

REPORT ON THE FIRST QUARTER 2001 / CENIT AG SYSTEMHAUS

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CENIT AG SYSTEMHAUS

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1ST QUARTER OF 2001 AT A GLANCE

	1 st quarter 2001	1 st quarter 2000
	mill. EUR	mill. EUR
Sales	30.98	14.41
Gross profits	17.79	10.10
Operating returns (EBIT)	-1.73	-0.79
Group results	-2.02	-0.47
Result per share	EUR -0.483	-0.1184
Number of employees at end of period	877	470



DEAR SHAREHOLDERS,

It was not only the year 2000 that was marked by heavy seas on the Neuer Markt in Frankfurt; the first quarter of the year 2001 will also be remembered for powerful fluctuations in the trading index. As long as declines of more than 11 per cent persist on the Neuer Markt, an end of the general stock market downturn is certainly not in sight. In many cases, investors and analysts are talking about a market in a process of consolidation, where the chaff will be separated from the wheat.

Given the fact that the price for the CENIT stocks last year paralleled the Nemax All Share Index, we can observe from today's vantage point that the CENIT shares have proven to be stable. Contrary to the general downward trend on the Neuer Markt, the CENIT shares have even been able to ring up a moderate rise. We are presuming that we can continue to anticipate an ongoing climb.

In the first three months of the year, analysts' assessments for CENIT ranged from "cumulate" to "outperformer." These evaluations by market insiders confirm our own estimates.

As was announced in our Annual Report for 2000, the CENIT Group is further refining its organizational structure. The previous business units – CAD/CAM Solutions, IT Services and e-business – are being reorganized in two new business units – e-engineering

and e-business. We are sure that the internationalization launched last year can thus be implemented in a more effective and customer-oriented fashion. Proof of this is a contract with the EADS Airbus Group, which we received in January, jointly with our Spring Technologies subsidiary in France. Exploiting these synergies on the international stage and the integration of our foreign subsidiaries will continue to be one of our most pressing tasks this year.

The highlight of the first quarter was, as always, the CeBIT, the world's largest computer trade fair, held annually in Hannover. For the first time CENIT appeared before an interested professional audience with a booth in Main Hall 1 and another booth in Hall 21. More than 700 potential customer contacts represent positive feedback at the Fair.

Sincerely yours,

Falk Engelmann
Chairman of the Executive Board

DEVELOPMENTS IN BUSINESS AND RETURNS

CENIT Group developments in the course of the first quarter were in line with our expectations. Conclusive comparisons with the previous year are rendered difficult since the corporation today, in the wake of internationalization efforts carried out in the year 2000, is an entirely different entity. Sales revenue for the CENIT Group showed a rise by 115 per cent, to EUR 30.98 million (2000: EUR 14.41 million). Here the CENIT AG Systemhaus Deutschland realized sales revenue of EUR 22.72 million and, when compared to the previous year, that represents a rise of 57 per cent. The CENIT Group's gross profits also rose, by 76 per cent to EUR 17.79 million (previous year: EUR 10.10 million). Operating returns (EBIT) for the CENIT Group declined with a shortfall of EUR 1.73 million (EUR -792,000 last year). This shows that the traditionally cyclical nature of business at CENIT has not changed with the addition of the foreign subsidiaries. The reasons for the burdens on profits include the rise in personnel expenditures, outlays for the integration of the subsidiaries and ongoing weak business activity in the UK and Switzerland.

NEW ORDERS

Growth prevailed again in orders received. With contracts valued at EUR 23.57 million it was possible to ring up an increase of 32 per cent in comparison with the same period last year.

The successes of recent years are the reasons why major firms such as BMW, Alliance insurance, LBS state building societies, Alstom, Bombardier, Boeing, VW and Kärcher – all of whom are long-term clients – are continuing to put their faith in CENIT. In addition to numerous follow-up contracts from these customers it was also possible to win over strategically important new clients in the first three months of the year. Thus CENIT is providing consulting support to the EADS Airbus Group in the development of the

