CENIT AG SYSTEMHAUS ANNUAL REPORT 2004

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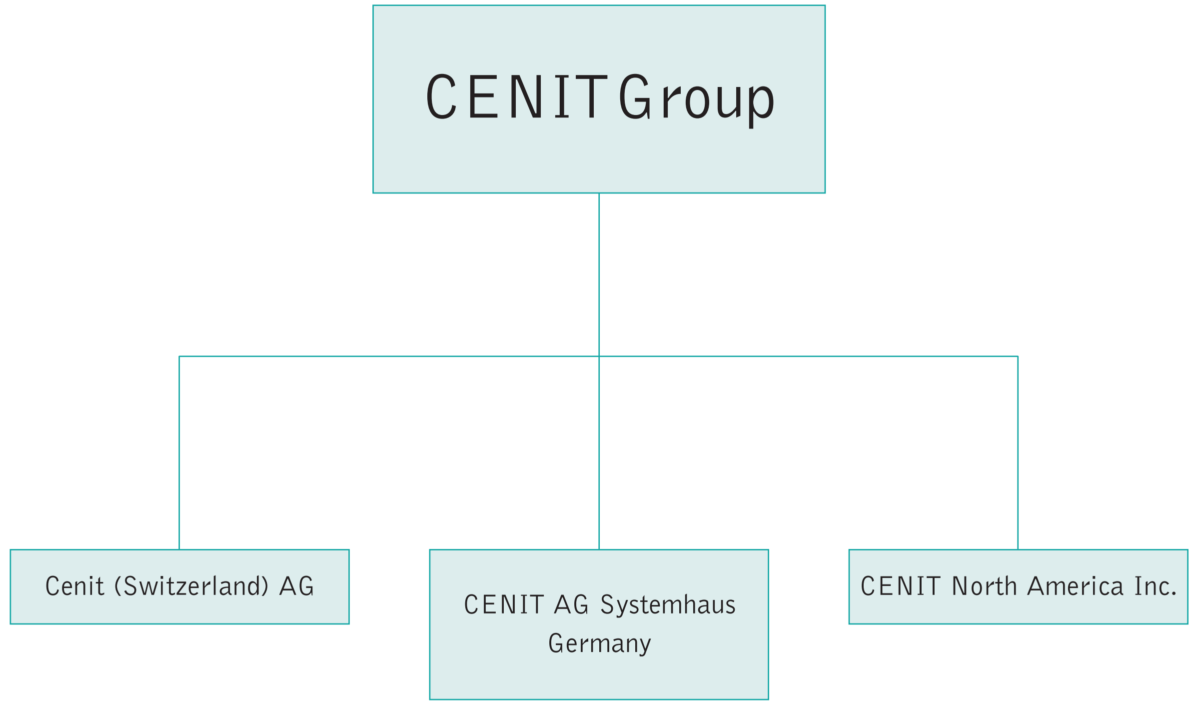
ANNUAL REPORT 2004

CENIT Group - Company Structure 2004



CENIT AT A GLANCE 2004

NUMBER OF SHARES: 4.183.879 PIECES

FINANCIAL FIGURES

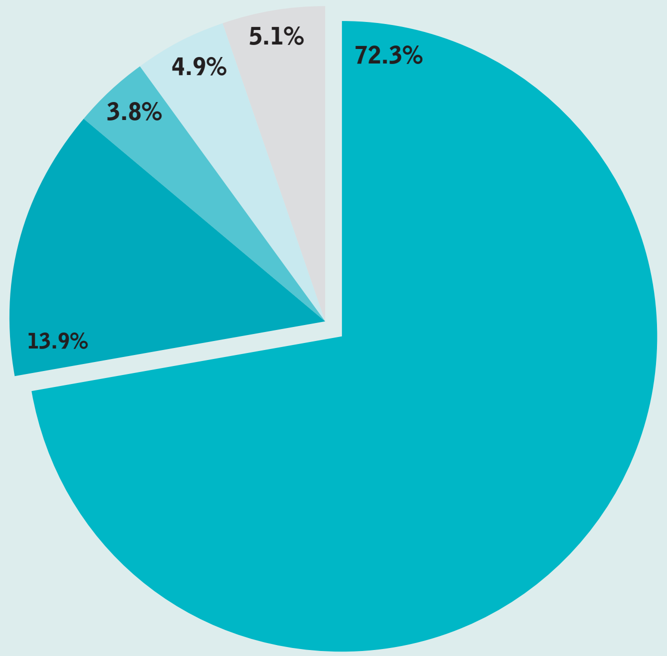
in Mill. EUR	December 31, 2004	December 31, 2003
GuV		
Sales	74,91	70,48
Gross profit	47,97	43,04
EBITDA	8,19	3,55
EBIT	7,51	2,48
EBT	7,63	2,44
Net profit	3,90	1,74
EPS in EUR	0,93	0,41
EPS undiluted in EUR	0,93	0,41
Employees	466	442
EBIT Margin in %	10.0%	3.5%
Profit Margin in %	5.2%	2.5%
BALANCE		
Equity in ratio	49.0%	42.3%*
Equity in %	13.96	10.06
Liabilities	14,52	13,74*
Total Balance	28,47	23,80*

*change in disclosure

SHAREHOLDER STRUCTURE

NUMBER OF SHARES: 4,183 MILL.

IPO PRICE: 16 EUR



Stand 03/2005

Executive Board	13.9%
Supervisory Board	3.8%
Versorgunsanstalt Baden-Württemberg VA	4.9%
Baden-Württembergische Kapitalanlagegesellschaft mbH, Stuttgart	5.1%
Freefloat	72.3%

CENIT AG SYSTEMHAUS
INDUSTRIESTRASSE 52–54
D–70565 STUTTGART
PHONE: +49.711.78 25-30
FAX: +49.711.78 25-4000
NET: WWW.CENIT.DE

INVESTOR RELATIONS:
PHONE: +49.711.78 25-3185
FAX: +49.711.78 25-4185
MAIL: AKTIE@CENIT.DE

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Contact	Fabian Rau, Investor Relations
e-mail	f.rau@cenit.de

CONTENT

PREFACE OF THE EXECUTIVE BOARD

DEAR SHAREHOLDERS, BUSINESS PARTNERS, CUSTOMERS AND INTERESTED PARTIES,

CENIT performed very strongly in 2004 and continued its ongoing positive corporate development. We have succeeded in adapting our services to best suit the challenges the market will bring in the future - we are concentrating on consulting services to optimise the business processes of our customers in the manufacturing industry, the banking and insurance sector and the trade and utilities sector. Above all, we were able to increase our consultancy business by 14% and acquire and conclude successful and important orders in business areas important for the company's development, such as Product Lifecycle Management, Enterprise Content Management and Outsourcing.

Our market-oriented range of services and our consultants' impressive qualifications today form the foundations of our business success, and will continue to do so in the future. This is why CENIT's development in the 2004 financial year differs so markedly from the general trend. This applies in particular to our profitability, a matter to which we have assigned utmost priority in the prevailing economic conditions. Our consulting service is functioning at high capacity and we have consciously opted to forego generating sales via price cuts: together, these have resulted in a significant increase in income. The moderate sales development reflects the fact that we are operating in a growth market.

Our activities in Switzerland progressed in line with our expectations. Business developments in North America are also pleasing: here, we added to our market share over the last year, a development we hope to continue next year. CENIT generated approximately 95% of its profits in Europe. This is and remains for us an important market.

We were also able to position ourselves successfully in IT markets of importance to us, to increase our competitiveness and acquire key orders. We now possess an international marketing network with suitable sales partners: this network stretches from Germany to Scandinavia, Turkey, Japan and China. We see great potential for innovative, high-quality services in these markets and we will again orient our strategic development based on these areas in 2005.

In the past year, CENIT acquired over 58 new employees. As a mid-sized company, CENIT proved that market-oriented business leadership can indeed create new jobs, which are in ever-increasing demand in a high-quality technological environment. We have taken our social responsibilities very seriously and significantly increased investment in the training of our staff last year. In this way, we were able to offer 8 former trainees full-time employment in 2004. In addition, the company currently has a total of 15 trainees, and we intend to increase this figure in 2005.

We achieved all our key aims in the 2004 financial year: increasing income and the consistent concentration on our core areas of expertise. Even if there is no general economic recovery in 2005, we look ahead to the year with optimism. Sector experts in market analysis expect growth in the markets we serve: some forecast figures of over 10%. We believe that these goals are realistic. These assumptions are supported in particular by the increased demand for our consultancy services and by our customers' general readiness to invest in technology, which will give them an advantage over their competitors. The IT analysts' market assessment corresponds largely to the opinion here at CENIT: we also expect two-figure growth rates in consultancy, in particular in Product Lifecycle Management and in the market for Application Outsourcing.

The development of CENIT shares was particularly pleasing in the 2004 financial year. From a low point of EUR 6.05, CENIT shares rose in value to approximately EUR 16 and so, as a second-tier stock on the Prime Standard of the German Stock Exchange, gave an important impetus to the stock market. The capital market has obviously honoured our return to profitability and CENIT's clear strategic orientation. We expect that our consistently profit-oriented growth strategy will continue to have a positive influence on the share price.

A successful year lies behind us and we have no doubt expected a lot from our employees. We are fully aware, that it is the people in our company, who have generated our earnings and sales with their expertise, their readiness to learn and to work as well as with their social competencies. For a consultancy such as CENIT, the unrestricted performance of committed employees represents the most important capital. Their work on our customers' projects and their loyalty to the company are truly remarkable and earn our sincerest appreciation.

As we have thanked our employees, we would also like to thank our customers, who have, during these difficult times, either placed their trust in CENIT's capabilities or who have been our long-term partners in the creation of common values for both their and our companies.

We would also like to extend our particular thanks to you, our shareholders, for the trust you have shown us.

Yours sincerely,
The Executive Board

Hubertus Manthey *Andreas Schmidt* *Christian Pusch*

COMBINED MANAGEMENT REPORT

CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2004

DEVELOPMENT OF THE ECONOMY AS A WHOLE

In the four largest countries in the euro zone and in the United States, the purchasing managers of industrial companies are more optimistic about the economic development in 2005. The purchasing manager's indices based on surveys by the Reuters news agency rose in December 2004 in Germany, France, Italy and Spain. The recovery of the economic forecasts was particularly noticeable in Germany, where the index rose from 49.9 to 51.7%. All sub-indices revealed an improvement in Germany in 2004, with growth being recorded above all in production and new orders. Despite this, the leading economic research institutes have forecast just 1.5% growth in Germany for 2005 after 1.8% in 2004. This is the core statement of the expert opinion issued by the institutes in the fall of 2004. With the export-driven recovery in the first half-year, it became apparent in summer 2004 that the growth rate in 2004 was going to be better than the 1.5% forecast by the institutes in the spring.

It must be noted that the recent oil price developments and the euro exchange rate were not included in full in these surveys. In the last weeks of October 2004, the oil price reached a record high of just under USD 52 for one barrel of North Sea oil. The average monthly price of oil was about 70% higher than one year ago. In euro, the increase of almost 60% is not much lower. The fact that the euro gained in value in the last days of October played a significant role here. On average, the exchange rate was roughly USD 1.24 per euro.

Opinions on the strength of the economy vary considerably. The joint 2005 economic forecast by the institutes is lower than the average of the recent forecasts by the individual institutes of just under 1.7%. The most pessimistic outlook is that presented by Institut für Weltwirtschaft (IfW) based in Kiel - 1.2% growth for 2005 - while the most optimistic is the 2% forecast by Deutsches Institut für Wirtschaftsforschung (DIW) in Berlin.

Concerning the oil price, the European Central Bank (ECB) is becoming increasingly nervous. The growth in private consumption, which has been diminishing since the spring, shows that the oil price has affected consumers. The inflation rate in the euro zone jumped to 2.5% in October following a first estimate by Eurostat. In real terms, consumers have less money to spend.

DEVELOPMENT OF THE IT INDUSTRY

The German information and telecommunications industry (IT) expects sustainable growth for the first time after three years of sluggish development. For 2004 the Bundesverband Informationswirtschaft, Telekommunikation und Neue Medien e.V. (BITKOM - German Association for Information Technology, Telecommunications and New Media) expects a 2.5% rise in sales to EUR 132 billion. In the following years, the figures should then be considerably higher. Most companies have regained some optimism about the future. With its forecast for 2004, the industry association Bitkom confirmed the expectations voiced in the spring. Accordingly, growth in the IT industry would exceed growth of the economy as a whole again for the first time since 2001. The association expects sales growth to improve by 3.7% in 2005. In 2006, the growth rate could even reach 5%. Bitkom pointed out that more than 700,000 employees work in the IT industry, which is the number three in Germany behind the construction and energy industry in macroeconomic terms.

There are better times ahead of the ITC industry in western Europe following the recent years of crisis. The European Information Technology Observatory (Eito) also confirmed this in its recent forecast issued in the fall of 2004. According to the forecast, the western European markets for IT and TC products and services should climb 3% to a volume of EUR 611 billion in total in the current year. In addition, growth is expected to accelerate to 4% in 2005. Eito thus made marginal downwards adjustments to the forecast it had given in spring. In March the market researchers had still assumed growth rates of 3.1% for 2004 and 4.4% for 2005. The entire IT market was to see an above-average development in the mid/long term following the fall recorded in the past few years. According to the IDC market researchers, average growth of 4.3% is expected for the period from 2005 to 2008. For Germany, IDC expects market growth of 5.2% for 2004.

Positive signs are coming from the market for PLM and outsourcing. Double-digit growth rates are projected in those segments according to market studies by the market research institutes CIMdata, Daratech or, as presented here in the chart for Germany, by PAC - Pierre Audoin Consultants. Fig. A

The PLM market research specialist CIMdata expects a compound annual growth rate (CAGR) of 15% for this IT branch up to 2008, with the highest growth rates projected by CIMdata for the consulting and service segment as illustrated by the chart below. Fig. B

POSITIONING AND STRATEGY OF CENIT

Over the past few years, CENIT AG Systemhaus has succeeded in establishing itself as one of the leading IT consulting and service companies.

E-ENGINEERING SEGMENT

We were able to further expand and fortify our outstanding market position in product lifecycle management in Germany and Europe.

The market studies included here also illustrate this. Fig. C Fig. D

CENIT AG Systemhaus, Stuttgart, is an international consulting company for product lifecycle management and enterprise content management as well as IT outsourcing with a total of 455 employees. CENIT's focus is on providing consulting services for product lifecycle management solutions in the manufacturing industry. The consulting services in product lifecycle management make it possible to reflect the product life cycle with the help of innovative technologies such as CATIA, DELMIA, ENOVIA, SmarTeam and mySAP PLM. The Company also provides services in the fields of infrastructure, hardware and application outsourcing. CENIT's customers include BMW, DaimlerChrysler, EADS Airbus, CONTI and Jungheinrich. Many customers are SMEs, in particular in the fields of automotive industry and mechanical engineering such as Dürr, ISE, Emil Bucher and Webasto.

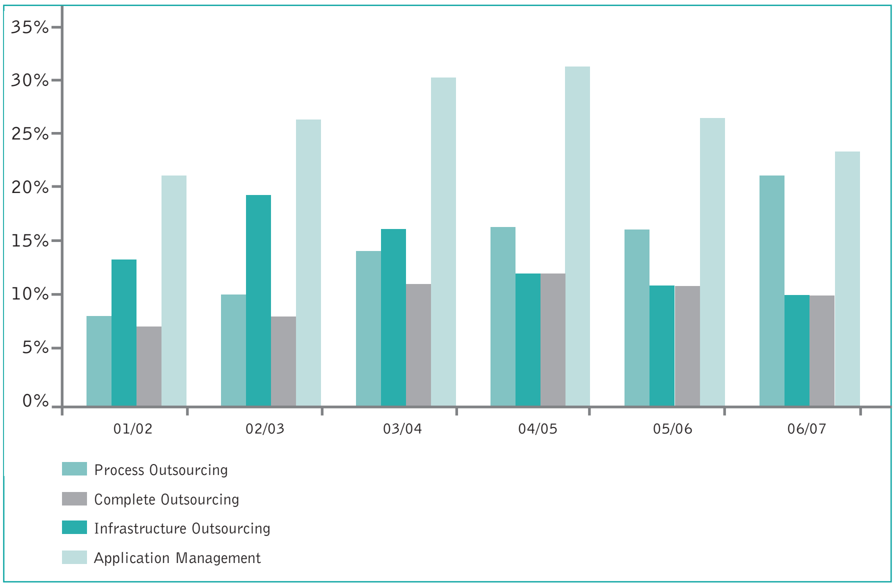
CENIT AG Systemhaus is one of the leading independent European PLM consultants Fig. C and the most successful PLM CATIA distribution partner of IBM/Dassault and the special expertise partner of mySAP PLM. With its range of consulting services, the Company covers the whole process chain for product development from the initial idea to development and design as well as manufacturing.

With the DELMIA digital manufacturing solutions, CENIT additionally offers powerful tools for planning and simulating production systems and processes. The range of consulting services in product data management covers products from ENOVIA, SmarTeam, mySAP PLM and Teamcenter. This business field is rounded off by a comprehensive range of services from the provision of infrastructure to management consulting and the CENIT Akademie. With its broad training program, CENIT makes sure that its customers have the necessary know-how to make efficient use of the solutions implemented.

