# ANNUAL REPORT 2002

CENIT AG SYSTEMHAUS

# CONTENT

# PREFACE

# DEAR SHAREHOLDERS, BUSINESS PARTNERS, CUSTOMERS AND INTERESTED PARTIES,

CENIT has completed a difficult but nevertheless successful year. In 2002 the overall economic situation in Europe and particularly in Germany has influenced our business to a massive extent. Despite this, positive developments could be seen in many areas of CENIT. We have once again established ourselves as a competent partner for our customers in the area of Product Lifecycle Management (PLM). Our own software products were also very successful in 2002. We were able to hold or extend our position in several areas of business. It is worthy of note that we had already received an extension of individual orders from many customers in December 2002. In DaimlerChrysler an important new customer was won for the e-business division in the area of IT Outsourcing and the operation of individual applications.

The overall result for CENIT Deutschland before non-recurring effects is balanced. In view of the general conditions that is a good result. We reached the figures forecast and posted a considerable improvement of the operating result from quarter to quarter.

It is time to look ahead, for the worst should now be behind us. We are aware of the risks and have gone about tackling them. The discontinuation of non-recurring charges and the positive revenues from the restructuring work implemented will underpin our upward trend in 2003. For the new 2003 financial year we anticipate that positive trends will predominant and lead to an improvement of results. The objectives are to concentrate on core business, maintain sustained awareness of costs and ensure the greatest possible degree of process efficiency.

Dear shareholders, business partners, customers and interested parties, we have seen that our business model enables a considerable improvement of our results even in difficult times. Our sense for the needs of our clients and our well-considered positioning on the market have kept CENIT on the right track, one we intend to continue in 2003. This will enable us to make use of the opportunities that will present themselves to CENIT in better times even faster.

Dear shareholders, with its admission to the Deutsche Börse's Prime Standard we anticipate greatly increased confidence in the CENIT share. We also anticipate a considerable rise in our share price to come hand in hand with the progress we predict for the current financial year, supported by the positive development of results at CENIT.

We thank you for your confidence!

*The Executive Board*

CATIA

DELMIA

ENOVIA

SMARTEAM

IBM

TIVOLI

LOTUS

WEBSPHERE

FILENET

DASSAULT

SAP

MYSAP

PLM

# COMBINED MANAGEMENT REPORT

CENIT AKTIENGESELLSCHAFT
SYSTEMHAUS, STUTTGART

# COMBINED MANAGEMENT REPORT FOR 2002

## GLOBAL ECONOMIC DEVELOPMENT

The global economy is currently experiencing a period of instability. Uncertainty about the future of the economy has increased significantly against the backdrop of the Iraq conflict, the related rise in oil prices and the collapse of the stock market. Economic growth has stagnated in the USA since the spring of 2002, and the initial soar in production in emerging countries in Eastern Asia has also dropped off again recently. While the economic situation in the euro zone has recovered somewhat, the growth rate remains at a low level. In Japan, the real gross domestic product improved slightly.

The global economy is expected to remain at this modest level in the coming months. Investor and consumer uncertainty surrounding prospects for the future will not disappear overnight. We assume that the economy will gradually recover its buoyancy – not least as a result of the expansive monetary policy that prevails. This recovery will, however, be limited – mainly because the wave of consolidation in the private and public sectors is still ongoing. On the whole, the real gross domestic product rose by just 1.3% in the industrialized countries in 2002. Growth of 2.2% is forecast for 2003. This will lead to a gradual improvement on the global economic field of play.

Germany's economy is still rather weak. While the economy did stabilize in 2002 after the recession in the second half of 2001, there was no sign of a real upturn. This can be attributed to a combination of different factors. The drastic collapse in prices on the international share markets and the ensuing losses have inhibited consumer purchasing and made it more difficult for companies to obtain external financing.

This poor economic situation has been compounded by the Iraq conflict and the resulting rise in oil prices. At the same time economic growth in the USA has lost momentum since the spring of 2002 and the euro has gained ground against the dollar.

With preliminary modest growth and a low inflation risk, it can be assumed that the European Central Bank will maintain its current course until far into the year 2003.

In light of this fact, the German economy will probably not commence its gradual recovery until some time during the year 2003. A reviving global economy encourages the export trade. Also, consumers and investors will regain optimism as soon as stock prices stabilize and the situation in the Middle East returns to normal. Then the more favorable monetary framework will regain its role. However, these impulses are contrasted by a very restrictive finance policy. Unlike most of its counterparts, the German Institute for Economic Research (DIW) expects the economic situation in Germany to deteriorate in the course of the coming year. It predicts that the extremely restrictive finance policy will result in sustained stagnation, with an increase of just 0.6% in the gross domestic product in 2003. Economic policy must meet the challenge of helping to improve the growth and employment situation in the coming years.

This is absolutely necessary because, as the Institut der deutschen Wirtschaft (Institute for the German Economy – IW) in Cologne stated at the start of January 2003, the economy has seldom looked as bleak at the start of a new year. At the end of each year, the IW collects the forecasts of 44 of the main German industrial associations. 18 of these associations expect production figures to fall in 2003 while 19 expect the economy to stagnate. This poor result is similar to the poll figures recorded in the recession years 1992/1993.

Neutral observers agree, however, that the German automotive industry will not experience such a bad year. A rise in incoming orders indicated that “automotive construction will soon be back on the path to growth”, according to the IKB in Düsseldorf (industrial bank in Germany), for example. The Ifo institute in Munich also concluded with regard to the automobile industry that “an upward trend would develop gradually in the course of 2003”. This is significant in light of the fact that 55% of CENIT's customers come directly or indirectly from the automotive industry.

## DEVELOPMENT OF THE IT INDUSTRY

Consulting, services and software are the areas in the IT sector which will allow for further growth in the next year in the whole of Western Europe. This was the conclusion reached by the European Information Technology Observatory in its study for 2002. However, almost all of the signals for the IT sector for 2003 contained in the EITO industry list for the IT market in Europe at the end of October 2002 were of a pessimistic nature.

In general, the information technology market (IT) in Western Europe and in Germany is worse hit by the economic slump than the telecommunications sector. Sales on the German IT market are even expected to fall by 1.7% to EUR 70.3 billion in 2003, while a break-even result is expected for the whole of Western Europe with sales of EUR 319.3 billion. The hardware producers are all suffering to the same extent. Nevertheless, certain areas are expected to grow in Western Europe in 2003 compared to 2002. It is still possible to make a profit with software and IT services in Western Europe. According to BITKOM there is a trend towards smaller, less expensive IT projects which make a fast profit. The main objective for IT investments is still as fast return on investment.