new A380 super-jumbo jet and the wide-bodied A400M cargo carrier. The Jungheinrich AG, one of the world's largest manufacturers of industrial trucks, will be placing its bets on the CAD/CAM duo – CATIA-ENOVIA – made by IBM and Dassault Systèmes. The new CATIA Version 5 will be implemented by the CENIT AG Systemhaus which will, in addition, train all the engineers and make available its wide-ranging IT know-how. The international contract between Jungheinrich and CENIT, which will also include the production sites in England and France, represents a single-digit million figure and is the kick-off for more intensive partnership between the two companies. CENIT UK was successful in finalizing a contract in the e-business sector with Eurocopter, the British aviation company. In addition, CENIT Switzerland was successful in landing a consulting and launch order from Credit Suisse, a major Swiss bank, covering security and monitoring for a document management system. In France CENIT is supplying to car maker RENAULT the Prescient QA system, used to carry out quality analyses for items projected using CATIA.

HUMAN RESOURCES

While 870 employees were counted among the permanent staff at the CENIT AG, it was possible to note a repeated increase in the number of employees even in the first quarter of 2001. Around the world 877 employees are associated with the CENIT Group (as against 470 employees on March 31, 2000). These are distributed as follows: 539 are in the employ of CENIT Deutschland, 15 at CENIT Switzerland, 32 in England, 145 in France and 146 in North America.

In addition, the CENIT AG Systemhaus Deutschland has achieved recognition as a training organization and is planning to set up ten further apprenticeship positions and 8 company training positions in the year 2001.

THE CENIT AG SYSTEMHAUS HAS RESTRUCTURED ITSELF

With the opening of the new year, the previous business units – CAD/CAM Solutions, IT Services and e-business – were reorganized as to the e-engineering and e-business units.

The e-engineering business unit concentrates on the needs and requirements of industrial customers and on CAE and e-engineering technologies. Its efforts include services and consulting in the fields of e-design, e-manufacturing, product data management, infrastructure services and e-engineering consulting. The e-business unit concentrates on service firms such as commercial, banking and insurance companies, and on public agencies and utilities companies. It renders services in management consulting, in electronic data management, collaborative commerce, systems management, infrastructure and e-business consulting.

The structures of the two business units are identical. It is on the basis of the installed hardware and the infrastructure that products, technologies and services appropriate to the particular clientele are offered.

Concentration on these two business units makes quite clear the attention which the CENIT pays to their customers' wishes and requirements. This guarantees a high degree of innovative capacity for the

two customers segments – industrial and services. In addition, the synergies and competitive advantages for all the companies in the CENIT Group can be optimally employed. As a consequence of this change, the segment report reflects a split of the turnover between the two business units at 66 per cent for e-engineering and 34 per cent for e-business.

INTERNATIONALIZATION

Just like CENIT Switzerland, the companies acquired last year – L&H Consultants in North America, Desktop Engineering Ltd. in England, and Spring Technologies S.A. in France – will build world-wide recognition with the uniform CENIT brand name. Our global presence will make it possible to respond even more intensely to the needs of those clients operating at international scale and to win over and support important new customers at these new locations. As regards the market challenges for the companies in England and Switzerland, depicted in previous reports, we are confident that we have installed the appropriate monitoring and steering instruments. Further successes and the next steps in the expansion of our international activities are planned and will be implemented in the very near future.

CORPORATE PROFIT AND LOSS STATEMENT

	1 st quarter 2001	1 st quarter 2000	Change	Change
	mill. EUR	mill. EURO	in absolute Terms	%
1. Sales	30,975	14,408	16,567	115
2. Other operating income / changes in inventory	1,166	1,554	-388	
3. Overall performance	32,141	15,962	16,179	101
4. Cost of materials	14,348	5,862	8,486	145
5. Gross profits	17,793	10,099	7,694	76
6. Personnel expenditures	12,637	7,447	5,190	70
7. Other operating expenses	5,534	2,956	2,578	87
8. EBITDA	-378	-304	-74	24
9. Depreciation on intangible assets and tangible assets	967	488	479	98
10. EBITA	-1,345	-792	-553	70
11. Depreciation on goodwill	387	0	387	
12. Operative results (EBIT)	-1,732	-792	-940	119
13. Financial results	-155	106	-261	-246
14. Results of ordinary operations	-1,887	-686	-1,201	175
15. Extraordinary expenses/income	-18	0	-18	
16. Pre-tax profits (EBT)	-1,905	-686	-1,219	178
17. Taxes	137	-213	350	-164
18. Result before shares held by other shareholders	-2,042	0	-474	331
19. Profit or loss share for other shareholders	21	0	21	
20. Corporate results	-2,021	-474	-1,548	327
Results per share	EUR	-0.4830	-0.1184	