The Company's competencies in PLM are used by renowned SMEs and large customers. EADS Airbus GmbH, for example, commissioned CENIT to provide PLM support, training and methodology as well as the development of software in the PLM area for the large A380 aircraft. Automotive suppliers have said that they consider themselves to have a competitive

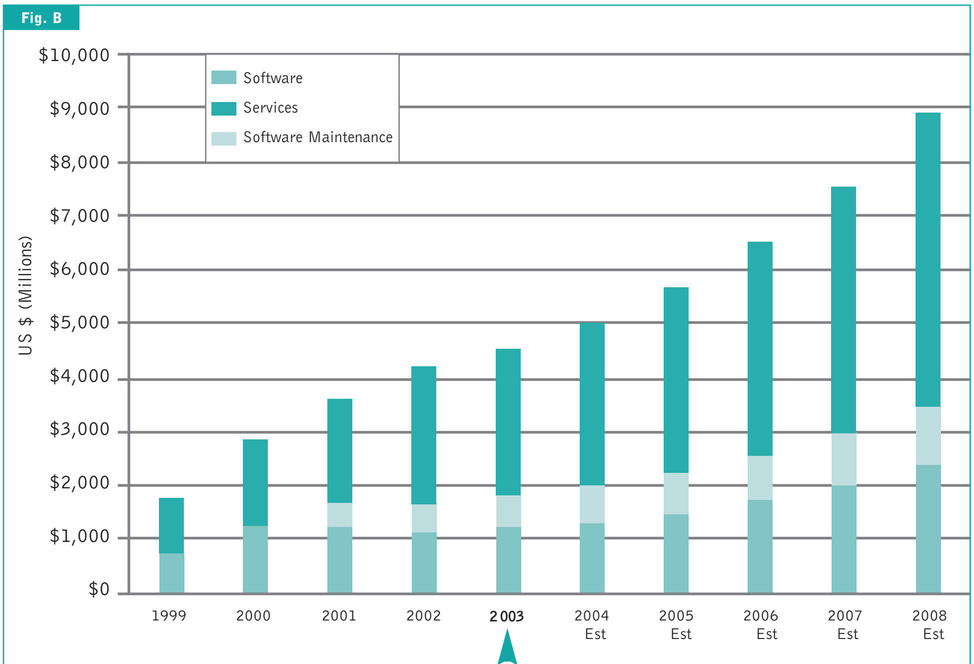
DEVELOPMENT OF THE GERMAN OUTSOURCING MARKET BY TYPE OF OUTSOURCING

Fig. A Source : PAC, Pierre Audoin Consultants 2004



WORLDWIDE PLM-MARKET GROWTH

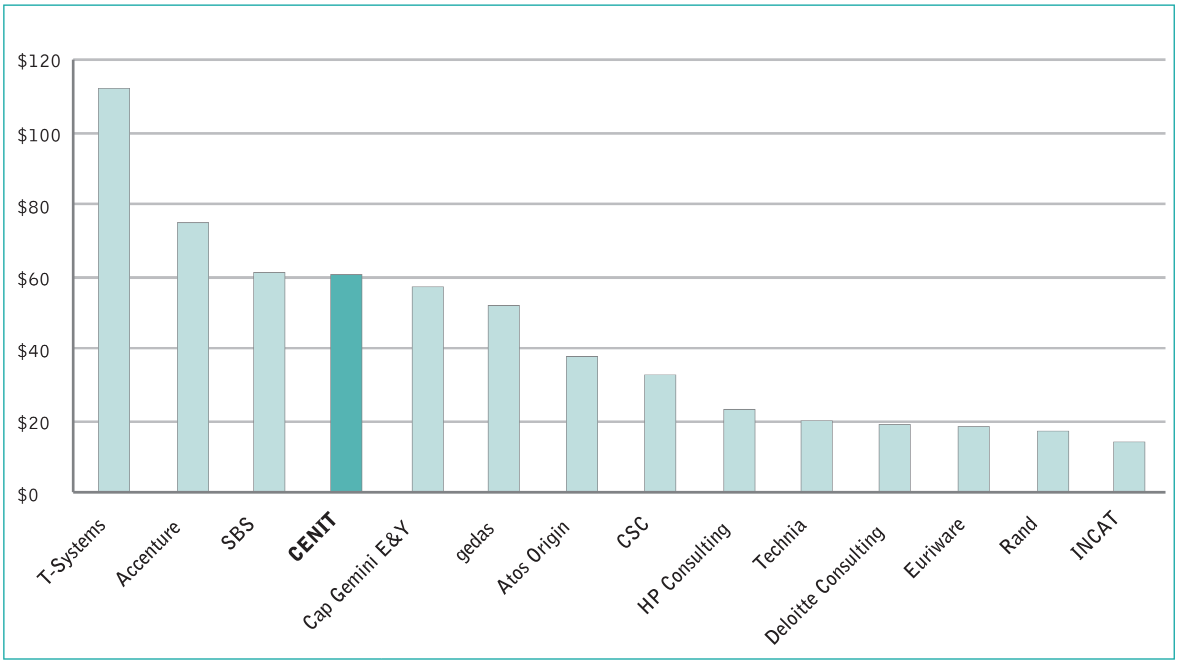
Fig. B



cPDm Market Growth
(estimated for 2004 to 2008)

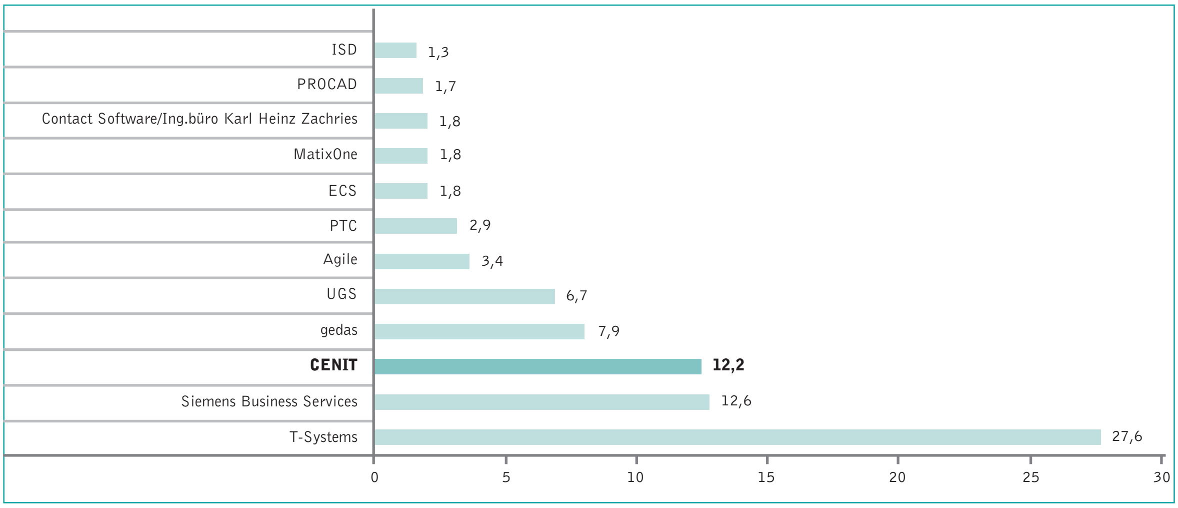
INDEPENDENT PLM SERVICE PROVIDERS - EUROPE 2003

Fig. C Source: CIMdata 08/2004



SHARE OF COMPANIES IN TOTAL SALES GENERATED BY PDM/PLM SERVICES IN GERMANY in 2003 (in %)

Fig. D Source: eDM Report 07/2004



edge as a result of the systematic introduction of a consistent PLM concept.

E-BUSINESS SEGMENT

In the e-business segment, CENIT's focus is on the provision of consulting services for enterprise content management solutions based on the FileNet range of products. In this environment, CENIT is the largest ValueNet partner of FileNet in Europe. A further emphasis of the e-business segment is application outsourcing. Customized enterprise content management projects for financial service providers, utilities and trading companies were realized on schedule and with a high level of efficiency. Our customers include renowned companies such as Allianz, VR Kreditwerk Hamburg-Schwäbisch Hall, Wüstenrot & Württembergische, Metro, REWE, SchäferShop and many others.

This segment offers solutions on the basis of the new FileNet P8 architecture extending to imaging, workflow, document and content management. The combination of content and process management constitutes a flexible and scalable platform for managing content, analyzing, automating and optimizing business processes. In addition, CENIT offers its own software solutions, which intelligently round off the FileNet range.

APPLICATION OUTSOURCING

The Company's positive development is supported by the successful development of application outsourcing. Outsourcing services are provided by CENIT both in its e-engineering and its e-business segments. Here, CENIT has established itself as a reliable partner with well-known customers such as BMW, Allianz, Mann+Hummel, VW, VR Kreditwerk Hamburg- Schwäbisch Hall and DaimlerChrysler. Upon request, CENIT will also assume overall operating responsibility for the IT infrastructure, data security and protection against failure, for instance, the hotline service or distance maintenance of hardware and software through to systems management. Depen-ding on the requirements, we assume the whole IT area (exclusive computing centers) - or support clearly defined and delimited segments ("selective outsourcing").

As a medium-sized outsourcing provider, CENIT is able to respond more flexibly and faster to customer wishes than large competitors that are caught up in global group structures. As an outsourcing partner, CENIT not only has the administration know-how, but also application know-how, e.g. in the fields of PLM, document archiving, ERP and operating systems. We focus on the automotive industry, mechanical engineering, trade and financial services.

CENIT - THE COMPANY

A specialist for optimizing business processes, the Company has been operating since 1988. CENIT is listed on the Prime Standard segment of the German stock exchange and, since January 2004, on the Gate-M segment of the Stuttgart stock exchange. CENIT is headquartered in Germany (Stuttgart) and represented in the principal industrial centers. The German market is consequently an important pillar for the Company. In addition, the North American market is served by a Company in Michigan. CENIT is also present in Switzerland.

BUSINESS DEVELOPMENT OF CENIT AG SYSTEMHAUS IN 2004

RESULTS OF OPERATIONS, GROUP

In the fiscal year 2004, CENIT recorded group sales of EUR 74.9 million (2003: EUR 70.5 million, +6%). The improvement in gross profit was exceptionally high, with an 11% increase from EUR 43.0 million to EUR 48.0 million. In the Group, EBITDA reached EUR 8.2 million (2003: EUR 3.5 million, +134%) and EBIT was up 200% to EUR 7.5 million (2003: EUR 2.5 million). With an EBIT of EUR 7.6 million (2003: EUR 2.4 million, +217%) and group EPS of EUR 0.93 (2003: EUR 0.41), an extremely successful year has come to a close for CENIT AG.

RESULTS OF OPERATIONS, GERMANY

In Germany, CENIT AG Systemhaus recorded sales of EUR 73.1 million (2003: EUR 68.8 million, +6.3%). We are particularly pleased to report that sales in the service area were raised substantially by 14%. The improvement in gross profit was exceptionally high, with a 16% increase from EUR 41.4 million to EUR 47.9 million. Personnel expenses came to EUR 28.3 million (2003: EUR 27.3 million, +4%). Other operating expenses amounted to EUR 12 million (2003: EUR 11.7 million, +2.6%). CENIT AG Systemhaus thus generated EBITDA of EUR 7.6 million (2003: EUR 3.0 million, +152%) and EBIT of EUR 7.0 million (2003: EUR 2 million, +250%). Including the tax loss carryforwards, tax expenses total EUR 2.1 million. The net income for the year after deduction of tax amounts to EUR 5.1 million (2003: EUR 1.9 million, + 174%).

ORDER BACKLOG

The order backlog as of December 31, 2004 amounted to EUR 16 million in the Group and incoming orders totaled EUR 78 million in 2004.
Incoming orders of CENIT AG Systemhaus Deutschland amounted to EUR 75 million in the past fiscal year 2004. The order backlog as of December 31, 2004 amounted to EUR 15 million.

Major Orders:

No major orders were acquired that would, considered individually, have had a decisive influence on the development of the Company in the course of the year and thus on the average earnings and sales development expected by the market and analysts. The business and demand for CENIT services increased across the board in 2004.

Net Assets and Financial Position, Group

The equity ratio in the Group rose from 42% in 2003 to 49%. As of the end of 2004, equity amounts to EUR 13.96 million (2002: EUR 10.06 million). Cash and cash equivalents amounted to EUR 11.7 million in the Group as of December 31, 2004 (2003: EUR 7.2 million, +63%). Approximately EUR 3 million was invested in securities available for sale.

Net Assets and Financial Position, Germany

The good business development is reflected in the structure of the balance sheet of CENIT AG Systemhaus in Germany as of December 31, 2004. Cash and cash equivalents were raised considerably to EUR 11.3 million as of the balance sheet date (2003: EUR 6.6 million, +73%). Further cash and cash equivalents of EUR 3 million were invested in money market funds and marketable securities. The business banks' security pool for securing the overdraft facilities provided was dissolved as of June 30, 2004 and all collateral was returned in full to CENIT AG Systemhaus. Apart from the cash and cash equivalents, the Company still has sufficient overdraft facilities. Trade receivables as well as payables developed in line with business and did not change significantly compared to the prior year. The equity ratio in Germany is 39%, which constitutes a clear improvement on the prior year (2003: 27%).

The management board and the supervisory board will submit a proposal to the shareholders' meeting for distributing a dividend of 30 cents per share (distribution volume: EUR 1.26 million) to the shareholder and transferring EUR 3.8 million to the revenue reserves.

EQUITY INVESTMENTS

CENIT (SCHWEIZ) AG

Cenit (Schweiz) AG generated sales of CHF 2.5 million in the past fiscal year and an EBIT of CHF 81 k. In the reporting period, Cenit (Schweiz) AG repaid the remaining shareholder loan that had been issued by CENIT AG Systemhaus.

CENIT NORTH AMERICA

CENIT North America Inc. generated sales of USD 1.2 million and an EBIT of USD 79 k.

CHANGES CONCERNING THE MANAGEMENT BOARD AND SUPERVISORY BOARD

None

CAPITAL EXPENDITURE

The capital expenditure by CENIT AG Systemhaus on property, plant and equipment and intangible assets amounted to EUR 0.7 million in 2004 both in Germany and in the Group. The majority related to replacement investments in the technical infrastructure and equipment, furniture and fixtures. Depreciation and amortization were reduced by EUR 0.4 million to EUR 0.7 million.

EMPLOYEES

The number of employees in the Group was 466 as of the balance sheet date December 31, 2004

(2003: 442), 455 thereof in Germany (2003: 428). The average number of employees for the year was 461 worldwide (2003: 433) and 449 in Germany (2003: 419, +7.2%). Personnel expenses rose by 4% compared to the prior year. The average age was 36. More than 70% of the employees had a university degree, most of them in engineering and computing courses. The employee turnover amounted to 4.7% (4.5% in 2003). We again recorded a very low number of sick days. In Germany, we offer our employees a company pension plan in the form of a pension fund at a large German insurance company and direct insurance. Approximately 30% of the employees availed themselves of this offer. By participating in the program, the employees make use of the tax and social security savings to raise their pension entitlements. Additional costs were not incurred at CENIT in this respect apart from minor administrative expenses. After raising the number of employees in Germany by about 7.2% in 2004, we are planning further growth of approximately 15% in 2005. We will reinforce our consulting business and the customized software development in particular.

DEVELOPMENT OF THE CENIT SHARE

The CENIT share developed extremely well in the past fiscal year 2004. Starting at a low of EUR 6.05, the CENIT share reached a high of EUR 16 and, as a secondary value in the Prime Standard segment of the German stock market, gave significant impetus on the share market. The capital market has obviously rewarded our substantially improved profitability and the clear strategic alignment of CENIT. Baden-Württem-bergische Kapitalanlagegesellschaft holds 5.1% of the voting rights, which requires reporting. Fig. E

CENIT is committed to the German Corporate Governance Code and therefore offers transparent communication with respect to share development by providing all interested parties and shareholders with ad-hoc and quarterly reports via timely securities reporting and the Company's homepage on the internet.

RESEARCH AND DEVELOPMENT

CENIT focuses on consulting and implementing standard software from leading manufacturers. Product developments by the Company itself are only made to supplement standard software, e.g. for special customer requirements. Besides adjusting standard software, CENIT develops programs for supplementing and expanding existing standard software as required by its customers. The Company signed a cooperation agreement with an Indian software development company to allow it to increase capacities at short notice, if required.

SUBSEQUENT EVENTS

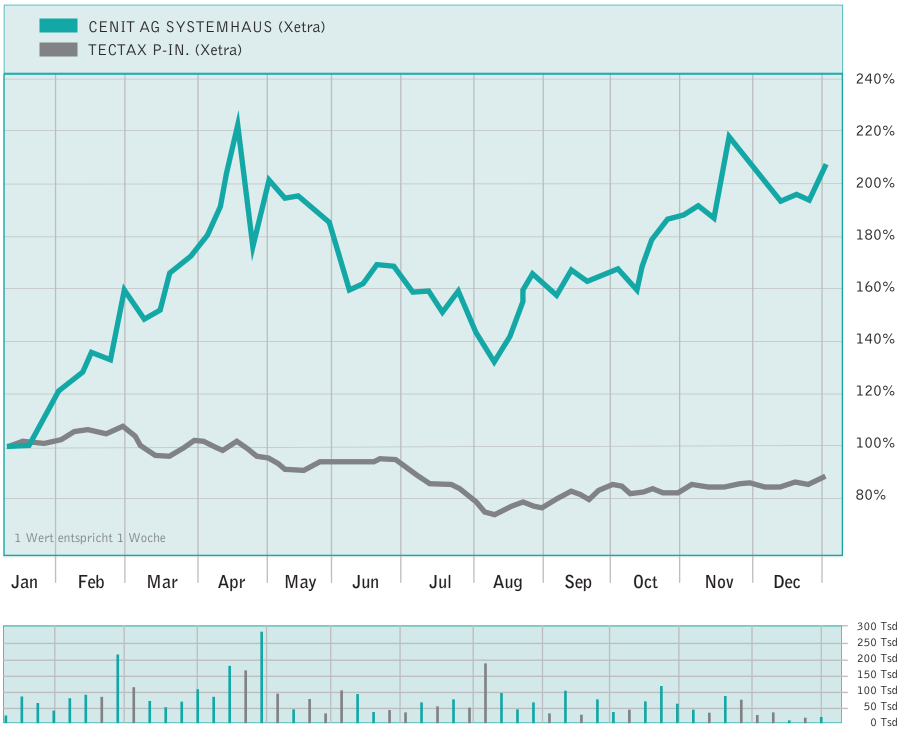
There were no significant events after the end of the fiscal year.

RISK REPORT

CENIT AG Systemhaus is well positioned in its target markets. The Company has a strong market position in product lifecycle management, enterprise content management and application outsourcing with regard to mediumsized and

DEVELOPMENT OF THE CENIT SHARE

Fig. E Source: wallstreet online



large customers. CENIT's risk policy is based on the concept of using existing opportunities to the full and only entering into the risks associated with the business activities if the opportunities for creating a corresponding added value outweigh the risks.