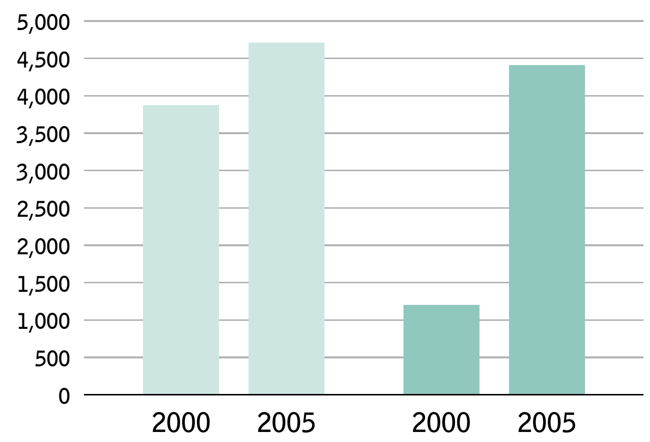
Strategies such as product lifecycle management (PLM), i.e. managing a product from its conception to the recycling phase, are regarded as the future of the manufacturing industry with enormous potential for double-figure growth for IT companies with PLM know-how. CENIT is one of the most important German consulting companies in this field. Although PLM is a relatively young discipline in the field of corporate management, analysts and experts are already speaking about a shift in paradigms in the manufacturing industry. PLM does not merely entail an individual application, but a strategy which integrates available CAD applications with enterprise resource planning (ERP) and solutions for customer relationship management (CRM) and supply chain management (SCM). Meta-Group estimates the annual sales increase at around 20% worldwide. The American market research institute CIMdata has forecast a global market volume of eleven billion US dollars. CIMdata believes that the main reason for the implementation of PLM concepts is the trend towards more specialization in the processing industry. Another important IT market for CENIT is outsourcing. While this market lacked dynamism in the past year, it developed into a growth market in 2002. Compared with the rest of the IT service market, the Meta-Group sees it as one of the main growth drivers for the coming years (13% p.a.).  However, this revival in outsourcing differs from the initial wave, which involved the outsourcing of infrastructure to data processing centers. Today, the trend is towards selective outsourcing, i.e. outsourcing the operation of software solutions and the assumption of responsibility by external IT consultants. This selective outsourcing favors companies like CENIT which have specific know-how in the field. For example, CENIT supports DaimlerChrysler with the operation of web applications in the automobile Group and manages the PLM applications at BMW.

## CAD/CAM AND PLM MARKET IN EUROPE - 2002 STUDY

SALES TREND,
INFORMATION IN
MILLIONS OF EUROS
{source: PAC, Pierre Audoin Conseil}

AVERAGE
BUSINESS GROWTH
PER YEAR

4,3 % CAD/CAM
26,4 % PDM/PLM




## POSITIONING AND STRATEGY OF THE CENIT GROUP

CENIT's headquarters are located in Stuttgart (Germany) and the Company is present in the most important areas of industrial concentration. The German market is consequently the most important pillar. In addition, the American market is served by a branch in Troy, which works as a selling agency for the current customers in Detroit. There are also subsidiaries in France and Switzerland which were part of the consolidated group in the reporting period.

CENIT AG Systemhaus is a service provider for IT. The Group has more than 580 employees. With a focus on product life cycle and document management solutions and IT outsourcing, CENIT's two business units, e-engineering und e-business, offer tailor-made consulting services and one-stop solutions. CENIT was founded in 1988 and now regards itself as one of the best-known consulting and service providers for product life cycle management solutions and document management. CENIT's focus is on business process optimization and computer-aided design and development technologies.

CENIT's key accounts include companies from the automobile industry, engineering and the aerospace industry, as well as financial services providers, utilities and trading companies. The service portfolio ranges from the selection of suitable hardware and software to implementation at the customer and comprehensive IT consulting services such as training, support or outsourcing.

CENIT has become one of the leading consulting firms for product life cycle management (PLM) in conjunction with its cooperation partners IBM, Dassault Systèmes and SAP. CENIT is the top partner and service provider for the development software CATIA, a program for computer-aided design in the manufacturing industry. Its services range from the selection of suitable PLM software to process chain consulting and the introduction of PLM solutions at the customer as well as extensive PLM and IT outsourcing services. CENIT's reputation as the largest FileNet partner in Europe is also becoming more significant for its e-business segment. The consolidation process on the market is yielding new market potential for CENIT as far as document management is concerned. The developments in the e-business segment are supported by the success in IT outsourcing. The system house has successfully established ties with well-known customers such as BMW, Allianz, Mann+Hummel, VW, VR Kreditwerke, Wüstenrot & Württembergische as reliable partners.

### E-ENGINEERING BUSINESS UNIT

The e-engineering business unit focuses on product life cycle management (PLM). PLM accompanies the entire life cycle of a product. From the first idea to product development and the set up of production as well as product changes and maintenance management, PLM groups all partners involved into a uniform process chain and gives them access to up-to-date product data. CENIT's PLM solutions optimize product development by integrating all data and business processes. CENIT makes internal and external cooperation a reality. Among other things, this includes solutions integrated in CATIA for all common processes for manufacturing. With the digital manufacturing solutions from DELMIA, CENIT also offers high-performance tools for planning and simulation of production systems and processes. The product data management offering includes the product portfolio of ENOVIA and SMARTEAM as well as the integration of CATIA in mySAP PLM. This is rounded off by a vast range of services – from the provision of infrastructure to management consulting.

### E-BUSINESS BUSINESS UNIT

The e-business segment records around 25% of the sales in the CENIT Group. In this segment, CENIT markets and implements document management software from FileNet. CENIT AG Systemhaus is the largest ValueNet partner of FileNet in Europe, a certified e-business partner of IBM and a premier partner of Lotus. We expect the business to benefit from the disappearance of competitors in the long term. Other activities of the e-business segment include systems management (sale and implementation of Tivoli software to monitor and operate IT infrastructures) and IT outsourcing. Consequently, CENIT provides outsourcing services both in the e-engineering and e-business segments. The costs of the systems management business unit were adjusted because of poor capacity utilization and low demand on the market, and it was merged with the IT infrastructure business unit. The management consulting business unit was dissolved.

## BUSINESS DEVELOPMENT OF THE CENIT GROUP IN 2002

### DEVELOPMENT OF THE RESULTS

Group sales of CENIT amounted to EUR 94.0 million (prior year 2001: EUR 118.9 million/-21%). The drop in sales resulted partly from restructuring the Group in the fiscal year 2001 and the related separation of foreign subsidiaries in North America and UK, which no longer belonged to the consolidated group in 2002. Also, concentration on the consulting business has led to a drop in sales of hardware. The gross profit for the Group fell by 23% to EUR 52 million. CENIT reached turnaround with its EBITDA, at a figure of EUR 2.3 million in 2002 (prior year 2001: -EUR 2.9 million/+179%).

CENIT AG Systemhaus, Germany, achieved sales of EUR 75.8 million in the reporting year (prior year 2001: EUR 87.3 million/-13%). While EBITDA just broke even in the prior year, the result improved substantially in 2002 to EUR 2.0 million. As a result of amortization of financial assets of EUR 7.3 million, most of which related to the book value of the investment in SPRING, and the amortization of a loan of EUR 1.7 million for Cenit Switzerland, the German company recorded EBIT of EUR -8.6 million (prior year 2001: EUR -3.4 million/ -152%). Without these special effects, CENIT recorded positive EBIT of EUR 0.5 million in Germany. The net loss for the year is EUR -8.9 million (prior year 2001: EUR -18.7 million/ +52%).

CENIT performed an annual impairment test of the goodwill of the French subsidiary, SPRING Technologies, and decided – in light of the current market situation – to write off the remaining goodwill of EUR 5.3 million using systematic amortization. Group EBIT thus totals EUR -5.4 million (prior year 2001: EUR -7.8 million/ +31%). After taking the financial result of EUR -0.4 million into account, group earnings before taxes (EBT) amounts to EUR -5.7 million (prior year 2001: EUR -17.4 million/ 67%). Group earnings per share in accordance with IFRS total EUR -1.77 (undiluted in accordance with IAS 33).

