taxes</b>				
Q1 - Q3 2006	0	0	-1,430	<b>-1,430</b>
Q1 - Q3 2005	0	0	-1,843	<b>-1,843</b>
<b>Net Income/loss of the group</b>				
Q1 - Q3 2006	1,568	5,717	-1,667	<b>5,618</b>
Q1 - Q3 2005	2,064	4,482	-1,958	<b>4,588</b>
<b>Segment assets</b>				
Sep 30, 2006	4,165	11,201	16,983	<b>32,349</b>
Dec 31, 2005	3,760	9,237	20,912	<b>33,909</b>
<b>Segment liabilities</b>				
Sep 30, 2006	3,365	6,055	1,282	<b>10,702</b>
Dec 31, 2005	3,214	7,452	3,674	<b>14,340</b>
<b>Capital expenditure</b>				
Sep 30, 2006	172	655		<b>827</b>
Dec 31, 2005	201	799	0	<b>1,000</b>
<b>Amortization &amp; depreciation</b>				
Q1 - Q3 2006	155	564	0	<b>719</b>
Q1 - Q3 2005	119	463	0	<b>582</b>

EB = e-business; EE = e-engineering

**CENIT Aktiengesellschaft Systemhaus**  
**Segment Report by Region prepared in accordance with IFRS (unaudited)**  
**for the period from January 1 to September 30, 2006**

in EUR `000	D	CH	USA	not allocated	Consolidation	Group
<b>Intercompany Sales</b>						
Q1 - Q3 2006	1,077	1,020	366	0	-2,463	0
Q1 - Q3 2005	428	378	3	0	-809	0
<b>Sales to third parties</b>						
Q1 - Q3 2006	54,659	1,024	2,645	0	0	58,328
Q1 - Q3 2005	52,875	499	1,136	0	0	54,510
<b>Segment assets</b>						
Sep 30, 2006	14,247	808	1,179	16,983	-868	32,349
Dec 31, 2005	12,629	247	405	20,912	-284	33,909
<b>Capital expenditure</b>						
Sep 30, 2006	794	2	31	0	0	827
Dec 31, 2005	957	0	43	0	0	1000

**EXPLANATORY NOTES ON SHARES AND SUBSCRIPTION RIGHTS HELD BY DIRECTORS, COMPANY OFFICERS AND EMPLOYEES IN ACCORDANCE WITH Section 160 Subsection 1 No. 2 AND Section 5 AktG**

Company directors hold 24,000 share option rights. CENIT employees hold another 183,000 share option rights.

**Directors' Holdings:****Shares as of 30 September 2006**

Total Number of Shares: 8,367,758

**Executive Board:**

Hubertus Manthey: 128,502  
Christian Pusch: 0  
Andreas Schmidt: 291,792

**Supervisory Board:**

Falk Engelmann: 212,980  
Hubert Leypoldt: 1,600  
Dr. Dirk Lippold: 0