The Company implements this concept by regularly and continuously identifying, assessing and monitoring risks in all material business transactions and processes within the Company. The risk management of CENIT is an inseparable part of the value-based group management and reports directly to the management board.

The risk management is located in the controlling department. A 'risk inventory' is carried out regularly there. The six-month or annual risk reporting documents and assesses the identified risks. An ad-hoc risk report is also available to ensure that action can be taken rapidly and informally. A detailed report on the status of the material risks to be monitored documents the assessment, the action taken and planned as well as the persons responsible. The management board examines the classified risks together with the department heads and the employees responsible in that business unit. The supervisory board is also informed regularly of the Company's risk situation.

Competition on the IT market and in particular in the markets targeted by CENIT is currently characterized by market growth. The entry of new, larger competitors, business mergers or market consolidations could currently have a positive impact on CENIT's competitive edge in enterprise content management. Thanks to its customer base and its business units, CENIT is extremely competitive.

The receivables portfolio may bear risks with respect to recoverability of the receivables. CENIT is dealing with such risks by ensuring strict receivables management, credit ratings and classification of risks at an early stage. By increasing equity and reducing bank liabilities as scheduled, CENIT has improved its credit rating again in the reporting period. CENIT is not dependent on financing by business banks. The remaining bank liability is a loan for financing goods extended by IBM Bank and this is reported in the balance sheet. The other liabilities to banks have been repaid in full. The credit lines for 2004 amounted to EUR 2.35 million.

From an employer's perspective, the demand for jobs was higher than supply on the labor market for IT specialists in 2004. CENIT was able to attract specialists with many years of experience in its business units. The risk of losing key staff tends to be lower in economically difficult times. The overall analysis of the risk situation within CENIT has shown that the risks are limited and manageable and do not jeopardize the continued existence of the Company as a going concern. From a current perspective there is no discernable risk that could present a risk to the future development of the Company.

Finally it should be noted that the Company uses numerous management and control systems that are continually developed further to measure, monitor and control risks. These include a uniform company-wide strategy, planning and budgeting process dealing mainly with operative opportunities and risks. The risks identified and the risk management measures defined within the strategy, planning and budgeting process are monitored. The monitoring and action taken in response to the risks are beginning to bear fruit, for instance with respect to the approach to contractual terms determined by the individual situation. With large projects in particular, the certainty that the contract will be continued is checked. The further growth and thus the economic success are affected not just by the economic risks in the global markets, but to a large extent also by the successful marketing of CENIT solutions and consulting as well as IT services. Among other things, the Company plans to do this by expanding its own selling and consulting know-how and by entering into strategic alliances. Two thirds of the CENIT Group's customers are in the manufacturing industry, mainly automotive manufacturers and their suppliers.

Fluctuations in the economic environment of the automotive industry could under certain circumstances have an impact on CENIT's business situation although CENIT can also help the automotive industry to implement rationalization measures. The Company also offers an extensive range of products and services in other industries such as financial service providers, utilities or trading companies. CENIT focuses on the consulting business in PLM, ECM and outsourcing, which is not dependent on a specific product. The close relationship with Dassault Systèmes, SAP and FileNet, however, implies a certain dependency, but also a competitive advantage that makes it possible for us to win large projects in the automotive and aircraft construction industry as well as in the financial services industry.

The Company has concluded insurance policies to cover potential cases of damage and liability risks and ensure that the financial consequences of any potential risks are limited. The scope is regularly reviewed and adjusted, if necessary. With respect to the necessary IT security, CENIT has made extensive risk provisions and continually develops these further. They include the areas hardware, software and lifeware.

A review of the current risk situation shows that there were no risks in the reporting period that jeopardized the continued existence of the Group and that no such risks are foreseeable at present for the future. Furthermore, as of the balance sheet date there were no risks that could have a significant effect on our net assets, financial position, or results of operations. The strategic risk management and early warning system implemented in accordance with the requirements of KonTraG ["Gesetz zur Kontrolle und Transparenz im Unternehmensbereich": German Law on Control and Transparency in Business] guarantees transparent corporate governance and the early detection of risks.

Due to the fact that practically all purchases and sales contracts are denominated in euro and in light of the current financial position, use has only been made to a minor extent of financial derivatives to hedge currency risks. An interest swap was used to improve return.

FORECAST REPORT

Despite the fact that economic forecasts remain cautious, CENIT AG Systemhaus is optimistic about 2005. We will seek to further expand our good position in the PLM consulting market again in 2005. One of the core aims for the next few years is thus to gain further market share, in particular in Germany and Europe. Research institutes have forecast above-average growth for those markets. The forecasts predict 10 to 16% average market growth per year for the coming years. The market for application outsourcing will continue to remain a growth market in the IT industry. In the next few years, market growth rates are expected to be in the double-digit region. CENIT is well positioned there, too, and we expect to participate in the growth. Following an extremely successful year 2004, stable growth of around 10% is projected for the enterprise content management market in the next few years. A willingness to invest was noticeable here already in 2004 and CENIT was able to benefit from this. For many years, CENIT AG Systemhaus has been active in developing solutions for change-proof document archiving. Following the issue of new principles of data access and auditability of digital documents, not only tax-relevant documents, but also tax-relevant data in general (correspondence, e-mails, etc.) must be retained in a change-proof format.

The requirements made on companies can thus constitute an opportunity for CENIT AG Systemhaus to present to the market its know-how in questions of data archiving gathered over many years. CENIT can provide support to its customers to respond to these requirements. This could also enable us to win new customers. These requirements and the continuing trend towards optimization of business processes at insurance companies, banks, trading and insurance companies are the basis for an optimistic forecast for this business unit of CENIT.

Regarding the further development for 2005, CENIT AG Systemhaus expects sales and earnings to remain positive. The management board of CENIT AG Systemhaus expects group sales of EUR 77 million, a gross margin of EUR 51 million and EBIT of EUR 7.3 million in 2005. In view of these projections, the number of staff in the consulting area is to be increased considerably in 2005. We expect sales at our foreign companies in Switzerland to increase at a reasonable level in line with the market situation and record a positive result. In North America, we are planning to expand business organically on the basis of the rise in demand for our consulting services there.

Stuttgart, March 4, 2005,
CENIT AG Systemhaus
The management board

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

During the 2004 financial year, which was very successful for CENIT AG Systemhaus, the Supervisory Board monitored the management of business transactions by the Executive Board and supported the Executive Board in an advisory function.

The Executive Board reported to the Supervisory Board regularly, promptly and comprehensively. The Supervisory Board examined all decisions of fundamental importance for the company in detail together with the Executive Board. In four joint meetings and on the basis of written and oral reports made by the Executive Board, the Supervisory Board scrutinised the economic situation of the company, the development of business, corporate policy along with the risk situation and risk management in detail and consulted with the Executive Board on these issues.

In addition, the Chairman of the Supervisory Board was in regular contact with the Executive Board - particularly with the Chairman of the Executive Board - and conferred with the Executive Board on the development of business, risk management and important business transactions at the company along with matters of fundamental importance. The Chairman of the Executive Board informed the Chairman of the Supervisory Board immediately of important events and occurrences. He reported to the remaining members of the Supervisory Board on a regular basis. One member of the Supervisory Board assumed a special role supporting all matters relating to the annual financial statements. These issues were also discussed regularly in the meetings. In the 2004 financial year, the Supervisory Board established no committees.

An important focus of the discussions between the Executive Board and Supervisory Board was the long-term development of the Group and its areas of business. The Executive Board and Supervisory Board repeatedly discussed the situation of the subsidiaries and the sale of key projects. In addition, the Supervisory Board handled personnel issues relating to the Executive Board and compliance with the Corporate Governance Code.

As a result of a resolution of the shareholders' meeting Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart, was again selected as the auditor.

The present annual financial statements, the consolidated financial statements and the combined management and group management report for the 2004 financial year have been audited, also taking into account the focal points determined by the Supervisory Board.

The annual financial statements of CENIT AG Systemhaus and the consolidated financial statements as per 31 December 2004 along with the combined management and group management report were issued with an unqualified audit statement by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart. In its meeting on 11 March 2005, the Supervisory Board dealt with the company's annual financial statements and consolidated financial statements in detail. The Supervisory Board examined the submittals of the Executive Board and discussed these with the Executive Board. The audit reports by Ernst & Young were available to all members of the Supervisory Board. The auditor participated in the balance sheet meeting of the Supervisory Board on 11 March 2005 and reported on the material results of its audit.

The Supervisory Board noted with approval the results of the audit.

The Supervisory Board has ratified the annual financial statements of CENIT AG Systemhaus presented by the Executive Board for the 2004 financial year and approved the consolidated annual statements.

The Executive Board and the Supervisory Board discussed the appropriation of retained earnings and will present a joint proposal for this to the shareholders' meeting.

The Supervisory Board expressed special thanks to the Executive Board and the employees of CENIT AG for the exceptional success of 2004.

Stuttgart, 12 March 2005
The Supervisory Board

Falk Engelmann
Chairman

FINANCIAL STATEMENT

GROUP FINANCIAL STATEMENT ACC. TO IRSF

CENIT AG SYSTEMHAUS FINANCIAL STATEMENT ACC. TO GERMAN COMMERCIAL CODE (HGB)

CENIT Aktiengesellschaft Systemhaus

CONSOLIDATED BALANCE SHEET (in accordance with IFRS)

For the period between January 1 and December 31, 2004

in EUR k	Note	Dec. 31, 2004	Dec. 31, 2003
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	F1	124	113
Property, plant and equipment	F2	1,222	1,225
		1,346	**1,338**
DEFERRED TAX ASSETS	F3	**92**	**1,450***
CURRENT ASSETS			
Inventories	F4	1,595	1,855
Trade receivables	F5	10,574	11,672
Tax reimbursement rights	F8	16	7
Other receivables	F6	100	96
Other financial assets	F7	2,988	2
Cash and cash equivalents	F9	11,696	7,152
Prepaid expenses	F10	67	231
		27,036	**21,015**
		28,474	**23,803***

*change in disclosure

in EUR k	Note	Dec. 31, 2004	Dec. 31, 2003
EQUITY AND LIABILITIES			
EQUITY			
Share capital	F11	4,184	4,184
Capital reserve	F11	418	418
Currency reserve	F11	-115	-122
Revenue reserves	F11	1,239	1,239
Retained earnings/accumulated loss	F11	8,192	4,340
Minority interests	F11	37	0
		13,955	**10,059**
LIABILITIES (NON-CURRENT)			
Deferred tax liabilities	F3	312	0*
Non-current liabilities to banks	F13	0	240
		312	**240**
LIABILITIES (CURRENT)			
Current liabilities to banks	F13	2,183	3,248
Trade payables	F14	1,817	2,951
Other liabilities	F15	7,837	6,699
Tax provisions	F12	2,101	74
Other provisions	F12	122	297
Deferred income	F17	147	235
		14,207	**13,504**
		28,474	**23,803**

*change in disclosure

CENIT Aktiengesellschaft Systemhaus

CONSOLIDATED INCOME STATEMENT (in accordance with IFRS

for the period from January 1 to December 31, 2004

in EUR k	Note		Dec. 31, 2004	Dec. 31, 2003
1. Sales	E1		**74,909**	**70,484**
2. Increase or decrease in finished goods and work in process			-186	266
Total operating performance			74,723	70,750
3. Other operating income	E2		723	389
Operating performance			75,446	71,139*
4. Cost of materials	E3	27,471		28,095
5. Personnel expenses	E4	29,116		28,142
6. Amortisation of intangible assets and depreciation of property, plant and equipment	E5	681		1,067
7. Other operating expenses	E6	10,668		11,355*
			67,936	68,659
Operating income/loss			**7,510**	**2,480**
8. Other interest and similar income	E7	188		35
9. Interest and similar expenses	E8	68		75
			120	-40
Result from ordinary activities			**7,630**	**2,440**
10. Income taxes	E9		3,738	704
11. Net income/loss of the Group			**3,892**	**1,736**
12. thereof attributable to majority shareholders			3,888	1,736
13. thereof attributable to minority shareholders			4	0
Basic earnings per share in EUR	E10		0.93	0.41
Diluted earnings per share in EUR	E10		0.93	0.41

*change in disclosure

CENIT Aktiengesellschaft Systemhaus

CONSOLIDATED STATEMENT OF CASH FLOWS (in accordance with IFRS)

for the period from January 1 to December 31, 2004

in EUR k	Note	Dec. 31, 2004	Dec. 31, 2003
Cash flow from operating activities			
Earnings before income taxes		7,630	2,440
Adjusted for:			
Amortization of intangible assets and depreciation of property, plant and equipment	E5	681	1,067
Loss on the disposal of fixed assets		13	40
Losses on the disposal of assets of deconsolidated entities		0	452
Other non-cash expenses and income		-420	-58
Interest income	E7	-188	-35
Interest expenses	E8	68	75
Operating result before changes in net working capital		**7,784**	**3,981**
Increase/decrease in trade receivables and other current, non-monetary assets		1,304	896
Increase/decrease in inventories		260	720
Increase/decrease in current liabilities and provisions		-936	-688
Cash flow from ordinary activities		**8,412**	**4,909**
Interest paid		-68	-75
Interest received		138	35
Income taxes paid		-13	56
Net cash received from operating activities		**8,469**	**4,925**
Net cash from operating activities		**8,469**	**4,925**
Cash flow from investing activities			
Cash received from the disposal of subsidiaries	C1	0	482
Purchase of property, plant and equipment and intangible assets	F1/F2	-713	-675
Cash received from the disposal of property, plant and equipment		11	0
Increase of other lendings		0	–23
Net cash paid for investing activities		**-702**	**-193**
Cash flow from financing activities			
Disposal of treasury shares		0	82
Redemption of non-current bank loans	F13	-240	-97
Change in convertible bond		0	-3
Net cash paid for financing activities		**-240**	**-18**
Net increase/decrease in cash and cash equivalents		**7,527**	**4,714**
Cash and cash equivalents at the beginning of the reporting period		**7,152**	**2,450**
Net increase/decrease in cash and cash equivalents		**7,527**	**4,714**
Effect on cash and cash equivalents of changes in exchange rates		**0**	**-12**
Cash and cash equivalents at the end of the reporting period	G	**14,679**	**7,152**

CENIT Aktiengesellschaft Systemhaus
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER`S EQUITY (in accordance with IFRS)
for the period from January 1 to December 31, 2004

in EUR k	Subscribed capital	Capital reserve	Currency reserve	Revenue reserve	Retained earnings/acc. loss	Treasury shares	Minority shares	Total
As of Jan. 1, 2003	**4,184**	**23,350**	**–90**	**3,953**	**–22,613**	**–511**	**0**	**8,273**
Reversal of capital reserve		-22,932			22,932			0
Reversal of revenue reserve				-2,714	2,714			0
Disposal of treasury shares					-429	511		82
Currency fluctuation			-32					-32
Net income/loss for the year					1,736		0	1,736
As of Dec. 31, 2004	**4,184**	**418**	**–122**	**1,239**	**4,340**	**0**	**0**	**10,059**
Currency fluctuation			4					4
Minority share of waiver of receivable			3		-36		33	0
Net income/loss of the group for the year					3,888		4	3,892
As of Dec. 31, 2004	**4,184**	**418**	**–115**	**1,239**	**8,192**	**0**	**37**	**13,955**

CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2004

A. Commercial Register and Business Objective of the Company

The parent company, CENIT Aktiengesellschaft Systemhaus, has its registered office at Industriestrasse 52-54, 70565 Stuttgart, Germany, and is filed in the commercial register of the Stuttgart district court, department B, under No. 19117.

The business objective of the group companies is to provide all types of services in the field of installing and operating information technology and to sell and market information technology software and systems. With a focus on product life cycle and document management solutions and IT outsourcing, CENIT's two business segments, e-engineering and e-business, offer tailor-made consulting services and one-stop solutions. CENIT's focus is on business process optimization and computer-aided design and development technologies.

B. Accounting Policies

The consolidated financial statements of CENIT Aktiengesellschaft Systemhaus, Stuttgart, have been prepared and published pursuant to the International Financial Reporting Standards (IFRS) and the management board released them to the supervisory board on March 4, 2005.

The consolidated financial statements have been prepared in euro. To help provide a clear presentation, all figures are given in thousand euros, abbreviated as EUR k. The balance sheet date is December 31.

The consolidated financial statements have been prepared on the basis of historical cost apart from financial assets that are held for trading or are classified as available for sale. These are reported at fair value.

The consolidated financial statements meet the requirements of Sec. 292a HGB ["Handelsgesetzbuch": German Commercial Code] for exempting consolidated financial statements. Any deviations from the accounting, valuation and consolidation methods of consolidated financial statements pursuant to Secs. 290 et seq. HGB are summarized under I.2. Compliance of group accounting with the 7th EU Directive, which is required for exemption from the obligation to prepare consolidated financial statements in accordance with German Commercial Code, has been based on the interpretation of the directive by German Accounting Standard No 1 (GAS 1) 'Exempting Consolidated Financial Statements in Accordance with Sec. 292a HGB'.

The financial statements of the companies included in the consolidated financial statements have been prepared as of the balance sheet date of the consolidated financial statements.

The consolidated financial statements are based on uniform accounting and measurement methods. Above and beyond the IFRS applicable as of the balance sheet date, the following standards were applied voluntarily in advance:

- IAS 1 Presentation of Financial Statements (amended 2004),
- IAS 2 Inventories (rev. 2003),
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (rev. 2003),
- IAS 10 Events after the Balance Sheet Date (amended 2004),
- IAS 16 Property, Plant and Equipment (rev. 2003),
- IAS 17 Leases (amended 2004),
- IAS 21 The Effects of Changes in Foreign Exchange Rates (rev. 2003),
- IAS 24 Related Party Disclosures (rev. 2003),
- IAS 27 Consolidated and Separate Financial Statements (amended 2004),
- IAS 28 Investment in Associates (amended 2004),
- IAS 31 Interests in Joint Ventures (amended 2004),
- IAS 32 Financial Instruments (amended 2004),
- IAS 33 Earnings per share (amended 2004),
- IAS 36 Impairment of Assets (amended 2004),
- IAS 38 Intangible Assets (rev. 2004),
- IAS 39 Financial Instruments (amended 2004),
- IAS 40 Investment Property (amended 2004) and
- IFRS 3 Business Combinations.