## ORDERS ON HAND

Incoming orders in the CENIT Group totaled EUR 72.1 million in the fiscal year 2002. Orders on hand for the Group as of December 31, 2002 amounted to EUR 17.3 million.

***Orders of particular significance:***

At the CeBIT trade fair in March, Bm Form Tec Fertigungsgesellschaft signed an order to CENIT for the introduction of the design software CATIA V4/V5. Replacing the existing CAD workstations with CATIA V4/V5 is a necessary and innovative step for Bm Form Tec to equip its design and development division, and also constitutes an opportunity to continue guaranteeing Europe's leading automotive manufacturers and suppliers top quality and reliability.

This was followed by the international automobile supplier, Edscha AG, implementing a product life cycle management (PLM) system on the basis of mySAP PLM on a global scale. This order is especially important, not just from a point of view of the order volume for CENIT's product data management (PDM), but also because it shows that CENIT is represented in the innovative growth market PDM/PLM with appropriate services and has experienced continued success.

In addition, the e-business segment this year assumed the overall IT responsibility for the smooth introduction and operation of the complete processing of the international mail order firm Schäfer Shop GmbH. The order includes a wide range of phases from the IT concept to the required hardware and software and realization and system support. Schäfer Shop is switching its entire processing system to FileNet eProcess workflow technology.

Airbus GmbH once again sought the help of CENIT in 2002 when developing the new large-capacity passenger plane A380 and the large-capacity freight plane A400M. Development of this mammoth project is based on product life cycle management (PLM) computer applications. Among other tasks, CENIT is responsible for training and technical support for PLM introduction.

In October, CENIT's e-business unit became general contractor for the introduction of the intray-controlled and process-oriented document management system of VOLKSWOHL BUND Versicherungen in Dortmund. With this contract with a sales volume of almost EUR 1 million, the insurance company relies on CENIT's solution skills. More than 300 employees at the insurance firm for life assurance and property insurance will work with the document management solution.

Almost simultaneously, the e-business segment took over the complete responsibility for support of the FileNet systems at METRO AG, Düsseldorf. This means that CENIT, which can offer FileNet's product and solution range, is the exclusive and strategic partner for enterprise content management and document management solutions in the METRO Group. This order emphasizes CENIT's excellent positioning on the document management market and its well-founded process know-how in the trading sector.

DaimlerChrysler has also placed its trust in CENIT. CENIT assists the automobile manufacturer in project coordination, commissioning, operating optimization and ensuring the web operation of group-wide e-business applications. Applications developed at DaimlerChrysler are commissioned and maintained by CENIT.

Last but not least, other major orders were won in the USA. Ford Vehicle Operations in Allan Park, (MI), also decided in favor of the world leader in CAD software, CATIA. This is the automobile manufacturer's first CATIA license. The impetus for this groundbreaking order was provided by the additional software LaserCUT developed by CENIT, which is marketed in America by CENIT North America.

The motorbike engineers at Harley Davidson, with an age-old tradition stretching back almost 100 years, have also voted in favor of CATIA. The company recently concluded a contract with CENIT which also concerns the first CATIA license in conjunction with LaserCUT.

These two orders show that the specialized software developed by CENIT (LaserCUT, CUT4AXES, cPost, MB5AXES) is in great demand on the US market. The positioning of the CENIT subsidiary as a service provider for product life cycle management is therefore very fortunate.

To conclude, our long-term regular customers such as BMW, VW, Allianz, AGIS, Hugo Boss, AXA, REWE, METRO, Quelle, TRW, Bosch, Kärcher or Alstom awarded long-term and major contracts to CENIT once again in 2002.

## MANAGEMENT BOARD AND SUPERVISORY BOARD

Falk Engelmann stepped down from the management board on July 31, 2002 and took up office on the supervisory board. Mr. Engelmann is one of the five founding members. Mr. Engelmann was responsible for CENIT's e-engineering business unit.

Andreas Schmidt has assumed the operative tasks which used to be performed by Falk Engelmann. He has also assumed the position of chairman for the management board. Continuity in the management board is guaranteed by Hubertus Manthey, board member for personnel, marketing and investor relations, and Andreas Schmidt, both of whom were founding members of CENIT in 1988. The finance division is managed by Christian Pusch, who joined CENIT in June 2002. Christian Pusch, Dipl. Wirtschafts-ingenieur, aged 42, was appointed as a member of the management of CENIT AG Systemhaus with effect from June 1, 2002. Christian Pusch has several years of management experience in international companies.

The chairman of the supervisory board, Dr. Axel Sigle, stepped down on July 31, 2002 from his position as member of the supervisory board of CENIT.
CENIT AG Systemhaus would like to take this opportunity to thank Dr. Axel Sigle for his fine contribution. His high level of dedication was a major contribution to the successful development of CENIT and he will continue to be available to the Company in an advisory role.

## CAPITAL EXPENDITURE

The CENIT Group's capital expenditure in property, plant and equipment and intangible assets amounted to EUR 873 k in 2002 (prior year: EUR 3,542 k). Most of the money was invested in expanding the technical infrastructure and in furniture and fixtures. In comparison to the previous year, capital expenditure fell by 75%.

Scheduled depreciation of property, plant and equipment and amortization of intangible assets dropped by EUR 2,628 k to EUR 2,335 k.

## EQUITY INVESTMENTS

### CENIT (SWITZERLAND) AG

Cenit (Switzerland) AG did not reach break-even in the past fiscal year either. As a result, cost-cutting measures were introduced in the middle of the year. Sales total EUR 2.4 million and the contribution to Group sales amounts to EUR 2.1 million. The net loss amounts to EUR 0.3 million. In order to prevent overindebtedness, CENIT AG issued a letter of subordination for the loan granted to Cenit (Switzerland) AG. CENIT AG set up a specific bad debt allowance for the loan of EUR 1.7 million including accumulated interest and for the equity investment of EUR 0.3 million. We expect Cenit (Switzerland) AG to break-even in 2003.

### SPRING TECHNOLOGIES S.A., FRANCE

In 2002 the economic situation deteriorated in France too. This also affects the companies of Spring Technologies S.A. in France. Both performance and result were down on the prior year. The Spring group of companies recorded sales of EUR 16.8 million and a loss of EUR 0.3 million. We are only expecting a minor improvement for the Spring group in 2003. As a result, we have decided to write off the equity investment in full (EUR 7 million).

## CENIT NORTH AMERICA

The positioning of the CENIT subsidiary as a service provider for product life cycle management has been a success in North America. The specialized software developed by CENIT (LaserCUT, CUT4AXES, cPost, MB5AXES) is in great demand on the US market. The selling office in the USA recorded sales of EUR 0.8 million and EBIT of EUR 0.02 million.

## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The financial statements for 2002 of CENIT AG Systemhaus are influenced by special effects. Total assets fell from EUR 36.9 million to EUR 18.6 million. The main reason for this was the decrease in financial assets after the write-down of the equity investments in France and Switzerland of EUR 7.3 million and the specific bad debt allowance on the loan of EUR 1.7 million to Cenit (Switzerland) AG.