CONSOLIDATED BALANCE SHEET

	march 31 ^e 2001	march 31 ^e 2000
	mill. EUR	mill. EUR
ASSETS		
Fixed assets		
Intangible assets	24,554	199
Tangible assets	5,453	3,442
Financial assets	208	0
Deferred taxes	561	920
	30,777	4,561
Current assets		
Inventories	6,655	2,826
Accounts receivable	31,718	15,597
Securities	3	520
Liquid assets	1,771	13,074
	40,147	32,017
Deferred charges and prepaid expenses	877	138
	71,801	36,716
LIABILITIES		
Shareholders' equity		
Subscribed capital	4,184	4,000
Contingent capital	33,141	16,963
Foreign currency reserves	-132	21
Retained earnings	2,769	4,780
Balance-sheet profit	-3,012	-451
Convertible debentures	10	14
	36,960	25,327
Shares held by other shareholders	-72	0
Special items with share for provisions	0	0
Provisions	1,880	3,439
Deferred taxes	258	0
Liabilities		
Convertible debentures	85	94
Liabilities due to banks	15,661	2,524
Trade liabilities and other liabilities	17,028	5,332
	32,774	7,950
	71,801	36,716

CASH FLOW STATEMENT FROM JANUARY 1ST TO MARCH 31ST, 2001

	1 st quarter 2001	1 st quarter 2000
	mill. EUR	mill. EUR
Quarterly results	-2,021	-451
Depreciation on fixed asset items	967	488
Depreciation on goodwill	387	0
Changes in reserves	-2,078	-169
Disposal of fixed asset items	-161	0
Changes in inventories	-1,306	-1,252
Changes in trade receivables and other asset items	6,931	4,844
Changes in pre-payments received, liabilities from bills of exchange, trade liabilities and other liabilities	-4,023	-766
Inflow of funds from current business	-1,304	2,693
Expenditures for investments in fixed assets	-1,008	-705
Expenditures for acquisitions of companies	0	0
Outflow of funds due to investment activity	-1,008	-705
Securities and own shares	0	-520
Changes in financial assets	-36	0
Contributions for increase in capital stock	0	0
Changes in liabilities due to banks	1,769	-3,923
Changes in foreign currency reserves	-5	13
Distribution to shareholders	0	0
Inflow of funds from financing activity	1,728	-4,430
Changes in funds with effect on payment	-584	-2,442
Funds at the beginning of the period	2,355	15,517
Funds at the end of the period	1,771	13,074

PROSPECTS

CENIT is at present redoubling its initiatives in regard to expanding industry-specific know-how and even today can point to promising new customer potentials which could culminate in concrete project contracts in the second quarter. In addition, renowned companies are to a greater extent drawing upon the services provided by CENIT and are promoting it to the outside world in a way which is of market relevance. At the same time, CENIT is on the point of a world-wide marketing announcement associated with a globally renowned brand name. All these activities are paving the way for CENIT to develop a positive profile, distinguishing it from the gray mass of companies traded on the Neuer Markt.

At the same time we are expanding our investor relations and press activities, having conducted numerous meetings with analysts and shareholders. A road show in London drew great attention; we met with more than 20 fund managers. Events within the capital markets and individual discussions with potential investors have already been planned for the second quarter.

We are assuming that turnover projections and the profits expectations for the second quarter will lie within the framework staked out in our planning.

In addition, our declared objective is to become the world's leading system integrator in the field of e-engineering and, in parallel, to advance to become Germany's premier service provider in the e-business sector.

It is on this basis that CENIT foresees distinct growth for the current business year. In concrete terms, Group turnover is to rise by about 33 per cent to EUR 160 million; here we are striving for an EBITA of EUR 6 million. The operating results (EBIT) are projected to lie at EUR 46 million. Gross profit is projected to rise by 39 per cent. The CENIT AG Systemhaus in Germany will continue to be the driving force here. The company is anticipating EUR 114 million in turnover for 2001 in Germany, at operative returns (EBIT) of EUR 3.6 million.