Voluntary application of these standards did not have any material effect.

IFRS 2 Share-based Payments and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations were not applied in advance. They will be applied in fiscal year 2005 for the first time.

IFRS 2 is a new standard governing accounting and measurement of stock-based compensation. IFRS 2 is to be applied for the first time to fiscal years beginning on or after January 1, 2005. No material effect is expected from the future application of IFRS 2, as no stock options have been issued to date. Further explanations are contained in note F 11.

IFRS 5 is to be applied for the first time to fiscal years beginning on or after January 1, 2005. In the course of the introduction of IFRS 5, the definition of discontinued operations previously contained in IAS 35 was revised. Non-current assets or groups of assets classified as held for sale must be reported in a separate balance sheet item in accordance with IFRS 5. In addition, scheduled amortization and depreciation must be recorded on these (groups of) assets as long as they are classified as held for sale. To date, no effects from future application of IFRS 5 on the accounting can be discerned.

Changes in the Presentation of the Consolidated Financial Statements

1. Changes in estimates

Pursuant to IAS 37.59, a provision should be reversed if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Accordingly, bad debt allowances must be reversed pursuant to IAS 39.65 if the grounds for the bad debt allowance no longer apply.

In contrast to the prior-year consolidated financial statements, in which the reversals of provisions and income from the reversal of bad debt allowances were reported under other operating income, these items are now reversed by adjusting the item for which they were originally set up. As a result of the change in presentation, other operating income in 2003 falls from EUR 509 k to EUR 389 k and other operating expenses from EUR 11,475 k to EUR 11,355 k.

2. Offsetting of deferred taxes

In accordance with IAS 12.74, deferred tax assets and deferred tax liabilities are offset if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. This means that the deferred tax assets from the prior year were reduced by EUR 485 k from EUR 1,935 k to EUR 1,450 k as a result of offsetting against deferred tax liabilities.

3. Segment assets in segment reporting by region

In the segment reporting by region, the segment assets were not adjusted for non-allocable assets. Non-allocable assets amounting to EUR 14,792 k (prior year: EUR 8,611 k) are presented in the "non-allocable" column.

The non-allocated segment assets break down as follows: FIG. 1

FIG. 1

NON-ALLOCATED SEGMENT ASSETS in EUR k

	Dec. 31, 2004	Dec. ˝31, 2003
Deferred tax assets	92	1,450
Tax refund claims	16	7
Other financial assets	2,988	2
Cash and cash equivalents	11,696	7,152
	14,792	**8,611**

FIG. 2

EQUITY INVESTMENTS

No. Company	Currency	Equity investment in %	of	Share capital in EUR k	Net income/ loss in EUR k
1 CENIT AG Systemhaus, Stuttgart/Germany	EUR	-	-	4.184	Parent company
2 Cenit (Schweiz) AG, Frauenfeld/Switzerland	CHF	90.00	1	500	Oct. 26, 1999
3 CENIT NORTH AMERICA INC., Rochester Hills/USA	USD	100.00	1	25	Nov. 29, 2001

FIG. 3

EXCHANGE RATES in EUR

	Closing rate		Average annual rate	
	Dec. 31, 2004	Dec. 31, 2003	2004	2003
CHF	1.5455	1.5608	1.5431	1.5543
CAD	1.6509	1.6395	1.6146	1.6118
USD	1.3669	1.2503	1.2431	1.2253

C. Consolidation Principles

1. Consolidated Group

The consolidated financial statements comprise all affiliated companies in which CENIT AG directly or indirectly holds the majority of the voting rights or has control as defined by IAS 27 due to other rights. Purchase accounting is carried out as of the date at which CENIT AG gains direct or indirect control of the subsidiary. Minority interests are disclosed separately in the consolidated balance sheet and the consolidated income statement under equity or under the net income/loss of the Group.

The following companies have been included in the consolidated financial statements of CENIT AG in accordance with IAS 27: FIG. 2

Changes in the Consolidated Group

Effective October 26, 2004, the 100% equity investment in CENIT SYSTEMHAUS HOLDING (CSH) INC., Montreal/Canada, and CENIT CANADA INVESTMENTS (CCI) INC., Montreal/Canada, was sold to a Canadian group of investors. CSH and CCI were deconsolidated as of the date of disposal October 26, 2004.

Both as of the date of deconsolidation and in the prior year, the consolidated balance sheet did not contain any assets and liabilities of the entity sold, as the entity no longer had any operating activities. The total selling price amounted to EUR 15 k and was paid in cash in full by the buyer. As of December 31, 2004, the gain on sale was disclosed as a receivable from the buyer of EUR 15 k. The profit from deconsolidation came to EUR 15 k for the Group.

2. Consolidation Methods

The individual financial statements of the companies included in the Group, prepared according to uniform principles as of December 31, 2004 and audited by public auditors, who rendered an unqualified opinion thereon or performed a review, form the basis for these consolidated financial statements.

Capital held in subsidiaries was consolidated by offsetting the acquisition costs against the fair value of the acquired, identified assets less liabilities applicable to the parent company at the date of acquisition. In the past, goodwill resulting from capital consolidation was generally amortized over its economic life - regularly estimated at fifteen years in the past - using the straight-line method. Allowances were recorded to write goodwill down to net realizable value whenever the value was impaired. As of January 1, 2004 no goodwill was recognized in the balance sheet.

Intercompany sales, income and expenses and all intercompany receivables and liabilities are eliminated.

The inventories reported under fixed assets do not contain any assets from intercompany trade.

The minority interests disclosed correspond to the shares of Cenit (Schweiz) AG that are not held by the parent company.

3. Currency Translation

The presentation currency is the parent company's functional currency. The functional currency concept is applied to translate the financial statements prepared in foreign currency by the subsidiaries included in the consolidated group.

The functional currency of the group entities is their respective local currency. The financial statements of financial statements prepared in functional currency are translated to the Group's presentation currency using the modified closing rate method. Assets and liabilities are translated at the closing rate of the balance sheet date, equity at the historic rate and income and expenses at the annual average rate.

The resulting difference is netted with equity without affecting income. When subsidiaries are sold, the currency differences recorded from these entities under equity are reversed to income.

Foreign currency transactions are generally translated at the current rate of the transaction date. Monetary assets and liabilities are translated at the end of the fiscal year at the annual closing rate. Non-monetary items that are measured at their historical cost are translated at the rate of the transaction date and non-monetary items that are measured at their fair value are translated at the rate which was current at the time the fair value was derived. Differences arising from currency translations at closing rates have an impact on income.

The following exchange rates were used for currency translation: FIG. 3

D. Accounting and Measurement Principles

Purchased intangible assets are stated at cost including incidental acquisition cost. They are reduced by scheduled amortization over the expected economic life, usually three years, using the straight-line method. To the extent necessary, impairment losses are recorded and reversed as soon as the reasons no longer exist.

Internally generated intangible assets are not recognized due to non-fulfillment of the criteria in IAS 38.45. The expenditure of EUR 2,690 k (prior year: EUR 2,320 k) incurred in the course of optimizing existing products was recorded as an expense. As of the balance sheet date, the balance sheet does not include any intangible assets with an indefinite useful life.

Property, plant and equipment are recorded at cost less scheduled straight-line depreciation. Maintenance costs are recorded directly as expenses.

Property, plant and equipment items are depreciated on the basis of their economic useful lives. The **useful life** of other equipment is three to five years and five to ten years for furniture and fixtures. No material residual values had to be considered when determining depreciation.

The depreciation methods and useful life of non-current assets are revised annually and adjusted if so required.

An impairment test is performed at the end of the fiscal year for all intangible assets and property, plant and equipment if events or changes in circumstances indicate that the carrying value of the assets exceeds their recoverable amount. Whenever the carrying value of an asset exceeds its recoverable amount, an impairment loss is recognized in income for items of property, plant and equipment and intangibles carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if that is not possible, for the cash-generating unit.

A reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is posted to income.

Intangible assets and property, plant and equipment are derecognized if they are sold or otherwise disposed of or if no benefit is expected from the continued use of the asset or its disposal. Gains or losses from the derecognition of assets are recorded with effect on income as of the date of derecognition.

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Pursuant to IAS 32 and IAS 39, this can include financial instruments such as trade receivables and trade payables or financial receivables and financial liabilities. Financial instruments are recognized as soon as the group entity becomes party to the contractual provisions of the financial instrument. The initial recognition of a financial asset is at acquisition cost, which corresponds to the fair value. Transaction costs are included. Capitalization generally takes place on the trade date. For subsequent measurement, financial assets are classified either as "financial assets at fair value through profit or loss", "held-to-maturity investments", "loans and receivables" or "available for sale" pursuant to IAS 39. In the course of subsequent measurement, financial investments held to maturity and loans and receivables are measured at amortized cost using the effective interest method. Fluctuations in the fair value of financial assets classified as held for sale must be posted directly to equity in a separate reserve in subsequent years, while fluctuations in financial assets classified as at fair value through profit or loss are recorded with an effect on income. There were no fluctuations in the value of financial assets held for sale in the reporting year or the prior year.

The fair value of financial instruments is determined by the Company's banks using generally accepted measurement models.

Financial assets are derecognized when the entity loses its power to dispose of the contractual rights that make up the financial asset. Financial liabilities are derecognized when the obligations specified in the contract have been discharged, cancelled, or have expired.

Credit risks are taken into account through adequate specific bad debt allowances.

Derivative financial instruments are used to raise profitability and for hedging purposes to reduce exchange rate risks. Pursuant to IAS 39, all derivative financial instruments must be accounted for at fair value irrespective of the purpose or intention for which they were concluded. The changes in fair value are disclosed with effect on income, as no hedge accounting is performed.

Inventories are generally stated at the lower of cost or net realizable value. Cost of conversion is determined on the basis of full production-related costs. Net realizable value is the estimated selling price less the costs necessary to make the sale.

Financing costs are not capitalized.

Provisions are reported at the best possible estimate of the probable settlement value and are created for legal or actual obligations whose origin is in the past and when it is probable that the fulfillment of the obligation will lead to a cash outflow from Group resources and when they can be reliably estimated. Provisions are discounted where the discount is material. The cost of reversing discounts is recorded as interest expenses.

Contingent liabilities are possible or existing commitments which relate to past events and which are not expected to result in an outflow of resources. They are not recorded on the face of balance sheet. The amounts stated correspond to the scope of liability as of the balance sheet date.

Liabilities are recorded at amortized cost.

Deferred taxes are recorded on temporary differences between the tax balance sheet and the consolidated financial statements according to the balance-sheet-oriented liability method laid out in IAS 12. Deferred taxes on temporary differences are determined for the individual group entities using the local tax rates. Deferred tax assets and deferred tax liabilities are calculated according to the laws and regulations applicable as of the balance sheet date. An asset item for tax loss carryforwards is only capitalized to the extent that it is probable that future taxable income will be available for offsetting. The carrying value of the deferred tax assets is reviewed for impairment as of every balance sheet date and reduced by the amount for which sufficient tax profits are no longer likely to be available. Income tax consequences related to the items posted directly to equity are also recorded directly under equity.

Receivables from input tax and liabilities from VAT are included in receivables and other assets and other liabilities.

Sales revenues are reported ex VAT and after deduction of any discount granted. Sales are recognized as revenue on the date of delivery to the customer. Revenue from the provision of services is recognized using the percentage of completion method. The percentage of completion is determined on the basis of the hours worked until the balance sheet date as a percentage of the total number of hours estimated for the project in quesstion. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is only recognized to the extent that the expenses already recognized are recoverable.

According to the opinion of the management board, the following **discretionary decisions** had a material effect on the amounts recorded in the consolidated financial statements.

- As the criterion of technical feasibility as stated in IAS 38.57 a (rev. 2004) could not be demonstrated, all development costs were recorded as expenses in the period.

- Floating rate investments are classified as available for sale instead of held to maturity, as they are currently not expected to be held to maturity. Further explanations are contained in note F 7.

Decisions based on estimates mainly relate to provisions for which the best estimate of the expected amount for settlement of the liability is recognized, to bad debt allowances and to deferred tax assets recognized on unused tax losses. Further explanations are contained in notes F 5, F 13 and F 3.

FIG. 4

INCOME ITEMS in EUR k

	2004	2003
Income from services	38,814	34,787
Income from goods	30,633	30,899
License fees	5,462	4,798
Total	**74,909**	**70,484**

FIG. 5

OTHER OPERATING INCOME in EUR k

	2004	2003
Income from subleases	359	217
Income from insurance indemnification	48	38
Income from exchange rate differences	31	14
Income from distribution agreements	100	100
Other income	185	20
Total	**723**	**389**

FIG. 6

PERSONNEL EXPENSES in EUR k

	2004	2003
Wages and salaries including social security contributions	25,057	23,780
Pension costs	4,027	4,362
Other personnel expenses	32	0
Total	**29,116**	**28,142**

E. Income Statement

The income statement has been prepared using the nature of expense method.

1. Sales Revenue

The breakdown of sales by division and region is presented in the segment reporting in Exhibit H. The sales result from ordinary operations.

Sales are essentially composed of the following income items: FIG. 4

2. Other Operating Income

Other operating income consists of: FIG. 5

3. Cost of Materials

This item contains the cost of purchased merchandise of EUR 23,605 k (prior year: EUR 24,059 k) and the cost of third-party services of EUR 3,866 k (prior year: EUR 4,036 k).

4. Personnel Expenses

The disclosure essentially relates to salaries, voluntary social benefits, allocations to the accrual for vacation, profit participations and management bonuses as well as social expenses and pension costs. FIG. 6

FIG. 7

OTHER OPERATING EXPENSES in EUR k

	2004	2003
Motor vehicle costs	1,270	1,410
Travel expenses	1,674	1,302
Advertising costs	1,156	962
Telecommunication and office supplies	562	732
Rent and rent incidentals	735	702
Rent and lease expenses	3,229	3,449
Loss from deconsolidation	0	452
Expenses from exchange rate losses	28	65
Other	2,014	2,281
Total	**10,668**	**11,355**

FIG. 8

OTHER INTEREST AND SIMILAR INCOME in EUR k

	2004	2003
Income from bank deposits	138	35
Income from derivative financial instruments	13	0
Income from floating rate investments	3	0
Income from money market funds	34	0
Total	**188**	**35**

FIG. 9

INTEREST AND SIMILAR EXPENSES in EUR k

	2004	2003
Utilization of credit lines and guarantees	51	75
Losses from derivative financial instruments	17	0
Total	**68**	**75**

The pension costs are essentially the employer's contribution to the statutory pension scheme that is designed as a state defined contribution plan in Germany. Pension costs include EUR 65 k (prior year: EUR 48 k) for contributions to the pension scheme of a large German insurance company.

An annual average of 461 (prior year: 433) persons were employed by the Group.

5. Amortization of Intangible Assets and Depreciation of Property, Plant and Equipment

Amortization and depreciation is broken down in the analysis of fixed assets presented in the notes F 1 and F 2.

6. Other Operating Expenses

See: FIG. 7

FIG. 10

INCOME TAXES in EUR k

	2004	2003
Current tax expense	2,068	74
Expenses from the reversal of deferred tax assets	980	515
Impairment of deferred tax assets	891	0
Effects of tax rate changes	64	0
Income from the allocation to deferred tax assets	-76	0
Recognition of deferred tax assets on unused tax losses	-92	0
Income from the reversal of deferred tax liabilities	-97	115
Total	**3,738**	**704**

FIG. 11

EXPECTED TAX BURDEN in %

	2004	2003
Trade tax at a levy rate of 442.572% (prior year: 444.69%)	18.12%	18.20%
Corporate income tax (25.0% of net income after trade tax)(prior year: 26.5%)	20.47%	21.68%
Solidarity surcharge (5.5% of corporate income tax)	1.13%	1.19%
Statutory tax rate	**39.72%**	**41.07%**

7. Other Interest and Similar Income

Other interest and similar income consists of: FIG. 8

8. Interest and Similar Expenses

Interest and similar expenses consist of: FIG. 9

9. Income Taxes

Expenses from income taxes break down as follows: FIG. 10

The expense from the reversal of deferred tax assets stems from utilization of the parent company's unused tax losses. The allowance on deferred tax assets was recorded on account of findings from the tax field audit and the resulting reduction of unused tax losses.

The current tax expense includes income relating to other periods of EUR 12 k (prior year: expenses relating to other periods of EUR 62 k).

We refer to note F 3 with respect to the change in deferred taxes. The expected tax burden on the tax result is 39.72% as of the balance sheet date (prior year: 41.07%) and is calculated as follows: FIG. 11

The decrease in the theoretic tax rate compared to the prior year is due to the increase in the corporate income tax rate from 25% to 26.5% as a result of the German Flood Victim Assistance Act taken into consideration in the prior year for the calendar year 2003.

The difference between the current tax expense and the imputed tax expense that would result from a tax rate of 39.72% (prior year: 41.07%) for CENIT AG breaks down as follows: FIG. 12

FIG. 12

IMPUTED TAX EXPENSE in EUR k

	2004	2003
Earnings before tax	7,630	2,440
Theoretical tax expense based on a tax rate of 39.72% (prior year: 41.07%)	3,030	1,002
Non-deductible expenses	22	214
Allowances on deferred tax assets	891	0
Reversal of impairment losses on deferred tax assets	-92	0
Tax credits / creditable tax	-16	0
Utilization of unused tax losses for which no deferred taxes were set up	0	-604
Effects of different tax rates within the group and tax rate changes	-14	0
Tax relating to other periods	-12	62
Other	-71	30
Income tax expense (prior year: income tax income) according to consolidated income statement	**3,738**	**704**

10. Earnings Per Share

The number of shares in 2004 was unchanged at 4,183,879. The weighted average number of common shares was 4,183,879. The net income for the year of the Group amounted to EUR 3,892 k (prior year: EUR 1,736 k).