The action initiated will influence the debt/equity ratio of CENIT AG Systemhaus this year too. The equity ratio dropped from 34.6% in 2001 to 20.7%. Equity amounted to EUR 3.9 million at the end of 2002 (prior year 2001: EUR 12.8 million), i.e. 92% of subscribed capital. Despite forecasts for a difficult fiscal year, we assume that subscribed capital will be restored in full in 2003 and that the equity situation will improve. The management board also assumes that the measures implemented in 2002 have taken into account all equity investments risks and that no more precautionary measures are necessary. Bank liabilities were reduced considerably by EUR 6.3 million, from EUR 12.6 million in 2002 to EUR 6.3 million in 2003. This was made possible by stringent cash management. Trade receivables and other assets fell by EUR 8.9 million to EUR 12.5 million. Cash and cash equivalents amounted to EUR 1.9 million as of December 31, 2002 (prior year 2001: EUR 3.2 million).

The consulting services section at CENIT AG Systemhaus constituted 43% of sales, followed by sales of merchandise of 38% and commission, software and licenses of 19%. The gross margin increased to 53.4% (prior year 2000: 51%). Total gross profit decreased at a lower rate than sales at 11.3%.

Personnel expenses at CENIT AG Systemhaus were cut by 16.6%. Measures to cut personnel expenses which were already initiated in mid-2001 and further measures introduced in 2002 will have positive effects in 2003. We believe that the measures concluded in the personnel department in 2002 will be sufficient to improve the Company's earning power, and that no further personnel measures will be necessary in 2003.

## EMPLOYEES

The number of employees as of December 31, 2002 is 558 for the Group (2001: 649) and 419 within Germany (2001: 493). The average for the year is 583 for the Group and 435 employees in Germany. The number of employees at the end of the year is as follows in the individual countries: Germany: 419 (2001: 493), France: 126 (2001: 139) and Switzerland: 13 (2001: 17). Group-wide, the workforce was thus reduced by 14%.

Cost-savings in the personnel department helped to improved our result. Due to layoffs, we have made severance payments on a small scale. The average employee age in Germany is 36. Over 70 % of our employees have a university degree, for the most part in informatics or engineering. At 11%, fluctuation is much lower than in 2001. In 2001 this figure stood at 16%. Absence due to illness is at a very low level.

Since December 2002, our employees in Germany can take part in a company pension scheme in the form of a pension trust fund and direct insurance. Apart from low administration costs, CENIT has no additional costs to bear.

**Development of CENIT Share**

CENIT share ratios for 2002

| 2002 | 1 year |
|---|---|
| Daily volume | 4.526 |
| Performance | -31 % |
| High | 4.45 |
| Low | 2.20 |

Status as of Dec. 31, 2002

| | |
|---|---|
| Security number | 540710 |
| ISIN | DE0005407100 |
| Symbol | CSH |
| Exchange | Xetra |
| Current price | 2.35 |
| Time | 12:27 |
| Date | Dec 2002 |
| 52-week high | 4.45 |
| 52-week low | 2.20 |


NEMAX ALL SHARE AS A BENCHMARK FOR THE DEVELOPMENT OF THE CENIT SHARE

■ NEMAX ALL SHARE
■ CENIT share

Despite the difficult conditions in 2002, the share does not appear to have lost its attraction for many investors. The Handelsblatt newspaper reported in December 2002 that “two out of three investors are currently increasing their amount of shares”. However, stock picking is becoming increasingly more important than the general performance of an index. According to another forecast, “Fund managers have to look out for individual shares with high potential. That way, they will record respectable profits even when times are bad”. The CENIT share could benefit from this strategy.

CENIT's presence in the media increased once again in 2002. This is reflected in over 150 articles, 69% of which appeared in financial newspapers and periodicals.

In line with the current situation on the stock market, and despite sustained unwillingness on the part of investors to invest in companies listed on the Neuer Markt segment, we have been able to change some of the valuation analyses of the research institutes from a recommendation to keep the share to a recommendation to buy.

Now that we are listed in the Prime Standard segment, we expect new impetus for the stock exchange and thus for the development of CENIT's share price.

In 2003 we will continue to assist our analysts in a timely and open manner, and plan to extend our contacts to investors and analysts. There are currently research reports on CENIT from five different analysts (AC Research, Concord Effekten Bank, BW Bank, Independent Research and Aktiencheck.de).

CENIT feels committed to the Corporate Governance Code and will comply with the disclosure regulations of Deutsche Börse this year too.

## RESEARCH & DEVELOPMENT

CENIT converges consulting and the implementation of standard software by leading makers. Own product development involves customizing standard software only, for instance in the case of special customer wishes. CENIT regards itself as an IT consulting firm and not as a software house with an independent development department. The small number of internally developed products such as CALA, Tivoli Plus, CDI CATIA V5 Direct Interface for SAP, LaserCUT, CUT4AXES, cPost and VPMextensions serve to open up new target markets to us.

## RISKS TO FUTURE DEVELOPMENT

As an international group, CENIT is open to a large number of risks that are inextricably linked to entrepreneurial activity. At the same time, there are a large range of opportunities due to the Group's different business areas and regional locations. CENIT's aim is to exploit these opportunities to the full.
The risk management and early warning system in accordance with the guidelines of KonTraG [“Gesetz zur Kontroll und Transparenz im Unternehmensbereich”: German Law on Control and Transparency in Business] makes it possible to control the Company and detect risks at an early stage. A catalog of risks has been prepared, on the basis of which the risks for the current year were evaluated. This way, the management board is informed of significant risks and opportunities at an early stage.

The Company uses a number of control systems to measure, monitor and control risk. These systems are subject to constant optimization. They include a group-wide strategy, planning and budgeting process, which mainly examines operating opportunities and risks. Identified risks as well as risk-control measures set out in the strategy, planning and budgeting process are monitored.

The control and management of risks has produced successful results, for example concerning the approach to terms and conditions of agreements in various situations. Particularly with large projects, the soundness of agreements is examined. The same applies to dependence upon license partners with whom long-term agreements have been concluded.

Further growth and thus further economic success hinge on economic risks on the global markets and also, to a large extent, on the successful marketing of CENIT's range of solutions and consulting services and IT services. Some ways of achieving this are by increasing our own sales and consulting know-how and using strategic partnerships.

Two thirds of the CENIT Group's customers come from the manufacturing industry, mainly from automobile manufacturers and their suppliers. Fluctuations in the economic cycle of the automotive industry can, under certain circumstances, have an impact on the business situation of CENIT. However, CENIT is in a position to assist the automotive industry with rationalization measures. Also, the Company offers a wide range of services in several industries such as financial services providers, utilities and trading companies.

As a leading sales partner of IBM and Dassault Systèmes for their 3D PLM solution CATIA, CENIT records a great deal of its income either directly or indirectly from CATIA. This leads to a certain dependence on that system and on IBM and Dassault. To minimize this risk, we are also focusing on the PLM consulting business, which is not product-related. However, the proximity to IBM also gives us a competitive edge, enabling us to take on large projects in the automobile, shipbuilding and aerospace industry.

The Company has taken out insurance for possible claims for damages and liability related-risks. This ensures that any financial consequences from risk-related issues will be limited, or even excluded completely. The amount of insurance is examined continuously and adjusted as necessary.

Examination of the current risk situation has shown that there were no specific risks in the reporting period which would endanger the continued existence of the Company. Such risks are not expected for the future either, provided that business develops as expected. Furthermore there were no risks as of balance sheet date which could materially affect the net assets, financial situation and results of operations of the Company. The risk management and early warning system introduced in accordance with the requirements of KonTraG allows transparent control and early detection of risks.