When calculating the diluted earnings per share, common shares that may result from the exercise of diluting subscription rights and the conversion of other diluting potential common shares of CENIT Aktiengesellschaft Systemhaus are additionally taken into account. At CENIT Aktiengesellschaft Systemhaus this only relates to the convertible bonds outstanding which were due for repayment in 2004. The performance criteria for exercising the conversion rights were not met in 2004 prior to repayment.

As no stock options have been granted to date, basic earnings per share correspond to diluted earnings per share.

In accordance with IAS 33.49, (diluted and basic) earnings per share thus come to EUR 0.93 (prior year: EUR 0.41).

The Company's management board and supervisory board propose a dividend distribution of EUR 1,255,163.70 to the shareholders' meeting. This corresponds to a distribution of EUR 0.30 per share.

FIG. 13

INTANGIBLE ASSETS in EUR k

		Total
Cost, January 1, 2004		923
Currency translation differences		1
Additions		83
Disposals		0
December 31, 2004		**1,007**
Accumulated amortization, January 1, 2004		810
Currency translation differences		0
Additions		73
Impairment pursuant to IAS 36		0
Disposals		0
December 31, 2004		**883**
Net book value		**124**

FIG. 14

PROPERTY, PLANT AND EQUIPMENT in EUR k

	Land and buildings including buildings on third-party land	Technical equipment, machines	Other equipment, furniture and fixtures	Total
Cost, January 1, 2004	755	6,068	642	7,465
Currency translation differences	0	2	-3	-1
Additions	45	463	122	630
Disposals	103	114	88	305
December 31, 2004	**697**	**6,419**	**673**	**7,789**
Accumulated depreciation, January 1, 2004	284	5,516	440	6,240
Currency translation differences	0	1	0	1
Additions	92	400	116	608
Disposals	100	107	75	282
December 31, 2004	**276**	**5,810**	**481**	**6,567**
Net book value	**421**	**609**	**192**	**1,222**

F. Balance Sheet

1. Intangible Assets

This item includes franchises, industrial and similar rights and assets and licenses in such rights and assets: FIG. 13 FIG. 13/1

Scheduled amortization is reported in the income statement under amortization of intangible assets and depreciation of property, plant and equipment.

FIG. 13/1

INTANGIBLE ASSETS DEVELOPED AS FOLLOWS in 2003 in EUR k:

		Franchises, industrial and similar rights and assets and licenses in such rights and assets	Goodwill	Total
Cost, January 1, 2003		2,060	7,710	9,770
Currency translation differences		-2	0	-2
Additions		82	0	82
Disposals		1,217	7,710	8,927
December 31, 2003		**923**	**0**	**923**
Accumulated amortization, January 1, 2003		1,795	7,710	9,505
Currency translation differences		-1	0	-1
Additions		171	0	171
Impairment pursuant to IAS 36		0	0	0
Disposals		1,155	7,710	8,865
December 31, 2003		**810**	**0**	**810**
Net book value		**113**	**0**	**113**

FIG. 14/1

PROPERTY, PLANT AND EQUIPMENT DEVELOPED AS FOLLOWS in 2003 in EUR k:

	Land and buildings including buildings on third-party land	Technical equipment, machines	Other equipment, furniture and fixtures	Total
Cost, January 1, 2003	905	8,301	2,484	11,690
Currency translation differences	1	-16	-9	-24
Additions	17	465	111	593
Disposals	168	2,682	1,944	4,794
December 31, 2003	**755**	**6,068**	**642**	**7,465**
Accumulated depreciation, January 1, 2003	362	7,530	1,760	9,652
Currency translation differences	1	-8	-1	-8
Additions	88	658	150	896
Disposals	167	2,664	1,469	4,300
December 31, 2003	**284**	**5,516**	**440**	**6,240**
Net book value	**471**	**552**	**202**	**1,225**

FIG. 15

DEFERRED TAXES in EUR k

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Unused tax losses	92	1,935	0	0
General bad debt allowances	0	0	45	47
Inventories	0	0	109	0
Warranty provision	0	0	223	142
Other provisions	69	0	10	296
Derivatives	7	0	1	0
Subtotal	168	1,935	388	485
Offsetting	-76	-485	-76	-485
Total	**92**	**1,450**	**312**	**0**

2. Property, Plant and Equipment

See: FIG. 14 FIG. 14/1

3. Deferred Taxes

The recognition and measurement differences determined between the tax balance sheets and the local commercial financial statements as well as the adjustments of the local financial statements of the consolidated entities to IFRS led to deferred tax liabilities of the following amounts: FIG. 15

The changes in deferred tax assets and liabilities had an effect on income in the reporting year and prior years.

Based on the anticipated development of the Group as stated in the tax planning, it is sufficiently probable that the group entities concerned will be able to realize the accumulated capitalized unused tax losses in the next few fiscal years. Unused tax losses of EUR 848 k (prior year: EUR 4,710 k) were not recognized as deferred tax assets, since it is not sufficiently probable that they will be realized by the group entities prior to their expiry between 2008 and 2010.

4. Inventories

Write-downs to net realizable value of EUR 71 k were made in the fiscal year 2004 (prior year: EUR 7 k). FIG. 16

5. Trade Receivables

All trade receivables were due within one year. Specific bad debt allowances recorded on receivables came to EUR 189 k in the year under review (prior year: EUR 211 k).

This led to a reduction (prior year: increase) of the specific bad debt allowances of EUR 22 k (prior year: EUR 51 k).

6. Other Receivables

Other receivables break down as follows: FIG. 17

7. Other Financial Assets

Other financial assets break down as follows: FIG. 18

FIG. 16

INVENTORIES in EUR k

	2004	2003
Merchandise (at cost of purchase/cost of conversion)	1,239	1,314
Services not yet billed (at cost)	356	541
Total	**1,595**	**1,855**

FIG. 17

OTHER RECEIVABLES in EUR k

	2004	2003
VAT reimbursement rights	0	39
Social security reimbursement rights	9	49
Receivable from the sale of CSH	15	0
Credit notes	16	0
Interest cut-off	43	0
Other	17	8
Total	**100**	**96**

CENIT has invested EUR 1,000 k in floating rate bearer debenture bonds issued by a bank with an excellent credit rating. The interest rate is the 3-month EURIBOR +0.3%. In addition, EUR 1,983 k was invested in a money market fund.

As of the balance sheet date, no material default risks were identifiable.

8. Tax Reimbursement Rights

The tax receivables essentially comprise claims from advance payments for trade tax and income tax claims from double taxation treaties. They developed as follows: FIG. 19

9. Cash and Cash Equivalents

Cash and cash equivalents break down as follows: FIG. 20

Cash and cash equivalents are a component of the cash flow statement pursuant to IAS 7. The composition of cash and cash equivalents is shown in Section G.

10. Prepaid Expenses

These are mainly prepaid expenses for licenses, motor vehicle insurance, special lease payments, etc.

11. Equity

The Company's share capital has remained unchanged since January 1, 2003 at EUR 4,183,879.00 and is fully paid in. It is divided into 4,183,879 no-par value shares of EUR 1 each. The shares are bearer shares and are common stock only. The number of no-par value shares has not changed in the fiscal year.

FIG. 18

OTHER FINANCIAL ASSETS in EUR k

	Dec. 31, 2004	Dec. 31, 2003
Securities	5	2
Floating rate investments	1,000	0
Money market funds	1,983	0
	2,988	**2**

FIG. 19

TAX REIMBURSEMENT RIGHTS in EUR k

January 1, 2004	7
Inflow	-2
Recognized	11
December 31, 2004	**16**

FIG. 20

CASH AND CASH EQUIVALENTS in EUR k

	Dec. 31, 2004	Dec. 31, 2003
Bank balances	11,686	7,147
Cash	10	5
	11,696	**7,152**

Authorized Capital I

With the approval of the supervisory board, the management board was authorized to increase the Company's share capital once or several times by a maximum amount of EUR 400,000 in total until May 1, 2005 by issuing new individual no-par value bearer shares (common stock) for contributions in cash or kind (authorized capital I). The shareholders had to be offered a stock option. However, the management board was authorized to preclude fractional amounts from the shareholders' stock options. In addition, the management board was authorized to decide on further details of the capital increase with the approval of the supervisory board. The authorized capital I was reversed by resolution of the shareholders' meeting on June 17, 2004.

Authorized Capital II

Upon approval by the supervisory board, the management board was authorized to increase the Company's share capital once or several times by a maximum amount of EUR 572,800.00 in total until July 1, 2004 by issuing new individual no-par value bearer shares (common stock) for contributions in cash or kind (authorized capital II). Subject to the approval of the supervisory board, the management board was authorized to exclude statutory subscription rights of the shareholders for the purpose of acquiring companies or equity investments in companies; companies or equity investments in companies may only be acquired if the business objective of the target company essentially lies within the scope of the Company's business objective pursuant to Art. 2 (1) of the articles of incorporation and bylaws. To the extent that the authorization for exclusion of stock options is not exercised pursuant to sentence 2, the management board may preclude fractional amounts from the shareholders' statutory subscription rights. The management board was authorized to decide on further details of a capital increase subject to the approval of the supervisory board.

Following the capital increases made in 2000, the authorized capital II amounted to EUR 416,121.00.

The authorized capital II was reversed by resolution of the shareholders' meeting on June 17, 2004.

Authorized Capital III

With the approval of the supervisory board, the management board was authorized to increase the Company's share capital once or several times by a maximum amount of EUR 400,000 in total until May 1, 2005 by issuing new individual no-par value bearer shares (common stock) for contributions in cash or kind (authorized capital III). Subject to the approval of the supervisory board, the management board was authorized to preclude the statutory subscription rights of the shareholders for the purpose of acquiring companies or equity investments in companies; companies or equity investments in companies may only be acquired if the business objective of the target company essentially lies within the scope of the Company's business objective pursuant to Art. 2 (1) of the articles of incorporation and bylaws. To the extent that the authorization to preclude statutory subscription rights is not exercised, the management board may preclude fractional amounts from the shareholders' statutory subscription rights. The management board was authorized to decide on further details of a capital increase subject to the approval of the supervisory board.

The authorized capital III was reversed by resolution of the shareholders' meeting on June 17, 2004.

New Authorized Capital

The management board is authorized, with the consent of the supervisory board, to increase the share capital of the Company once or in several installments to a total amount of EUR 2,091,939 (authorized capital) up until June 16, 2009, by issuing up to 2,091,939 new no-par value bearer shares in return for contributions in cash or in kind. The shareholders must be granted subscription rights. The new shares may also be offered to one or several banks as well as one or more enterprises operating pursuant to Sec. 53 (1) Sentence 1 or Sec. 53b (1) Sentence 1 or (7) KWG ["Gesetz über das Kreditwesen": German Banking Act] with the obligation of offering them for sale to the shareholders (indirect subscription right).

The management board is authorized, with the approval of the supervisory board, to preclude the shareholders' statutory subscription rights

- for a part amount totaling EUR 972,800.00 for capital increases in return for contributions in kind for the purpose of acquiring companies or equity investments in companies; companies or equity investments in companies may only be acquired if the business objective of the target company essentially lies within the scope of the Company's business objective pursuant to Art. 2 (1) of the articles of incorporation and bylaws.

FIG. 21

CONVERTIBLE BONDS

	Dec. 31, 2004 Number	Dec. 31, 2003 Number	Dec. 31, 2004 EUR	Dec. 31, 2003 EUR
1. Convertible bonds	0	120,000	0	120,000
2. Stock option plan	260,000	260,000	260.000	260,000
	260,000	**380,000**	**260.000**	**380,000**

- for a part amount totaling EUR 418,387.00 for capital increases in return for contributions in cash to issue the new shares at an issue price not significantly lower than the stock market price (Sec. 186 (3) Sentence 4 AktG).

If the management board does not make any use of the above authorizations to preclude subscription rights, the shareholders' subscription rights may only be precluded for fractional amounts. The management board is authorized, with the approval of the supervisory board, to determine the other details concerning performance of capital increases from authorized capital, including the further content and terms and conditions of the issue of shares.

The supervisory board is authorized to adjust Art. 5 of the articles of incorporation and by-laws after utilization of authorized capital after expiry of the authorization period following performance in part or in full of the increase in share capital and, if the authorized capital has not been used or not used in full by the end of June 16, 2009.

Conditional Capital

The conditional capital comprises the following: FIG. 21

Convertible Bonds

The convertible bonds could only be offered to a group of CENIT Group employees, consisting of employees of CENIT Aktiengesellschaft Systemhaus (group 1), members of the management of group companies (group 2) and employees of group companies (group 3). A total of up to 95.75% of the convertible bonds could be issued to group 1, up to 1.25% to group 2, and up to 3.0% to group 3.

The conversion right could be exercised at the earliest two years after the convertible bonds were issued.

Furthermore, the conversion right could only be exercised if one of the following criteria was fulfilled:

- Adjusted for possible capital measures taken by the Company in the meantime, the average closing share price of the common stock on the Frankfurt stock exchange on the last five trading days before start of the conversion period amounted to at least 135 percent of the share price of CENIT Aktiengesellschaft Systemhaus on the date of the management board's decision to issue the convertible bond.

- Adjusted for any dividend payments, options, and other special rights having occurred in the meantime, the development of the CENIT share between issue of the convertible bond and exercise of conversion rights was at least 15% higher than the development of the German Neuer Markt venture index (rolled forward using statistics) over the same period of time.

The closing share price on the date of the management board's resolution was authoritative for the value of the CENIT share on the date of issue of the convertible bond. The authoritative price for the convertible bond issued was EUR 46.00.

None of the performance criteria were fulfilled in 2004 up to repayment on the maturity date September 6, 2004. The entry of this portion of the conditional capital in the commercial register has not been deleted yet.

Stock Option Plan

By resolution of the shareholders' meeting on June 19, 2002, the Company increased its share capital by up to EUR 260,000.00 by issuing up to 260,000 individual no-par value bearer shares (common stock). The conditional capital increase is exclusively intended to grant shares to bearers of options which the management board was authorized to issue on the basis of the resolution by the shareholders' meeting on June 19, 2002 ("stock option plan 2002"). The conditional capital increase is only to be carried out to the extent that the bearers of the options exercise their rights, which were granted on the basis of authorization by the shareholders' meeting on June 19, 2002. In each case, the new shares will participate in profits from the beginning of the fiscal year in which they are created by exercising stock options. The management board is authorized to decide on further details of the conditional capital increase and its implementation with the approval of the supervisory board.

Terms of the Stock Option Plan 2002

- The options may only be offered to CENIT Group employees, consisting of members of the management board of CENIT Aktiengesellschaft Systemhaus (group 1), employees of CENIT Aktiengesellschaft Systemhaus (group 2), members of the executive bodies of affiliated companies as defined by Secs. 15 et seq. AktG (group 3), and employees of affiliated companies as defined by Secs. 15 et seq. AktG (group 4). A total of up to 20% of the options may be issued to group 1, up to 50% to group 2, up to 10% to group 3, and up to 20% to group 4. The options may be exercised at the earliest two years after up to 50% of the options have been issued, at the earliest three years after up to 80% have been issued, and at the earliest four years after up to 100% of the options have been issued.

- Furthermore, options may only be exercised if one of the following criteria is fulfilled:
  - Adjusted for possible capital measures taken by the Company in the meantime, the average closing share price of the common stock on the Frankfurt stock exchange on the last five trading days before the beginning of the vesting period amounts to at least 135 percent of the Company's share price on the date of the decision taken by the management board or the supervisory board to issue the stock options, or:

- Adjusted for any dividend payments, options, and other special rights having occurred in the meantime, the development of the CENIT share between issue and exercise of the stock options is at least 15% higher than the development of the NEMAX-ALL-SHARE Performance Index (rolled forward using statistics) over the same period of time.

- The closing price of the Company's common stock on the XETRA (Exchange Electronic Trading) platform (or a functionally comparable successor system taking the place of the XETRA system) on the date of the decision taken by the management or the supervisory board to issue stock options shall be the decisive factor for determining the value of the CENIT share on the date the options are issued.

- The options are not transferable and can only be exercised by the entitled persons. In the event of death, however, the entitled person's statutory heirs may inherit the stock options.

- The options have a term to maturity of six years. If the options cannot be exercised before the end of their term, they automatically expire at the end of their term, in particular without requiring a corresponding contract of declaration of expiry from the Company.

No issues had been made under the 2002 stock option plan to the group of beneficiaries by the balance sheet date.

Details on the Components of Equity

The capital reserve contains the surplus realized from issuing shares of the parent company exceeding their nominal value. If, pursuant to Sec. 272 (2) No 1 to 3 HGB, the legal reserve and the capital reserve together exceed a tenth of the capital stock or any higher amount stipulated in the articles of incorporation and bylaws, they may only be used in accordance with Sec. 150 AktG to offset a net loss for the year that is not covered by a profit brought forward from the prior year, or to offset a loss brought forward from the prior year that is not covered by net income for the year, and cannot be offset by releasing other revenue reserves.

The revenue reserves comprise retained earnings posted to the reserves.

The foreign currency reserve contains the net differences resulting from translation of the subsidiaries' financial statements without affecting income.

For the development of equity, please refer to the statement of changes in shareholders' equity.

Minority Interests

In 2004, CENIT AG Systemhaus waived a receivable of EUR 1,357 k due from Cenit CH retroactively as of December 31, 2003. This meant that the accumulated losses allocable to the minority interests of Cenit CH no longer exceed the minority interest in the equity of the subsidiary. Consequently, the minority interests are reported as of December 31, 2004 at an amount of EUR 33 k for the share in equity after waiver of the receivable and EUR 4 k for the share in net income of the Group for 2004.

12. Provisions

See: FIG. 22

The tax provisions developed as follows: FIG. 23

Other provisions cover all identifiable obligations to third parties in accordance with IAS 37. They developed as follows: FIG. 24

The provisions will mainly be used in the following reporting period.

FIG. 22

PROVISIONS in EUR k

	Dec. 31, 2004	Dec. 31, 2003
Tax provisions	2.101	74
Other provisions	122	297
	2,223	**371**

FIG. 23

TAX PROVISIONS in EUR k

January 1, 2004		74
Reversals		12
Additions		2,039
December 31, 2004		**2,101**

13. Liabilities to Banks

Liabilities to banks break down as follows: FIG. 25

Long-term liabilities have been repaid prematurely. In the prior year, the interest rates ranged from 5% to 8.25%.

The current bank liabilities all relate to short-term credits for goods delivered from IBM GmbH by IBM Deutschland Kreditbank GmbH. The interest rate after 30 interest-free days is one month's EURIBOR plus 2.75% p.a.

The blanket assignment for all trade receivable provided as collateral for the liabilities was cancelled as of June 30, 2004.

14. Trade Payables

Trade payables are subject to customary retentions of title to the delivered goods.

15. Other Liabilities

Other liabilities break down as follows: FIG. 26

Accruals cover all identifiable obligations to third parties in accordance with IAS 37. They have been set up at the probable amount and will be utilized during the first months of the following fiscal year.

The accruals developed as follows: FIG. 27

16. Deferred Income

The deferred income item is primarily a result of the distribution, license and brand utilization agreement concluded as of April 17, 2003 with the buyers of the former French subsidiaries. The income is being released over the three-year term of the agreement. We also refer to Section E. 2.

17. Financial Instruments

There are no significant differences between the carrying value and fair value for the receivables and liabilities and for cash and cash equivalents due to their short term.

FIG. 24

OTHER PROVISIONS in EUR k

	Shareholders' meeting	Onerous contracts	Other	Total
January 1, 2004	138	74	85	297
Utilization	88	74	85	247
Reversals	50	0	0	50
Additions	80	0	42	122
December 31, 2004	**80**	**0**	**42**	**122**

FIG. 25

LIABILITIES TO BANKS in EUR k

	Dec. 31, 2004	Dec. 31, 2003
Current bank liabilities - Due within 1 year	2,183	3,151
Non-current bank liabilities		
Due within 1 year	0	97
Due in 1 to 5 years	0	240
Total	**2,183**	**3,488**

FIG. 26

OTHER LIABILITIES in EUR k

	Dec. 31, 2004	Dec. 31, 2003
VAT payables	1,455	1,147
Social security liabilities	616	581
Accruals	4,154	4,129
Other	1,612	842
	7,837	**6,699**

FIG. 27

ACCRUALS DEVELOPED in EUR k

	Employer's liability insurance, levy in lieu of employing severely disabled persons	Vacation and bonuses	Outstanding invoices	Other	Total
January 1, 2004	240	2,346	515	1,028	4,129
Utilization	154	2,344	515	693	3,706
Reversals	86	2	0	335	423
Additions	210	2,940	333	671	4,154
December 31, 2004	**210**	**2,940**	**333**	**671**	**4,154**

The Group is exposed to credit and liquidity risks as well as interest and exchange rate fluctuations in the scope of its operations.

The general regulations for a group-wide risk policy are laid out in the group guidelines. The group-wide risk policy also provides for the use of derivative financial instruments. The correspon-ding financial transactions are only concluded with counterparties with excellent credit rating.

Credit Risk

The credit risk results from the danger that business partners fail to perform their obligation under financial instruments and that financial losses are incurred as a result.

Credit ratings for new customers are conducted via Creditreform e.V. The payment behavior of regular customers is analyzed on an ongoing basis.

For contracts awarded through contractual part-ners, no credit rating is carried out, since it was already done at contractual partner level.

As we have not concluded any general netting agreements with our customers, the sum of the amounts reported under assets also represents the maximum credit risk. There are no identifia-ble concentrations of credit risk from business relationships with single debtors or groups of debtors.

Currency Risk

Currency risks exist in particular where receiva-bles or liabilities exist or will arise in the ordi-nary course of business in a currency other than the local currency of the Company.

Foreign currency receivables and liabilities which could produce currency risks are not mate-rial.

In addition, there are currency risks from cash denominated in USD. Risks from fluctuation in the USD exchange rate are countered by using derivative financial instruments. Hedging relati-onships are not created in this respect.

The nominal and market values of derivative fin-ancial instruments are as follows as of the balan-ce sheet date: FIG. 28

Exchange rate fluctuations up to USD/EUR 1.41 are secured by these transactions. The cur-rency options entered into have a remaining term of up to one year. There are no transactions with a longer maturity.

The market value of the agreement as of December 31, 2004 was EUR -4 k and is recor-ded in the balance sheet under other liabilities. Gains and losses from fluctuations in market rates are recorded with effect on income.

Interest Rate Risk

CENIT entered into an interest swap agreement with a bank of excellent credit rating as of September 27, 2004 for a reference amount of EUR 2,000 k. Under the agreement, CENIT pays the respectively current 6-months' EURI-BOR interest rate and receives 4% in the first six months of the term and thereafter 8% less 2x the 6-months' EURIBOR interest rate. The contrac-tual relationship ends in September 2007 at the latest. The agreement ends with immediate effect upon payment by the bank of EUR 100 k to CENIT. No hedging relationship has been crea-ted on an underlying transaction. With this agre-ement, CENIT is seeking a higher return than it would currently receive from fixed-interest investments.

The market value of the agreement as of December 31, 2004 was EUR -17 k and is recor-ded in the balance sheet under other liabilities.

FIG. 28

CURRENCY RISK in EUR k

		Nominal values		Market values	
		Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Currency options	EUR k	1,181/	0	-4	0
	USD k	1,500			

Gains and losses from fluctuation in market value are recorded with effect on income.

Liquidity Risk

Unused credit lines at the disposition of the Group ensure that it has sufficient funds.

G. Cash Flow Statement

The cash flow statement shows how the cash of the Group has increased in the course of the reporting year as a result of cash received and paid. In accordance with IAS 7, a distinction is made between cash flows from operating, investing, and financing activities.

The cash flow from operating activities relates primarily to the cash flow generated by sales.

The non-cash income and expenses mainly consist of the reversal of provisions and accruals.

Investments in property, plant and equipment and intangible assets are included in the cash flow from investing activities.

Cash and cash equivalents comprise the following: FIG. 29

FIG. 29

CASH AND CASH EQUIVALENTS in EUR k

	Dec. 31, 2004	Dec. 31, 2003
Other financial assets		
• Floating rate investments	1,000	0
• Money market funds	1,983	0
Cash		
• Bank balances	11,686	7,147
• Cash on hand	10	5
Cash and cash equivalents	**14,679**	**7,152**

H. Segment Reporting

Segment reporting is carried out according to the rules in IAS 14 and breaks the primary reporting format down by business division and the secondary reporting format by region.

The presentation is based on internal reporting.

The **e-engineering** segment focuses on industrial customers and the corresponding technologies. Its industry focus is on the automotive, aerospace, mechanical engineering and shipbuilding industries. Special emphasis is placed on products and services in product lifecycle management, such as CATIA, Dassault or SAP.

The **e-business** segment focuses on the customer segment trade and commerce, banks, insurance firms, utilities and logistics companies. Its range of services covers solutions for imaging, workflow, document and content management with FileNet, Groupware solutions based on Lotus Notes/Domino, effective systems management with TIVOLI and IT outsourcing for IT infrastructures and applications.

In the segmentation by business segment and by region, the "not allocated" column contains deferred taxes and those financial assets and tax receivables and liabilities due to banks of the segment that could not be attributed to the respective business segments.

The non-allocated segment assets break down as follows: FIG. 30

The non-allocated segment liabilities break down as follows: FIG. 31

There were no material non-cash expenses in the reporting year nor in the prior year.

FIG. 30

NON-ALLOCATED SEGMENT ASSETS in EUR k

	Dec. 31, 2004	Dec. 31, 2003
Deferred tax assets	92	1,450
Tax reimbursement rights	16	7
Other financial assets	2,988	2
Cash and cash equivalents	11,696	7,152
Total	**14,792**	**8,611**

FIG. 31

NON-ALLOCATED SEGMENT LIABILITIES in EUR k

	Dec. 31, 2004	Dec. 31, 2003
Deferred tax liabilities	312	0
Long-term liabilities to banks	0	240
Short-term liabilities to banks	2,183	3,248
Tax provisions	2,101	74
Total	**4,596**	**3,562**

I. Other Notes

1. Contingent Liabilities and Other Financial Obligations

As of the balance sheet date there were no contingent liabilities that would require disclosure on the balance sheet or in the notes.

The Company has other financial obligations in connection with rental and lease agreements. The resulting financial obligations have been taken into account in the table below: FIG. 32

Other financial obligations principally consist of tenancy obligations of EUR 10,587 k (prior year: EUR 12,000 k) entered into for the office building rented in Germany.

Income from sub-letting agreements is expected in future periods as follows: FIG. 33

CENIT Aktiengesellschaft Systemhaus

SEGMENT REPORTING BY COUNTRY (in accordance with IFRS)

for the period from January 1 to December 31, 2004

in EUR k		Germany	Switzerland	North America	Not allocated	Consolidation	Group
Internal sales	**Q1–Q4 2004**	617	539	104	0	-1,260	0
	Q1–Q4 2003	800	328	78	0	-1,206	0
External sales	**Q1–Q4 2004**	72,915	1,105	889	0	0	74,909
	Q1–Q4 2003	67,986	1,725	773	0	0	70,484
Segment assets	**Dec. 31, 2004**	13,492	186	198	14,792	-194	28,474
	Dec. 31, 2003	14,679	439	265	8,611	-191	23,803*
Investments in property, plant &	**Dec. 31, 2004**	688	8	17	0	0	713
equipment and intangible assets	**Dec. 31, 2003**	643	7	25	0	0	675

*change in disclosure

SEGMENT REPORTING BY BUSINESS SEGMENT (in accordance with IFRS)

for the period from January 1 to December 31, 2004

in EUR k		e-business (EB)	e-engineering (EE)	Not allocated	Group
External sales	**Q1 - Q4 2004**	26,039	48,870	0	74,909
	Q1 - Q4 2003	26,254	44,230	0	70,484
EBIT	**Q1 - Q4 2004**	2,630	4,880	0	7,510
	Q1 - Q4 2003	474	2,006	0	2,480
Interest	**Q1 - Q4 2004**	0	0	120	120
	Q1 - Q4 2003	0	0	-40	-40
Income taxes	**Q1 - Q4 2004**	0	0	-3,738	-3,738
	Q1 - Q4 2003	0	0	-704	-704
Net income/loss of the Group	**Q1 - Q4 2004**	2,630	4,880	-3,618	3,892
	Q1 - Q4 2003	474	2,006	-744	1,736
Segment assets	**Dec. 31, 2004**	4,973	8,709	14,792	28,474
	Dec. 31, 2003	5,435	9,757	8,611	23,803*
Segment liabilities	**Dec. 31, 2004**	3,215	6,708	4,596	14,519
	Dec. 31, 2003	3,143	7,039	3,562	13,744*
Investments in property, plant &	**Dec. 31, 2004**	145	568	0	713
equipment and intangible assets	**Dec. 31, 2003**	95	580	0	675
Amortization and depreciation	**Q1 - Q4 2004**	157	524	0	681
	Q1 - Q4 2003	327	740	0	1,067

*change in disclosure

FIG. 32

FINANCIAL OBLIGATIONS in EUR k

	2004	2003
Rent and lease obligations		
Due within 1 year	2,368	2,855
Due in 1 to 5 years	7,045	6,586
Due within more than 5 years	2,663	3,942
Total	**12,076**	**13,383**

FIG. 33

INCOME FROM SUB-LETTING AGREEMENTS in EUR k

	2004	2003
Income from sub-letting agreements		
Within 1 year	241	356
1 to 5 years	743	799
Over 5 years	372	558
Total	**1,356**	**1,713**

2. Other Notes as Defined by Sec. 292 a HGB

The differences between HGB and IFRS that are relevant for the consolidated financial statements of CENIT are presented in the following:

- In contrast to the lower of cost or market principle prescribed by the German HGB for foreign currency receivables and the highest value principle for liabilities, these items have been translated at the exchange rate prevailing on the balance sheet date in the consolidated financial statements. Any profits and losses are charged or credited to income.

- Derivative financial instruments are recorded at fair value even where it exceeds acquisition cost.

- The provision recorded under HGB for binding personnel to the Company cannot be set up under IFRS, as there is no legal or constructive obligation to third parties as required by IAS 37. No provisions may be recognized for deferred maintenance. Medium and long-term provisions are recorded at their present value.

- Deferred taxes are calculated using the balance-sheet-oriented liability method taking temporary differences into account. Under HGB, deferred taxes are, however, only set up for timing differences. Under IFRS, deferred taxes also have to be recorded on any temporary differences not affecting income between the carrying amounts in the tax accounts and the consolidated balance sheet.

- Inventories are generally written down to net realizable value, if lower, based on the sales market.

- The balance sheet items were classified into current and non-current assets and liabilities in accordance with IFRS. Items not due within a year are disclosed as non-current assets and non-current liabilities. In addition, deferred taxes are disclosed as non-current assets and liabilities.

The group management report has been prepared in accordance with Sec. 315 HGB.

3. Related Parties

Transactions with related parties as defined by IAS 24 were conducted by CENIT AG with one member of the supervisory board. This gave rise to consulting expenses of EUR 30.5 k in the fiscal year 2004 (prior year: EUR 19 k). The business was transacted at arm's length conditions.

As of the balance sheet date, there were liabilities to this supervisory board member of EUR 6 k.

The Company's supervisory board members are:

- Falk Engelmann (Dipl.-Ing.), Management Consultant, Leinfelden-Echterdingen, Chairman

- Hubert Leypoldt (Dipl.-Kfm.), German Public Auditor, Tax Advisor, Dettingen/ Erms, Deputy Chairman

- Dr. rer. pol. Dirk Lippold, Managing Director, Berlin

The Company's management board members are:

- Andreas Schmidt (Dipl.-Ing.), Ebersbach (e-business, e-engineering), Spokesman of the Management Board

- Hubertus Manthey (Dipl.-Ing.), Pliezhausen, (Personnel, Marketing, Investor Relations)

- Christian Pusch (Dipl.-Wirt.-Ing.), Waldachtal (Finance, Organization)

Management board remuneration totaled EUR 948,838 in the fiscal year (prior year: EUR 612,130).

The supervisory board received EUR 67,500.00 in remuneration (prior year: EUR 67,500) in accordance with the articles of incorporation and bylaws.

The remuneration was for regular services performed during the fiscal year and was due at short notice.

As of the balance sheet date, the management board held 662,854 shares (prior year: 741,154 shares), i.e. 15.9% (prior year: 17.7%) of the Company's share capital. The supervisory board members hold 160,800 shares (prior year: 244,800) in the Company's share capital.

The following board members hold more than 1% of the Company's shares as of December 31, 2004:

A. Management Board

Hubertus Manthey (Dipl.-Ing.)	302.008
Andreas Schmidt (Dipl.-Ing.)	358.496

B. Supervisory Board

Falk Engelmann (Dipl.-Ing.)	160.000

4. Changes at Shareholder Level

The Company received several notifications in accordance with Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from Baden-Württembergische Kapitalanlagegesellschaft mbH in the course of the fiscal year. In its most recent letter dated June 16, 2004, Baden-Württembergische Kapitalanlagegesellschaft announced the following:

"Ladies and Gentlemen,
In accordance with Sec. 21 (1) WpHG, we hereby notify you of the fact that our voting rights in CENIT AG Systemhaus, Industriestrasse 52 - 54, D-70565 Stuttgart, Germany, exceeded the threshold of 5% of our separate trust assets on June 16, 2004 and now amount to 5.14%. Of those, 2.44% are allocable to us pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

Yours sincerely,
Baden-Württembergische
Kapitalanlagegesellschaft mbH"

By letter dated January 30, 2004, Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte notified the Company that its voting rights had fallen below the 5% threshold. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

"Ladies and Gentlemen,
We are writing to notify you that the share of voting rights held by Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte in CENIT AG fell below the threshold of 5% as of January 23, 2004 and now amounts to 4.97%.

Yours sincerely,
Dr. Hepp
Deputy managing director"

In a letter dated March 21, 2003, Norbert Fink notified the Company of the fact that his voting rights now amount to 8.27%. The notification pursuant to Sec. 41 (2) Sentence 1 WpHG reads as follows:

"Ladies and Gentlemen,
Correcting my notification dated April 3, 2002 in accordance with Sec. 41 (2) WpHG, I would like to notify you of the following:

Correcting my notification dated April 3, 2002, I am writing to announce in accordance with Sec. 41 (2) Sentence 1 WpHG that the share of my voting rights in CENIT AG totaled 8.27% as of April 1, 2002. Of those, 0.96% is allocable to me pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

Yours sincerely,
Norbert Fink"

By e-mail dated April 21, 2004, Mr. Rüdiger Passehl announced that his share of voting rights has fallen below 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

"Dear Sirs,
I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of my voting rights in CENIT AG fell below the threshold of 5% on April 20, 2004 and now amounts to 4.99%.

Yours sincerely,
Rüdiger Passehl"

5. Corporate Governance

The management board and supervisory board of the Company have issued the declaration for 2004 required by Sec. 161 AktG and made it available to the shareholders.

Stuttgart, March 4, 2005

CENIT Aktiengesellschaft Systemhaus

The management board

J. AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report, which was combined with the management report of the Company:

"We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by CENIT Aktiengesellschaft Systemhaus, Stuttgart, for the fiscal year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements are the responsibility of the Company's management board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the International Financial Reporting Standards (IFRS), based on our audit.

We conducted our audit of the consolidated financial statements in accordance with the German auditing requirements and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IFRS.

Our audit, which also extends to the group management report prepared by the management board for the fiscal year from January 1 to December 31, 2004 and combined with the management report of the Company has not led to any reservations.

In our opinion, on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the group management report for the fiscal year from January 1 to December 31, 2004 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law."