## ANTICIPATED DEVELOPMENT AND OUTLOOK

In the past fiscal year CENIT confirmed its aim of achieving a positive operating result in Germany. The end result was only negative on account of the impairment carried out for subsidiaries.

CENIT expects sales for 2003 in Germany and the USA to develop similarly to 2002. The net result for the year is, however, expected to improve further.

As far as our foreign company in Switzerland is concerned, we expect sales to increase in line with the market situation and that break-even will be reached. The economic situation in France is rather difficult. For this reason, we have signed a letter of intent with the managing directors of Spring Technologies S.A. concerning a management buy-out. Contractual negotiations are currently underway.

CENIT's positioning as a product life cycle management (PLM) company and the acquisition of further market shares – especially in Germany – is one of our core objectives. CENIT feels that it has a promising position on these markets and is confident that it will record ample revenue from this segment. The introduction of the new version, CATIA V5, should also replace the prior version, CATIA V4, in the manufacturing industry by 2003 at the latest, thus generating impulses for CENIT.

CENIT regards itself as well positioned for success, despite the continuing difficulties in the e-business environment. Our service range, with FileNet and Groupware solutions, outsourcing and IBM Websphere solutions, is on course for profit in 2003. We assume that the consolidation process in the field of document management will open up new opportunities and that our prior experience with replacing competitor's products will convince potential customers. With our excellent references in outsourcing, in particular the operational support of individual applications at the customer, we expect customer projects to continue this year and profitability to increase significantly.

*March 7, 2003*
CENIT AG Systemhaus

PRODUCT LIFECYCLE MANAGEMENT
PRODUCT DATA MANAGEMENT
DOCUMENT MANAGEMENT
GROUPWARE
IT-INFRASTRUCTURE
PROCESS PLANING
OUTSOURCING
DIGITAL MANUFACTURING
SYSTEMS MANAGEMENT
HARDWARE
SOFTWARE DEVELOPEMENT
TRAINING
CONSULTING
SERVICES
OPERATION

# REPORT OF THE SUPERVISORY BOARD

# REPORT OF THE SUPERVISORY BOARD

The Supervisory Board has discharged the duties imposed upon it by the Law and the Articles of Association of CENIT AG Systemhaus in the 2002 financial year and supervised the Executive Board. The Supervisory Board was regularly informed about the company's business developments and of all important matters relating to the company in seven meetings, and by numerous written and oral reports submitted by the Executive Board. In addition, the Chairman of the Supervisory Board has been in regular contact with the Executive Board – particularly with the Chairman of the Executive Board – and has 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. Once again in the 2002 financial year, the Supervisory Board established no committees.

Central topics of discussion were the restructuring measures implemented, the liquidity situation of the company, its alignment to the market and the restructuring of the divisions of the Executive Board. In addition the Supervisory Board was concerned with personnel changes in the Executive Board and with matters of Corporate Governance. Following extensive consultation and debate on the implementation of the recommendations of the Government Commission of the German Corporate Governance Code a declaration of conformity was passed pursuant to Art. 161 of the German Stock Corporation Act. There were no conflicts of interest involving members of the Supervisory Board in the period under consideration.

On June 1, 2002 Mr Christian Pusch joined the Executive Board of the Company and assumed responsibility for the Finance division. Falk Engelmann, Chairman of the Executive Board and a founding shareholder of the company, moved from the Executive Board to the Supervisory Board of the Company, becoming Chairman there as of September 2002. Mr Andreas Schmidt assumed hereupon the responsibilities of the Chairman of the Executive Board. Mr Engelmann resigned from his mandate as a Member of the Executive Board as of July 31, 2002 and was appointed Member of the Supervisory Board by Stuttgart county court pursuant to Art. 104 para. 1 sentence 1 of the German Stock Corporation Act following the prior resignation of Dr. Axel Sigle from the Supervisory Board of the company as of July 31, 2002. The Supervisory Board thereupon elected Mr Engelmann as its new Chairman at its constituent meeting on September 12, 2002.

The Supervisory Board wishes to thank Dr. Sigle for his hard work over the years and for the great commitment he has shown to the company, through which he has made a significant contribution to the development of CENIT AG Systemhaus.

The present Annual Financial Statements, the Consolidated Annual Financial Statements and the combined Management and Group Management Report for the 2002 financial year have been audited under observance of the auditing focal points determined by the Supervisory Board by Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart, chosen by resolution of the Annual General Meeting on June 19, 2002 as statutory auditor and consequently appointed as such by the Supervisory Board.

The results of the audit show that the accounting and the Annual Financial Statements are in accordance with legal requirements and that the Annual Financial Statements provide a true and accurate representation of the assets, financial and earnings position of the company. The Management Report is in accordance with the Annual Financial Statements and gives an overall pertinent presentation of the course of business and the position of the company. The auditor issued its unqualified audit certificate on February 28, 2003.

The Consolidated Annual Financial Statements for the year 2002 and the Group Management Report were also examined by the auditor and have received an unqualified audit certificate. The Consolidated Financial Statements including the Cash Flow Statement and the Shareholders' Equity Statement thus provide a true and accurate representation of the assets and financial position of the Group as per December 31, 2002, as well as the profit situation and the cash flow of the expired financial year and are in line with the standards of the IFRS. The Group Management Report is in accordance with the Consolidated Annual Financial statements and gives an overall pertinent presentation of the development of the Group.

The Supervisory Board examined the Annual Financial Statements, the Consolidated Annual Financial Statements as well as the Management and Group Management Report and discussed these in detail at the balance sheet meeting of the Supervisory Board. The auditor participated in this meeting, at which it reported on the material results of its audit and answered questions. The Supervisory Board noted with approval the result of the audit. The Supervisory Board has approved the result of the auditor's examinations and determined that it has no objections to raise following the conclusion of its own analysis.

On March 24, 2003 the Supervisory Board ratified the Annual Financial Statements and Management Report presented by the Executive Board and approved the Consolidated Annual Statements.

The 2002 brought great changes in difficult economic times and placed large demands on the Members of the Executive Board and on the employees of the company. The Supervisory Board would like to express a special vote of thanks to you all.

*Stuttgart, March 2003*
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, Stuttgart

Consolidated Balance Sheet prepared in accordance with IFRS as of December 31, 2002

| in EUR '000 | Notes | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|---|
| **ASSETS** | | | |
| FIXED ASSETS | | | |
| Intangible assets | F1 | 265 | 6,100 |
| Property, plant and equipment | F2 | 2,038 | 3,279 |
| Financial assets | F3 | 201 | 181 |
| | | **2,504** | **9,560** |
| **DEFERRED TAX ASSETS** | F4 | **2,450** | **3,845** |
| CURRENT ASSETS | | | |
| Inventories | F5 | 2,954 | 2,870 |
| Trade receivables | F6 | 16,429 | 23,148 |
| Tax receivables | F8 | 105 | 2,011 |
| Other receivables | F7 | 276 | 470 |
| Securities | | 2 | 3 |
| Cash and cash equivalents | F9 | 2,450 | 3,571 |
| | | **22,216** | **32,073** |
| **PREPAID EXPENSES** | F10 | **349** | **50** |
| | | **27,519** | **45,528** |