Stuttgart, March 11, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Göhner	Laing
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

CENIT Aktiengesellschaft Systemhaus, Stuttgart

BALANCE SHEET as of December 31, 2004

		Dec. 31, 2004	Dec. 31, 2003
ASSETS			
A. FIXED ASSETS	EUR	EUR	EUR k
I. Intangible assets			
Franchises, industrial rights and similar rights			
and assets and licenses in such rights and assets		**117,532.30**	103
II. Property, plant and equipment			
1. Buildings on third-party land	420,554.45		463
2. Technical equipment and machines	594,419.93		505
3. Other equipment, furniture and fixtures	136,973.80		134
		1,151,948.18	
III. Financial assets			
Shares in affiliated companies		**28,081.42**	28
B. CURRENT ASSETS			
I. Inventories			
1. Work in process	547,465.04		540
2. Merchandise	1,222,261.69		1,313
		1,769,726.73	
II. Receivables and other assets			
1. Trade receivables	9,782,822.60		11,062
2. Receivables from affiliated companies	126,032.72		178
3. Other assets	103,253.72		89
		10,012,109.04	
III. Securities			
Other securities		**2,988,251.54**	2
IV. Cash on hand, bank balances and checks		**11,338,696.85**	6,639
C. PREPAID EXPENSES		**37,269.56**	217
		27,443,615.62	**21,273**

		Dec. 31, 2004	Dec. 31, 2003
EQUITY AND LIABILITIES			
A. EQUITY	EUR	EUR	EUR k
I. Subscribed capital		**4,183,879.00**	4,184
Contingent capital EUR 260,000.00 (prior year: EUR 380 k)			
II. Capital reserve		**418,387.90**	418
III. Revenue reserves			
Other revenue reserves		**1,154,834.48**	1,155
IV. Retained earnings		**5,074,934.26**	0
		10,832,035.64	5,757
B. ACCRUALS			
1. Tax accruals	**2,101,113.24**		62
2. Other accruals	**6,677,986.18**		6,265
		8,779,099.42	
C. LIABILITIES			
1. Liabilities to banks	2,183,464.60		3,488
2. Payments received on account of orders	1,446,667.49		636
3. Trade payables	1,785,635.60		2,875
4. Liabilities to affiliated companies	42,682.31		65
5. Other liabilities	2,227,306.77		1,894
thereof related to social security: EUR 615,571.39 (prior year: EUR 579 k)			
thereof for taxes: EUR 1,453,208.52 (prior year: EUR 1,140 k)			
		7,685,756.77	
D. DEFERRED INCOME		**146,723.79**	231
		27,443,615.62	**21,273**

CENIT Aktiengesellschaft Systemhaus, Stuttgart

INCOME STATEMENT for Fiscal Year 2004

		2004		2003
		EUR	EUR	EUR k
1.	Sales		73,064,036.11	68,786
2.	Increase in inventory of unbilled services		7,863.12	264
3.	Other operating income		2,245,103.82	500
			75,317,003.05	69,550
4.	Cost of materials			
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	23,393,654.98		23,986
	b) Cost of purchased services	3,965,744.53		4,212
			27.359.399,51	
5.	Personnel expenses			
	a) Salaries	24,134,217.83		23,158
	b) Social security contributions	4,168,713.73		4,161
			28,302,931.56	
6.	Amortization and depreciation			
	a) on intangible assets and property, plant and equipment	614,658.63		999
	b) on current assets to the extent that these exceed the levels customary in the Company	0.00		0
			614,658.63	
7.	Other operating expenses		**12,013,741.53**	11,697
			7,026,271.82	1,337
8.	Other interest and similar income thereof from affiliated companies: EUR 4,347.20 (prior year: EUR 61 k)		184,528.76	744
9.	Write-ups of financial assets and securities classified as current assets		2,979.00	0
10.	Interest and similar expenses		48,366.92	74
11.	**Result from ordinary activities**		**7,165,412.66**	**2,007**
12.	Income taxes	2,054,471.26		62
13.	Other taxes	36,007.14		49
			2,090,478.40	
14.	**Net income for the year**		**5,074,934.26**	**1,896**
15.	Loss brought forward from prior year		0	–27,574
16.	Withdrawals from the capital reserve		0	22,931
17.	Withdrawals from revenue reserves			
	a) from the reserve for treasury stock		0	33
	b) from other revenue reserves		0	2,714
18.	**Retained earnings**		**5,074,934.26**	**0**

CENIT Aktiengesellschaft Systemhaus, Stuttgart

ANALYSIS OF FIXED ASSETS for Fiscal Year 2004

in EUR	Acquisition and production cost				Accumulated amortization/depreciation				Book value	
	Jan. 01, 2004	Additions	Disposals	Dec. 31, 2004	Jan. 01, 2004	Additions	Disposals	Dec. 31, 2004	Dec. 31, 2004	Dec. 31, 2003
I. Intangible assets										
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	895,498.80	81,282.34	0	976,781.14	792,376.80	66,872.04	0	859,248.84	117,532.30	103,122.00
II. Property, plant and equipment										
1. Buildings on third-party land	738,322.91	43,546.42	103,010.83	678,858.50	274,916.65	83,615.14	100,227.74	258,304.05	420,554.45	463,406.26
2. Technical equipment and machines	5,882,666.60	458,095.64	108,422.46	6,232,339.78	5,377,347.45	362,830.36	102,257.96	5,637,919.85	594,419.93	505,319.15
3. Other equipment, furniture and fixtures	533,873.58	105,339.28	59,790.42	579,422.44	400,181.68	101,341.09	59,074.13	442,448.64	136,973.80	133,691.90
	7,154,863.09	**606,981.34**	**271,223.71**	**7,490,620.72**	**6,052,445.78**	**547,786.59**	**261,559.83**	**6,338,672.54**	**1,151,948.18**	**1,102,417.31**
III. Financial assets										
Shares in affiliated companies	4,348,050.60	0	0	4,348,050.60	4,319,969.18	0	0	4,319,969.18	28,081.42	28,081.42
	12,398,412.49	**688,263.68**	**271,223.71**	**12,815,452.46**	**11,164,791.76**	**614,658.63**	**261,559.83**	**11,517,890.56**	**1,297,561.90**	**1,233,620.73**

CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR 2004

A. General

These financial statements have been prepared in accordance with Secs. 242 et seq. and Secs. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the AktG ["Aktiengesetz": German Stock Corporation Act]. The Company is subject to the requirements for large corporations. The standards of the German Accounting Standards Committee e.V., Berlin, (GASC) have been observed to the extent that they are relevant to the financial statements of the Company.

B. Accounting and Valuation Methods

The following accounting and valuation methods, which have remained unchanged in comparison to the prior year, have been used to prepare the financial statements.

Purchased **intangible assets** are capitalized at acquisition cost and, if they have a limited life, are amortized on a straight-line basis over their useful lives. Additions are amortized on a pro rata temporis basis.

Property, plant and equipment are capitalized at acquisition or production cost as required by tax law and, if they have a limited life, are reduced by systematic depreciation.

Amortization and depreciation are recorded over the customary useful life using the straight-line method. Pursuant to Sec. 6 (2) EStG ["Einkommensteuergesetz": German Income Tax Act], low-value assets with a value not exceeding EUR 410 were fully depreciated in the year of acquisition with their immediate disposal being assumed.

Disposals are recorded at the book value of the date of disposal.

Financial assets are recognized at the lower of cost or market.

Work in process is valued at production cost or, if third-party services, at acquisition cost. Own work comprises direct labor and proportionate overheads for administration, write-downs and rent. To the extent necessary, inventory risks are accounted for by making appropriate allowances.

Merchandise is recognized at the lower of cost or market as of the balance sheet date.

Receivables and other assets are stated at their nominal value. All identifiable specific risks were taken into account in the valuation. A general allowance of 1% (prior year: 1%) was established for the general bad debt risk for trade receivables.

Securities are valued at the lower of cost or market.

Accruals account for all foreseeable risks and contingent liabilities and are recorded at the amounts required according to prudent business judgment. The accrual for general warranties was set up for the first time in the reporting year at 0.5% of sales. Accruals of EUR 200 k have been recognized to cover cases of individual warranty. **Liabilities** are recorded at the amount repayable.

Currency Translation

To determine the acquisition cost of affiliated companies, amounts in foreign currencies were translated at the exchange rate of the date of acquisition.

Receivables and liabilities in foreign currency are translated at the exchange rate of their date of inception; if the exchange rate on the balance sheet date is lower for receivables or higher for liabilities, they are valued at the exchange rate prevailing on the balance sheet date.

The portfolio of **derivative financial instruments** as of December 31, 2004 and their valuation is as follows:

Derivative	Nominal amount	Fair value	Balance sheet items disclosed	Amount disclosed
Interest swap	2,000,000 EUR	-16,974.22 EUR	Accrual for potential losses	16,974.22 EUR
Double-barrier option	393,701 EUR/ 500,000 USD	-99.00 EUR	No disclosure on the balance sheet	–
Single-barrier option	787,402 EUR/ 1,000,000 USD	-3,416.00 EUR	Other liabilities	7,300.00 EUR

C. Notes to the Balance Sheet and Income Statement

I. Balance Sheet

1. Fixed Assets

The development of the fixed asset items is presented separately in the analysis of fixed assets.

2. Financial Assets

The information on equity investments is shown in the attachment to the notes. FIG. 34

By agreement dated June 1, 2004, CENIT sold CENIT SYSTEMHAUS HOLDING (CSH) INC., Montreal (Canada), and CENIT CANADA INVESTMENTS (CCI) INC., Montreal (Canada), to a Canadian group of investors for a symbolic purchase price of EUR 15 k to avoid any costs of winding up.

3. Inventories

Own work included in work in process comprises consulting and other services only, which were valued at production cost. In addition to direct costs, it includes allocable overheads and write-downs. General and administrative expenses were capitalized pro rata temporis.

Merchandise essentially comprises hardware acquired for projects. Individual items were written down in the case of slow-moving stock or reduced usability.

4. Receivables and Other Assets

Other assets include tax refund claims of EUR 16 k.

5. Prepaid Expenses

The debt discount of EUR 8 k has been written off in full on account of repayment of the principal debt (prior year: EUR 10 k).

6. Equity

Share Capital

The share capital of the Company is unchanged since January 1, 2002 at EUR 4,183,879.00 and is fully paid in. It is split into 4,183,879 shares of EUR 1 each. The shares are made out to the bearer and are all common shares.

Authorized Capital I

With the approval of the supervisory board, the management board was authorized to increase the Company's share capital once or several times by a maximum amount of EUR 400,000 in total until May 1, 2005 by issuing new individual no-par value bearer shares (common stock) for contributions in cash or kind (authorized capital I). The shareholders had to be offered a stock option. However, the management board was authorized to preclude fractional amounts from the shareholders' stock options. In addition, the management board was authorized to decide on further details of the capital increase with the approval of the supervisory board. The authorized capital I was reversed by resolution of the shareholders' meeting on June 17, 2004.

Authorized Capital II

Upon approval by the supervisory board, the management board was authorized to increase the Company's share capital once or several times by a maximum amount of EUR 572,800.00 in total until July 1, 2004 by issuing new individual no-par value bearer shares (common stock) for contributions in cash or kind (authorized capital II). Subject to the approval of the supervisory board, the management board was authorized to exclude statutory subscription rights of the shareholders for the purpose of acquiring companies or equity investments in companies; companies or equity investments in companies may only be acquired if the business objective of the target company essentially lies within the scope of the Company's

FIG. 34

LIST OF EQUITY INVESTMENTS

	NAME AND LOCATION OF REGISTERED OFFICES	Currency	Equity investment in %	Share capital in thous., local currency	Equity in thous., local currency	Net income/loss
1	Cenit (Schweiz) AG, Frauenfeld/Schweiz	CHF	90.00	500	571	71
2	CENIT North America Inc., Rochester Hills/USA	USD	100.00	25	178	65

business objective pursuant to Art. 2 (1) of the articles of incorporation and bylaws. To the extent that the authorization for exclusion of stock options is not exercised pursuant to sentence 2, the management board may preclude fractional amounts from the shareholders' statutory subscription rights. The management board was authorized to decide on further details of the capital increase subject to the approval of the supervisory board.

Following the capital increases made in 2000, the authorized capital II amounted to EUR 416,121.

The authorized capital II was reversed by resolution of the shareholders' meeting on June 17, 2004.

Authorized Capital III

With the approval of the supervisory board, the management board was authorized to increase the Company's share capital once or several times by a maximum amount of EUR 400,000 in total until May 1, 2005 by issuing new individual no-par value bearer shares (common stock) for contributions in cash or kind (authorized capital III). Subject to the approval of the supervisory board, the management board was authorized to preclude the statutory subscription rights of the shareholders for the purpose of acquiring companies or equity investments in companies; companies or equity investments in companies may only be acquired if the business objective of the target company essentially lies within the scope of the Company's business objective pursuant to Art. 2 (1) of the articles of incorporation and bylaws. To the extent that the authorization to preclude stock options is not exercised, the management board may preclude fractional amounts from the shareholders' statutory subscription rights. The management board was authorized to decide on further details of a capital increase subject to the approval of the supervisory board.

The authorized capital III was reversed by resolution of the shareholders' meeting on June 17, 2004.

New Authorized Capital

The management board is authorized, with the consent of the supervisory board, to increase the share capital of the Company once or in several installments to a total amount of EUR 2,091,939 (authorized capital) up until June 16, 2009, by issuing up to 2,091,939 new no-par value bearer shares in return for contributions in cash or in kind. The shareholders must be granted subscription rights. The new shares may also be offered to one or several banks as well as one or more enterprises operating pursuant to Sec. 53 (1) Sentence 1 or Sec. 53b (1) Sentence 1 or (7) KWG ["Gesetz über das Kreditwesen": German Banking Act] with the obligation of offering them for sale to the shareholders (indirect subscription right).

The management board is authorized, with the approval of the supervisory board, to preclude the shareholders' statutory subscription rights

- for a part amount totaling EUR 972,800.00 for capital increases in return for contributions in kind for the purpose of acquiring companies or equity investments in companies; companies or equity investments in companies may only be acquired if the business objective of the target company essentially lies within the scope of the Company's business objective pursuant to Art. 2 (1) of the articles of incorporation and bylaws.

- for a part amount totaling EUR 418,387.00 for capital increases in return for contributions in cash to issue the new shares at an issue price not significantly lower than the stock market price (Sec. 186 (3) Sentence 4 AktG).

If the management board does not make any use of the above authorizations to preclude subscription rights, the shareholders' subscription rights may only be precluded for fractional amounts.

The management board is authorized, with the approval of the supervisory board, to determine the other details concerning performance of capital increases from authorized capital, including the further content and terms and conditions of the issue of shares.

The supervisory board is authorized to adjust Art. 5 of the articles of incorporation and bylaws after utilization of authorized capital after expiry of the authorization period following performance in part or in full of the increase in share capital and, if the authorized capital has not been used or not used in full by the end of June 16, 2009.

Conditional Capital

The conditional capital comprises the following as of the balance sheet date: FIG. 35

The share capital was conditionally increased by a maximum of EUR 120,000 (conditional capital) by the issue of up to 120,000 individual no-par value bearer shares (common stock). The conditional capital increase was intended to grant conversion rights to the bearers of convertible bonds issued in accordance with authorization by the shareholders' meeting on July 14, 1999.

The **convertible bonds** could only be offered to a group of CENIT Group employees, consisting of employees of CENIT Aktiengesellschaft Systemhaus (group 1), members of the management of group companies (group 2) and employees of group companies (group 3). A total of up to 95.75% of the convertible bonds could be issued to group 1, up to 1.25% to group 2, and up to 3.0% to group 3.

The conversion right could be exercised at the earliest two years after the convertible bonds were issued.

FIG. 35

CONDITIONAL CAPITAL

	Number	EUR
Conditional capital		
Stock option plan	**260,000**	**260,000**

Furthermore, the conversion right could only be exercised if one of the following criteria was fulfilled:

- Adjusted for possible capital measures taken by the Company in the meantime, the average closing share price of the common stock on the Frankfurt stock exchange on the last five trading days before start of the conversion period amounted to at least 135 percent of the share price of CENIT Aktiengesellschaft Systemhaus on the date of the management board's decision to issue the convertible bond.

- Adjusted for any dividend payments, options, and other special rights having occurred in the meantime, the development of the CENIT share between issue of the convertible bond and exercise of conversion rights was at least 15% higher than the development of the German Neuer Markt venture index (rolled forward using statistics) over the same period of time.

The closing share price on the date of the management board's resolution was authoritative for the value of the CENIT share on the date of issue of the convertible bond. The authoritative price for the convertible bond issued was EUR 46.00.

None of the performance criteria were fulfilled in 2004 up to repayment on the maturity date September 6, 2004. The entry in the commercial register has not been deleted yet.

Stock Option Plan

By resolution of the shareholders' meeting on June 19, 2002, the Company increased its share capital by up to EUR 260,000.00 by issuing up to 260,000 individual no-par value bearer shares (common stock). The conditional capital increase is exclusively intended to grant shares to bearers of options which the management board was authorized to issue on the basis of the resolution by the shareholders' meeting on June 19, 2002 ("stock option plan 2002"). The conditional capital increase is only to be carried out to the extent that the bearers of the options exercise their rights, which were granted on the basis of authorization by the shareholders' meeting on June 19, 2002. In each case, the new shares will participate in profits from the beginning of the fiscal year in which they are created by exercising stock options. The management board is authorized to decide on further details of the conditional capital increase and its implementation with the approval of the supervisory board.

The options may only be offered to CENIT Group employees, consisting of members of the management board of CENIT Aktiengesellschaft Systemhaus (group 1), employees of CENIT Aktiengesellschaft Systemhaus (group 2), members of the executive bodies of affiliated companies as defined by Secs. 15 et seq. AktG (group 3), and employees of affiliated companies as defined by Secs. 15 et seq. AktG (group 4). A total of up to 20% of the options may be issued to group 1, up to 50% to group 2, up to 10% to group 3, and up to 20% to group 4. The options may be exercised at the earliest two years after up to 50% of the options have been issued, at the earliest three years after up to 80% have been issued, and at the earliest four years after up to 100% of the options have been issued.