| in EUR '000 | Notes | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| EQUITY | | | |
| Subscribed capital | F11 | 4,184 | 4,184 |
| Capital reserve | | 23,350 | 23,350 |
| Foreign currency reserve | | –90 | –53 |
| Revenue reserves | | 3,950 | 3,950 |
| Treasury stock | | –511 | –511 |
| Convertible bond | F12 | 3 | 6 |
| Net income/loss of the Group | | –22,613 | –15,219 |
| | | **8,273** | **15,707** |
| **MINORITY INTERESTS** | F13 | **0** | **0** |
| LIABILITIES (long-term) | | | |
| Deferred tax liabilities | F15 | 370 | 162 |
| Pension provisions | F14 | 154 | 154 |
| Long-term liabilities to banks | F16 | 431 | 432 |
| | | **955** | **748** |
| LIABILITIES (short-term) | | | |
| Short-term liabilities to banks | F16 | 6,151 | 12,936 |
| Trade payables | F17 | 5,586 | 7,773 |
| Other liabilities | F18 | 5,641 | 8,156 |
| Provisions | F12 | 422 | 208 |
| | | **17,800** | **29,073** |
| **DEFERRED INCOME** | I19 | **491** | **0** |
| | | **27,519** | **45,528** |

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Consolidated Income Statement according to IFRS for the fiscal year 2002

| in EUR '000 | Notes | 2002 | | 2001 |
|---|---|---|---|---|
| **1 Sales** | E1 | | **93,989** | **118,890** |
| 2 Changes in inventories | | | | |
| in finished goods and work in process | | | –1,001 | 1,263 |
| Total operating performance | | | 92,988 | 120,153 |
| Discontinuing operations | I2 | | 0 | 13,495 |
| Continuing operations | | | 0 | 106,658 |
| 3 Other operating income | E2 | | 460 | 1,085 |
| Operating performance | | | 93,448 | 121,238 |
| 4 Cost of materials | E3 | 41,335 | | 53,231 |
| 5 Personnel expenses | E4 | 34,863 | | 48,964 |
| 6 Amortization of intangible assets | | | | |
| and depreciation on property, plant and equipment | E5 | 7,617 | | 4,963 |
| 7 Other operating expenses | E6 | 14,925 | | 21,914 |
| | | | 98,740 | 129,072 |
| Operating result | | | –5,292 | –7,834 |
| Discontinuing operations | I2 | | 0 | –3,550 |
| Continuing operations | | | 0 | –4,284 |
| | | | | |
| 8 Other interest and similar income | E7 | 46 | | 38 |
| 9 Amortization of financial assets and | | | | |
| securities classified as current assets | | 1 | | 0 |
| 10 Interest and similar expenses | E8 | 477 | | 891 |
| | | | 432 | |
| **Result of ordinary activities** | | | **–5,724** | **–8,687** |
| | | | | |
| 11 Result through restructuring | E12 | | 0 | –8,671 |
| 12 Taxes on income | E9 | 4 | | –165 |
| 13 Deferred taxes | E9 | 1,603 | | –3,649 |
| 14 Other taxes | E10 | 63 | | 130 |
| | | | 1,670 | |
| | | | | |
| 15 Net loss for the year before minority interests | | | –7,394 | –13,674 |
| | | | | |
| 16 Minority interests | | | 0 | 0 |
| | | | | |
| **17 Net loss of the Group** | | | **–7,394** | **–13,674** |
| | | | | |
| Earnings per share (undiluted) in EUR | E11 | | –1.77 | –3.28 |
| Earnings per share (diluted) in EUR | E11 | | –1.77 | –3.28 |

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Consolidated Statement of Cash Flows (in accordance with IFRS)

for the period from January 1 to December 31, 2002

| in EUR '000 | 2002 | 2001 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Earnings before income taxes and deferred taxes | –5,787 | –17,488 |
| Adjusted for: | | |
| Amortization of intangible assets and depreciation of property, plant and equipment | 7,617 | 4,963 |
| Losses on the disposal of fixed assets | 322 | –5 |
| Extraordinary amortization/depreciation and losses from the disposal of deconsolidated companies | 0 | 9,278 |
| Other non-cash expenses and income | 0 | 255 |
| Interest income | –46 | –38 |
| Interest expenses | 477 | 891 |
| **Operating result before changes to net working capital** | **2,583** | **–2,144** |
| | | |
| Increase/decrease in trade receivables | | |
| and other assets | 8,505 | 14,314 |
| Increase/decrease in inventories | –84 | 2,479 |
| Increase/decrease in trade liabilities | | |
| and other short-term provisions and liabilities | –7,778 | –6,171 |
| **Cash flow from ordinary operations** | **3,226** | **8,478** |
| | | |
| Cash paid for interest | –477 | –891 |
| Cash received for interest | 46 | 38 |
| Cash paid for income taxes | –4 | 0 |
| **Cash flow before restructuring items** | **2,791** | **7,625** |
| | | |
| Proceeds from restructuring items | 0 | 306 |
| Cash payments from restructuring items (Assumption of liabilities) | 0 | –3,116 |
| **Net cash received from operating activities** | **2,791** | **4,815** |
| | | |
| **Cash flow from investing activities** | | |
| Formation of subsidiaries that are not consolidated | 0 | –12 |
| Purchase of property, plant and equipment and intangible assets | –873 | –3,542 |
| Proceeds from the disposal of property, plant and equipment | 12 | 80 |
| Increase in other loans | –23 | –9 |
| **Net cash paid for investing activities** | **–884** | **–3,483** |
| | | |
| **Cash flow from financing activities** | | |
| Cash proceeds (+) from long-term bank loans | 431 | 0 |
| Cash payments (–) from long-term bank loans | –3,433 | –96 |
| Change in convertible bond | –15 | –16 |
| **Net cash paid for financing activities** | **–3,017** | **–112** |
| | | |
| **Net increase/decrease in cash and cash equivalents** | **–1,110** | **1,220** |
| **Cash and cash equivalents at the beginning of the period** | **3,571** | **2,355** |
| **Net increase/decrease in cash and cash equivalents** | **–1,110** | **1,220** |
| **Effect on cash and cash equivalents of changes in exchange rates** | **–11** | **–4** |
| **Cash and cash equivalents at the end of the period** | **2,450** | **3,571** |

CENIT Aktiengesellschaft Systemhaus, Stuttgart
Consolidated Statement of Changes in Shareholders' Equity (in accordance with IFRS)
for the period from January 1, 2002 to December 31, 2002

| in EUR '000 | Subscribed capital | Capital reserve | Currency reserve | Revenue reserve | Treasury shares | Net result of the Group | Convertible bonds | Total |
|---|---|---|---|---|---|---|---|---|
| As of January 1, 2001 | 4,184 | 36,504 | –138 | 2,769 | –511 | –480 | 10 | 42,338 |
| Adjustment IFRS 8.31 | 0 | 0 | 0 | –50 | 0 | 0 | 0 | –50 |
| January 1, 2001 after adjustment IFRS 8.31 | 4,184 | 36,504 | –138 | 2,719 | –511 | –480 | 10 | 42,288 |
| Transfer to revenue reserves | | | | 1,235 | | –1,235 | | 0 |
| Adjustment purchase accounting due to reversal North America | | | | | | 324 | | 324 |
| Adjustment currency reserve purchase accounting | | | | | | –183 | | –183 |
| Adjustment consolidated result Spring | | | | | | 29 | | 29 |
| Change in equity interest in convertible bond | | | | | | | –4 | –4 |
| Change in minority interests | | | | –4 | | | | –4 |
| Currency change | | | 85 | | | | | 85 |
| Net income for the Group | | | | | | –13,674 | | –13,674 |
| Change in capital reserve purchase accounting | | –13,154 | | | | | | –13,154 |
| **As of December 31, 2001** | **4,184** | **23,350** | **–53** | **3,950** | **–511** | **–15,219** | **6** | **15,707** |
| **As of January 1, 2002** | **4,184** | **23,350** | **–53** | **3,950** | **–511** | **–15,219** | **6** | **15,707** |
| Change in equity interest in convertible bond | | | | | | | –3 | –3 |
| Currency change | | | –37 | | | | | –37 |
| Net income for the Group | | | | | | –7,394 | | –7,394 |
| **As of December 31, 2002** | **4,184** | **23,350** | **–90** | **3,950** | **–511** | **–22,613** | **3** | **8,273** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART FOR THE FISCAL YEAR 2002

## A. Commercial Register and Business Objective of the Company

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

The business objective of the subsidiaries is to provide all types of services in the field of introduction and operation of information technology, to sell and market information technology software and systems. The Company may acquire companies and investments in companies if the target company operates in the field of software and information technology.

## B. Accounting and Valuation Methods

The consolidated financial statements of CENIT Aktiengesellschaft Systemhaus, Stuttgart, have been prepared and published based on the International Financial Reporting Standards (IFRS) and management released them to the supervisory board on March 14, 2003 for publication.

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 or EUR '000. The balance sheet date is December 31, 2002.

The consolidated financial statements are based on uniform accounting and valuation principles. The International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and applicable as of the balance sheet date were used.

The application of specific IAS is mentioned below in the details on the individual items.

The consolidated financial statements also meet the requirements of Sec. 292 a HGB [“Handelsgesetzbuch”: German Commercial Code] for exempting consolidated financial statements. Any deviation from the accounting, valuation and consolidation methods of consolidated financial statements pursuant to Secs. 290 et seq. HGB is summarized under I.2. unless it is stated in the details on the specific items.

The financial statements and subgroup 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.

FIG. 1

CENIT Aktiengesellschaft Systemhaus, Stuttgart
Equity investments as of December 31, 2002

| NO. | NAME AND REGISTERED OFFICE OF THE COMPANY | Currency | Share in capital % | of | Subscribed capital in thous.local currency | Equity in thous. local currency | Net income/ loss in thous. local currency |
|---|---|---|---|---|---|---|---|
| 2 | CENIT (Schwitzerland) AG, Frauenfeld | CHF | 90.00 | | 500 | –1,608 | –411 |
| 3 | Spring Technologies S.A., Montreuil/France | EUR | 100.00 | | 328 | 1,300 | 40 |
| 4 | CAD Ecole SGAO SARL, Montreuil/France | EUR | 100.00 | 3 | 38 | –119 | –94 |
| 5 | CENIT SARL, Montreuil/France | EUR | 100.00 | 3 | 38 | 150 | –236 |
| 6 | CENIT SYSTEMHAUS HOLDING (CSH) INC., Montreal/Canada | CAD | 100.00 | | 5,000 | 60 | –74 |
| 7 | CENIT CANADA INVESTMENTS (CCI) INC., Montreal/Canada | CAD | 92.58<br>7.42 | 6 | 7,613 | 200 | 0 |
| 8 | CENIT North America Inc., Detroit | USD | 100.00 | | 25 | 43 | 19 |
| 9 | CENIT Italy S.r.l., Modena/Italy | EUR | 100.00 | | 12 | 5 | 0 |

In the fiscal year 2001, EUR 1,777 k of tax receivables were recorded under deferred taxes and EUR 234 k under other assets. That disclosure was corrected in the consolidated financial statements 2002 by reclassifying tax receivables as a separate item on the asset side of the balance sheet. The corresponding prior year figures of other assets and deferred taxes were also adjusted.

In addition, accruals of EUR 4,148 k were recorded under short-term provisions in fiscal 2001. That disclosure was corrected in the consolidated financial statements 2002 by reclassifying the accruals as other liabilities. The corresponding prior year figures of short-term provisions were also adjusted.

## C. Consolidation Principles

***1 Consolidated group***

The consolidated financial statements comprise all affiliated companies in which CENIT AG (No. 1) holds the majority of the voting rights directly or indirectly 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 enters into direct or indirect control of the subsidiary. Minority interests are disclosed separately in the consolidated balance sheet and the consolidated income statement with the exception of the interests pursuant to IAS 27.27. Pursuant to IAS 27.27, the losses applicable to the minority in a consolidated subsidiary may be charged against the majority interest in the consolidated equity if the losses applicable to the minority exceed the minority interest in the equity of the subsidiary.

The following subsidiaries have been included in the consolidated financial statements of CENIT AG in accordance with IAS 27: FIG. 1

***2 Consolidation methods***

The individual and subgroup financial statements of the companies included in the Group, prepared according to uniform principles as of December 31, 2002 and audited by public auditors who rendered an unqualified opinion thereon, form the basis for the consolidated financial statements.

Capital consolidation of the subsidiaries was carried out by charging the acquisition costs against the fair value of the acquired, identified assets less liabilities applicable to the parent company at the date of acquisition. Goodwill resulting from capital consolidation is amortized over its economic life – regularly estimated at fifteen years in the past – using the straightline method.

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

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

***3 Currency translation***

The consolidated financial statements have been prepared in euro (EUR).

The functional currency concept is applied for converting the financial statements prepared in foreign currency by the subsidiaries included in the consolidated group. Since the group companies operate their business independently, they have been taken into account as foreign entities as defined by IAS 21. Assets and liabilities are translated at the closing rate, equity at the historic rate and income and expenses at the annual average rate.

The resulting difference is netted with equity without affecting income.

Foreign currency transactions are translated at the current rate of the transaction date. Assets and liabilities are translated at the end of the fiscal year at the annual closing rate. Exchange gains and losses are taken into account with an effect on income.

The following exchange rates were used for currency translation: FIG. 2

FIG. 2

EXCHANGE RATES IN EUR

| | Closing rate | | Average annual rate | |
|---|---|---|---|---|
| | Dec. 31, 2002 | Dec. 31, 2001 | 2002 | 2001 |
| CHF | 1.4533 | 1.4824 | 1.4672 | 1.5102 |
| CAD | 1.6343 | 1.4177 | 1.4825 | 1.3870 |
| USD | 1.0414 | 0.8940 | 0.9446 | 0.8955 |

## D. Accounting and Valuation Principles

The consolidated financial statements are based on the cost method except for certain financial instruments that are valued at fair value.

Acquired intangible assets are stated at cost and acquisition charges. They are reduced by scheduled amortization over the expected economic life, which usually amounts to three years, using the straightline method. To the extent necessary, extraordinary amortization is applied and reversed as soon as the reasons for impairments of value no longer exist.

Internally generated intangible assets are not capitalized due to nonfulfillment of the criteria in IAS 38.45. The expenditure of EUR 2,027 k incurred in the course of development of products was recorded as expenses.

Property, plant and equipment is recorded at cost less scheduled straightline depreciation. Maintenance costs are recorded directly as expenses. Recognition of impairment pursuant to IAS 36 was not required for property, plant and equipment. Borrowing costs are not capitalized, since they are not directly allocable to assets.