Furthermore, options may only be exercised if one of the following criteria is fulfilled:

- Adjusted for possible capital measures taken by the Company in the meantime, the average closing share price of the common stock on the Frankfurt stock exchange on the last five trading days before the beginning of the vesting period amounts to at least 135 percent of the Company's share price on the date of the decision taken by the management board or the supervisory board to issue the stock options, or

- Adjusted for any dividend payments, options, and other special rights having occurred in the meantime, the development of the CENIT share between issue and exercise of the stock options is at least 15% higher than the development of the NEMAX-ALL-SHARE Performance Index (rolled forward using statistics) over the same period of time.

The closing price of the Company's common stock on the XETRA (Exchange Electronic Trading) platform (or a functionally comparable successor system taking the place of the XETRA system) on the date of the decision taken by the management board or the supervisory board to issue stock options shall be the decisive factor for determining the value of the CENIT share on the date the options are issued.

The options are not transferable and can only be exercised by the entitled persons. In the event of death, however, the entitled person's statutory heirs may inherit the stock options.

The options have a term to maturity of six years. If the options cannot be exercised before the end of their term, they automatically expire at the end of their term, in particular without requiring a corresponding contract of declaration of expiry from the Company.

The stock options plan was not used up to the balance sheet date.

FIG. 36

CAPITAL RESERVE in EUR

Capital Reserve -unchanged-	
December 31, 2004	**418,387.90**

FIG. 37

OTHER REVENUE RESERVES in EUR

Other Revenue Reserves -unchanged-	
December 31, 2004	**1,154,834.48**

FIG. 38

RETAINED EARNINGS in EUR

January 1, 2004	0.00
Net income for the year	5,074,934.26
December 31, 2004	**5,074,934.26**

7. Capital Reserve - unchanged -

see: FIG. 36

8. Revenue Reserves

Other revenue reserves - unchanged -

see: FIG. 37

9. Retained Earnings

see: FIG. 38

10. Accruals

Other accruals essentially comprise accruals for personnel expenses (EUR 3,443 k), rent for unused office and storage space (EUR 1,470 k), general and specific warranties (EUR 555 k) and for outstanding supplier invoices (EUR 605 k).

11. Liabilities

The **remaining terms of liabilities due to banks** are as follows: FIG. 39

All other liabilities are due within one year.

Trade payables are subject to customary retentions of title to the delivered assets.

Other liabilities break down as follows: FIG. 40

FIG. 39

LIABILITIES DUE TO BANKS

	Dec. 31, 2004 EUR	Dec. 31, 2003 EUR k
Due within 1 year	2,183,464.60	3,248
Due in 1 to 5 years	0.00	240
	2,183,464.60	**3,488**

FIG. 40

OTHER LIABILITIES

	Dec. 31, 2004 EUR	Dec. 31, 2003 EUR k
Tax liabilities	1,453,208.52	1,140
Liabilities related to social security	615,571.39	579
Sundry other liabilities	158,526.86	175
	2,227,306.77	**1,894**

II. Income Statement

1. Sales

96% of the sales were effected within Germany, 3% in other EU countries and 1% in other countries. FIG. 41

2. Other Operating Income

Other operating income includes income from insurance premium refunds, rental income from subletting, income from a distribution agreement and from the release of accruals.

3. Other Operating Expenses

Total other operating expenses rose by 2.8% to EUR 12 million compared to the prior year. Other operating expenses are mainly composed of rent and rent incidentals, vehicle costs, travel expenses, commissions and marketing expenses.

4. Financial Result

Other interest and similar income includes interest from bank balances and interest credit notes from affiliated companies amounting to EUR 4 k (prior year: EUR 61 k). Other interest income relating to other periods amounted to EUR 12 k (prior year: EUR 0 k).

5. Proposal for the Appropriation of Profits

The management board and supervisory board of the Company propose the following appropriation of profits to the shareholders' meeting: FIG. 42

FIG. 41

SALES

	2004 EUR	2003 EUR k	Change EUR k	%
Services	38,536,185.84	33,925	4,611	13.6
Merchandise	21,541,407.48	18,590	2,951	15.9
Software	4,729,696.99	9,169	-4,439	-48.4
License fees	4,959,922.23	4,395	565	12.8
Commission	3,296,823.57	2,707	590	21.7
	73,064,036.11	**68,786**	**4,278**	**6.2**

FIG. 42

APPROPRIATION OF PROFITS in EUR

Retained earnings	5,074,934.26
Dividend distribution (30 cents per 4,183,879 participating shares)	-1,255,163.70
Addition to the revenue reserves	-3,800,000.00
Profit carryforward	**19,770.56**

D. Other Notes

1. Personnel

An average of 449 (prior year: 419) members of staff were employed during the fiscal year, of which 16 (prior year: 17) were trainees.

2. Contingent Liabilities and Other Financial Obligations

The **other financial obligations** relate to **rent and lease agreements** and amount to EUR 12 million.

3. Company Boards

The following persons have been appointed as **members of the management board:**

- Andreas Schmidt (Dipl.-Ing.), Ebersbach - Spokesman of the Management Board - (e-business, e-engineering)
- Hubertus Manthey (Dipl.-Ing.), Pliezhausen, (Personnel, Marketing, Investor Relations), Deputy Spokesman of the Management Board
- Christian Pusch (Dipl.-Wirt.-Ing.), Waldachtal, (Finance, Organization)

The **supervisory board** members are:

- Falk Engelmann (Dipl.-Ing.), Management Consultant, Leinfelden-Echterdingen, Chairman
- Hubert Leypoldt (Dipl.-Kfm.), German Public Auditor, Tax Advisor, Legal Counsel), Dettingen/Erms, Deputy Chairman
- Dr. rer. pol. Dirk Lippold, Managing Director, Berlin

Norbert Fink (Dipl.-Ing., management consultant, Metzingen) is a substitute member for the supervisory board members Engelmann, Leypoldt and Dr. Lippold pursuant to Art. 10 (3) of the Company's articles of incorporation and bylaws subject to the condition that Mr. Fink is made a member of the supervisory board if one of the supervisory board members elected by the shareholders resigns before the end of the term of office, and that Mr. Fink is again appointed substitute member when the shareholders' meeting appoints a new supervisory board member for the member replaced by Mr. Fink.

Management board remuneration totaled EUR 948,838.00 in the fiscal year. In accordance with the articles of incorporation and bylaws, the supervisory board received EUR 67,500.00 in remuneration for its activities.

The D & O insurance was continued in fiscal 2004 for management board members, supervisory board members as well as other executives. The Company pays premiums for the supervisory board members up to an annual total of EUR 10,000.00.

As of the balance sheet date, the management board held 662,854 shares, i.e. 15.9% of the Company's share capital. Supervisory board members hold 160,800 shares (3.9%).

4. Changes at Shareholder Level

The Company received several notifications in accordance with Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from Baden-Württembergische Kapitalanlagegesellschaft mbH in the course of the fiscal year. In its most recent letter dated June 16, 2004, Baden-Württembergische Kapitalanlagegesellschaft announced the following:

"Ladies and Gentlemen,
In accordance with Sec. 21 (1) WpHG, we hereby notify you of the fact that our voting rights in CENIT AG Systemhaus, Industriestrasse 52- 54, D-70565 Stuttgart, Germany, exceeded the threshold of 5% of our separate trust assets on June 16, 2004 and now amount to 5.14%. Of those, 2.44% are allocable to us pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

Yours sincerely,
Baden-Württembergische
Kapitalanlagegesellschaft mbH"

By letter dated January 30, 2004, Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte notified the Company that its voting rights had fallen below the 5% threshold. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

"Ladies and Gentlemen,
We are writing to notify you that the share of voting rights held by Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte in CENIT AG fell below the threshold of 5% as of January 23, 2004 and now amounts to 4.97%.

Yours sincerely,
Dr. Hepp
Deputy managing director"

In a letter dated March 21, 2003, Norbert Fink notified the Company of the fact that his voting rights now amount to 8.27%. The notification pursuant to Sec. 41 (2) Sentence 1 WpHG reads as follows:

"Ladies and Gentlemen,
Correcting my notification dated April 3, 2002 in accordance with Sec. 41 (2) WpHG, I would like to notify you of the following:

Correcting my notification dated April 3, 2002, I am writing to announce in accordance with Sec. 41 (2) Sentence 1 WpHG that the share of my voting rights in CENIT AG totaled 8.27% as of April 1, 2002. Of those, 0.96% are allocable to me pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

Yours sincerely,
Norbert Fink"

By e-mail dated April 21, 2004, Mr. Rüdiger Passehl announced that his share of voting rights has fallen below 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

"Dear Sirs,
I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of my voting rights in CENIT AG fell below the threshold of 5% on April 20, 2004 and now amounts to 4.99%.

Yours sincerely,
Rüdiger Passehl"

E. Group Relationships

Pursuant to Sec. 292 a HGB, the Company prepares exempting consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

F. Declaration Pursuant to Sec. 161 AktG on the German Corporate Governance Code

The management board and supervisory board of the Company have issued the declaration for 2004 required by Sec. 161 AktG and made it available to the shareholders.

Stuttgart, February 7, 2005

CENIT Aktiengesellschaft Systemhaus
The management board

Hubertus Manthey *Andreas Schmidt* *Christian Pusch*

G. AUDIT OPINION

We have issued the following opinion on the annual financial statements and the management report, which was combined with the group management report:

"We have audited the annual financial statements, together with the bookkeeping system, and the management report, which was combined with the group management report, of CENIT Aktiengesellschaft Systemhaus, Stuttgart, for the fiscal year from January 1 to December 31, 2004. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with German principles of proper accounting. On the whole, the management report provides a suitable understanding of the Company's position and suitably presents the risks to future development."

Stuttgart, March 11, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Göhner	Laing
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

CORPORATE GOVERNANCE CODEX

Declaration of the Executive Board and Supervisory Board of CENIT AG Systemhaus in line with Article 161 of the German Stock Corporation Act (AktG)

I. General comments on the German Corporate Governance Code

The principles of value-oriented and transparent corporate management and controlling have recently become increasingly important for the assessment and valuation of listed companies. The German Federal Minister of Justice tackled this issue in September 2001 with the convening of the Government Commission of the German Corporate Governance Code under the chairmanship of Dr Gerhard Cromme. The Government Commission approved the German Corporate Governance Code on February 26, 2002 and has since adapted it. Through the decla-ration of conformity in line with Article 161 of the AktG (added as a result of the Transparency and Publicity Act introduced on July 26, 2002) the Code has a legal basis. On the basis of Article 161 of the AktG, all listed companies are obliged to declare conformity with the requirements of the German Corporate Governance Code and explain any deviations from requirements (comply or explain). The particular aim of this is to fulfil the expectations of international investors.

The Executive Board and Supervisory Board of CENIT AG Systemhaus welcome the template for the German Corporate Governance Code and have decided to ensure widespread implementation of, and compliance with, the rules of the Code in the CENIT Group. CENIT AG Systemhaus thus demonstrates that responsible, value-oriented corporate management and controlling thereof are a top priority in the CENIT Group.

II. Regulation levels of the German Corporate Governance Code

The Code comprises three regulation levels:

1. Statutory regulations pertaining to the valid company law on the management and monitoring of listed companies; they are binding for all public limited companies in Germany and therefore do not form part of the declaration of conformity.

2. Requirements in the form of recommendations which take into account nationally and internationally recognised standards of conduct; they are part of the declaration of conformity as defined in Article 161 of the AktG, i.e. the companies can in essence deviate from the Code, but are obliged to disclose this annually (comply or explain).

3. Suggestions from the Code Commission for good and responsible corporate management and monitoring which are formulated with expressions such as "should" or "can" and for

which no disclosure of deviation in line with Article 161 of the AktG is required.

III. Regulation areas of the German Corporate Governance Code

The German Corporate Governance Code governs the following areas:

- Shareholders and shareholders' meeting
- Interaction of Executive Board and Supervisory Board
- Executive Board
- Supervisory Board
- Transparency
- Accounting and auditing.

As a listed public limited company, CENIT AG Systemhaus is conscious of the fact that the shareholders provide the necessary growth capital and therefore bear an entrepreneurial risk. Extensive transparency, open and prompt communication with investors, efficient risk management, compliance with stock exchange regulations and corporate management which focuses on the creation of value growth are therefore already essential elements of CENIT's corporate philosophy.

CENIT AG Systemhaus already fulfils the high reporting standards required as a result of admission to the Prime Standard of the regulated market. CENIT AG Systemhaus therefore already complies with a number of the recommendations of the German Corporate Governance Code.

IV. Declaration of conformity in line with Article 161 of the German Stock Corporation Act pertaining to the German Corporate Governance Code in its current version dated May 21, 2003

The Executive Board and Supervisory Board of CENIT AG Systemhaus declare that the recommendations for a "Government Commission of the German Corporate Governance Code" published by the German Federal Minister of Justice in the official part of the electronic Federal Gazette have been and are complied with, subject to the exceptions outlined below. Current and future deviations from the Code are defined below. The relevant text from the Code is shown in italics.

1. Section 2.3.1, Clause 3 of the Code (publication on the internet of statutory reports and documents required for the shareholders' meeting)

   The Executive Board shall not only publish the reports and documents required by law for the shareholders' meeting, including the Annual Report, and distribute them to shareholders upon request, but shall also publish them on the company's website, together with the agenda.

   CENIT AG Systemhaus has complied with this recommendation since its invitation to the third annual shareholders' meeting of the company on June 20, 2001.

2. Section 2.3.3, first half of Clause 3 of the Code (appointment of a proxy with voting instructions)

   The Executive Board shall ensure the appointment of a proxy so that the voting right of the shareholders is exercised according to instruction;

   CENIT AG Systemhaus has not complied with this recommendation in the past. Provisions were made for the appointment of a proxy with voting instructions from the 2003 shareholders' meeting onwards.

3. Section 3.8, Clause 3 of the Code (deductible for D&O insurance)

If the company concludes a D&O insurance policy for the Executive Board and Supervisory Board, an appropriate deductible shall be agreed.

CENIT AG Systemhaus has not complied with this recommendation in the past. The property damage liability insurance for company managers (D&O insurance) concluded for the members of the Executive Board and Supervisory Board of the company and executive bodies of the consolidated majority subsidiaries does not cover any wilful breaches of obligations, but only those committed in negligence. No deductible for negligent breaches of obligations is planned until further notice.

4. Section 3.10 of the Code (report on the Corporate Governance of the company in the annual report)

   The Executive Board and Supervisory Board shall report on the Corporate Governance of the company annually in the annual report. This also includes explaining any deviations from the recommendations of this Code. Opinions can be given on suggestions made in the Code.

   CENIT AG Systemhaus will comply with this recommendation in future.

5. Section 4.2.3, Clause 8 and 9 of the Code (main elements of the remuneration system)

   The main elements of the remuneration system and the specific structure of a stock option plan or similar structures for components with a long-term incentive effect and risk element shall be published on the company's website in a generally comprehensible form and explained in the annual report. This shall also include information on the value of stock options.

   CENIT AG Systemhaus does not comment on the remuneration system either on the website or in the annual report. There are no stock options.

6. Section 4.2.4 of the Code (information on the remuneration of members of the Executive Board in the Group financial statements)

   The remuneration of the members of the Executive Board shall be reported in the notes to the Group financial statements, broken down into the fixed component, performance-related components and components with a long-term incentive effect. The remuneration of individual members of the Executive Board shall be indicated.

   The remuneration of the members of the Executive Board of CENIT AG Systemhaus has to date been posted as a lump sum in the notes to the Group financial statements. There are no plans to change this - widely established - practice.

7. Section 5.3.1, Clause 1 of the Code (formation of committees)

   Regardless of the specific circumstances of the company and the number of employees, the Supervisory Board shall form committees with specialist skills.

   The Supervisory Board does not form committees on a regular basis, but as and when the need arises.

8. Section 5.3.2, first half of Clause 1 of the Code (formation of an audit committee)

   The Supervisory Board shall set up an audit committee,

   Due to the small number of members, the Supervisory Board does not form a specific audit committee.

9. Section 5.4.5, Clause 4 of the Code (remuneration of members of the Supervisory Board)

    In addition to a fixed remuneration, the members of the Supervisory Board shall receive a performance-related remuneration.

    CENIT AG Systemhaus complied with this recommendation in the past, to the extent that Article 14, Paragraph 1 of the original memorandum and articles of association included provisions for performance-related remuneration in addition to the fixed remuneration. The shareholders' meeting of CENIT AG Systemhaus held on May 31, 2000 amended Article 14 Paragraph 1 of the memorandum and articles of association, which since then has only included the fixed remuneration for the members of the Supervisory Board. There are no plans to change this clause of the memorandum and articles of association.

10. Section 5.4.5, Clause 6 of the Code (information on the remuneration of members of the Supervisory Board in the Group financial statements)

    The remuneration of the members of the Supervisory Board shall be posted in the notes to the Group financial statements, broken down into individual members and by components. The remuneration of the members of the Supervisory Board of CENIT AG Systemhaus has to date been posted as a lump sum in the notes to the Group financial statements. There are no plans to change this - widely established - practice.

11. Section 5.4.5, Clause 7 of the Code (information on the remuneration of members of the Supervisory Board in the Group financial statements)

    Remunerations or benefits for personal achievements, particularly consultancy or brokering work, paid by the company to members of the Supervisory Board, shall be specified separately in the notes to the Group financial statements broken down into individual members.

    Work performed by members of the Supervisory Board outside the remit of their duties within the Supervisory Board were remunerated in accordance with legislation and jurisdiction and to date not reported in the notes to the Group financial statements. There are no plans to change this - widely established - practice.

12. Section 7.1.2, second half of Clause 2 of the Code (publication of interim reports)

    ‚the interim reports shall be available to the public within 45 days of the end of the reporting period.

    CENIT AG Systemhaus failed to comply with this recommendation twice in 2002, but has complied with it since 2003.

Executive Board and Supervisory Board of CENIT AG Systemhaus
Stuttgart, August 2004

Andreas Schmidt, Spokesman of the Exec. Board
Hubertus Manthey, Member of the Executive Board
Christian Pusch, Member of the Executive Board

Falk Engelmann, Chairman of the Supervisory Board
Hubert Leypoldt, Member of the Supervisory Board
Dr Dirk Lippold, Member of the Supervisory Board