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

The depreciation methods and economic life of fixed assets are regularly revised and adjusted if so required.

Write-ups, which would be required as soon as the reasons for impairment of value no longer exist, were not performed in the reporting year.

Financial assets consisting of other loans are recorded at amortized cost less expected permanent impairment pursuant to IAS 39. Financial instruments are detailed under F. 20.

Inventories are stated at cost. The production costs are determined on the basis of full production-related costs.

Borrowing costs are not capitalized, since the requirement of direct allocation is not fulfilled.

Trade receivables are valued at amortized cost. Credit risks are taken into account through adequate specific allowances. No general allowances were created.

Securities are valued at fair value pursuant to IAS 39.

Provisions are reported at best 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 unless the discount effect is immaterial.

Liabilities are generally recorded at amortized cost.

Revenue is recognized as proceeds at the date of delivery or provision of the services to the customer.

Sales are reported ex VAT and after deduction of any discount allowed.

FIG. 3

SALES in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Income from services | 50,977 | 68,613 |
| Income from trade | 38,821 | 45,946 |
| License fees | 4,191 | 4,331 |
| **Total** | **93,989** | **118,890** |

FIG. 4

PERSONNEL EXPENSES in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Wages and salaries including social security expenses | 30,840 | 42,564 |
| Pension costs | 4,023 | 6,400 |
| | **34,863** | **48,964** |

FIG. 5

OTHER OPERATING EXPENSES in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Motor vehicle costs | 1,786 | 2,719 |
| Travel expenses | 1,659 | 3,634 |
| Advertising expenses | 1,163 | 3,520 |
| Telecommunication and office supplies | 1,219 | 2,171 |
| Premises expenses | 3,990 | 3,773 |
| Leasing expenses | 1,288 | 1,472 |
| Other | 3,820 | 4,625 |
| | **14,925** | **21,914** |

FIG. 6

INCOME TAXES in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Income from the reversal of deferred tax liabilities | 0 | –71 |
| Income from the creation of deferred tax assets | 0 | –3,880 |
| Expenses from the reversal of deferred tax assets | 1,395 | 301 |
| Expenses from the creation of deferred tax liabilities | 208 | 1 |
| | **1,603** | **–3,649** |

Deferred taxes are recorded on temporary differences between the tax balance sheet and the consolidated financial statements according to the liability method laid out in IAS 12 (rev. 2000). Deferred taxes on valuation adjustments are determined for the individual group companies 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.

No accounting consequences were recorded at the issue date of employee stock ownership plans.

## E. Income Statement

The income statement has been prepared according to the cost-summary method.

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

Sales are essentially composed of the following income items: FIG. 3

***2 Other operating income***
Other income essentially includes rental income and indemnification payments from insurance companies.

***3 Cost of materials***
These are costs for purchased goods (EUR 38,558 k, prior year: EUR 49,511 k) and costs for third-party services (EUR 2,777 k, prior year: EUR 3,720 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. 4

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.

An annual average of 583 (prior year: 836) persons were employed by the Group.

FIG. 7

ANTICIPATED TAX BURDEN

| | 2002 | 2001 |
|---|---|---|
| Trade tax at a levy rate of 444.69% | 18.17% | 18.17% |
| Corporate income tax (25% of net income after trade tax) | 20.46% | 20.46% |
| Solidarity surcharge (5.5% of corporate income tax) | 1.13% | 1.13% |
| Statutory tax rate | 39.76% | 39.76% |

***5 Amortization of intangible assets and depreciation of property, plant and equipment***
Depreciation and amortization is broken down in the analysis of fixed assets presented in the notes F. 1 to F. 3.

***6 Other operating expenses*** FIG. 5

***7 Other interest and similar income***
This item exclusively contains interest income from bank balances.

***8 Interest and similar expenses***
Interest expenses are a result of utilization of credit lines and bank guarantees.

***9 Income taxes***
Expenses (prior year: income) from deferred income taxes break down as follows: FIG. 6

The expenses from the reversal of deferred tax assets contain value allowances on capitalized loss carryforwards of Cenit (Switzerland) AG, Frauenfeld/Switzerland and of Spring Technologies S.A., Montreuil/France. The value allowances had been set up for them, as no sufficient evidence was available that these loss carryforwards would be used in the foreseeable future.

Deferred taxes on valuation allowances were determined using the local tax rates (Germany 39.76%, Switzerland 23.30%, France 35.00%; prior year: Germany 39.76%, Switzerland 23.30%, France 35.00%).

With respect to the changes in deferred taxes, please refer to the details under F. 4 and F. 15.

The anticipated tax burden on the taxable income is 39.76% as of the balance sheet date, calculated as follows: FIG. 7

There were no major effects on deferred taxes from the change in corporate income tax from 25% to 26.5% in 2003 in the framework of the German flood victim aid act. The difference between the actual tax burden and the calculated tax burden for CENIT AG, which is based on a tax rate of 39.76%, is detailed below: FIG. 8

FIG. 8

ANTICIPATED TAX BURDEN in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Earnings before taxes | –5,724 | –17,358 |
| Theoretical tax burden based on a tax rate of 39.76% (prior year: 39.76%) | –2,276 | –6,901 |
| Non-deductible expenses | 3,019 | 3,070 |
| Non-deductible expenses from amortizationof goodwill resulting from capital consolidation | 3,794 | |
| Earnings effect from reversal of amortization on investments and intercompany receivables | –3,594 | –5,010 |
| Unrecognized tax loss carryforwards | 2,637 | 627 |
| Effects of different tax rates within the Group | 62 | 197 |
| Other | –511 | 409 |
| Income tax expenses (prior year: income tax income) according to consolidated income statement | 1,607 | –3,814 |

***10 Other taxes***
This disclosure relates to motor vehicle tax.

***11 Earnings per share***
The number of shares remained unchanged in 2002 at 4,183,879. To calculate the earnings per share, the 14,637 (prior year: 14,637) treasury shares held by the Company were deducted from the total number of shares. The weighted average of the number of ordinary shares amounted to 4,169,242 as in the prior year (denominator). The consolidated net result amounted to EUR ./. 7,394 k (prior year: EUR ./. 13,674 k) and was included in the calculation as numerator.

Under IAS 33.49, basic and diluted earnings per share total EUR ./. 1.77 (prior year: EUR ./. 3.28).

The Company has issued convertible bonds worth EUR 69,000.00 (prior year: 81,900) to employees. Upon issue of the convertible bonds, the bearers are entitled to convert their convertible bonds to CENIT shares in full or in part. Per nominal value of EUR 100.00, the convertible bonds can be exchanged for 100 individual bearer CENIT shares. However, since neither the performance criteria nor the waiting periods for exercising these rights have been fulfilled, no dilution needs to be taken into account.

The conditions for exercising the options from employee stock ownership plans were not fulfilled in the reporting year 2002, which is why this did not have an impact on the calculation of the diluted earnings per share.

FIG. 9

INTANGIBLE ASSETS in EUR '000

| | Franchises, industrial and similar rights and assets and licenses in such rights and assets | Goodwill | Total |
|---|---|---|---|
| Costs as of January 1, 2002 | 1,952 | 7,710 | 9,662 |
| Difference from currency translation | 0 | 0 | 0 |
| Additions | 108 | 0 | 108 |
| Disposals | 0 | 0 | 0 |
| **As of December 31, 2002** | **2,060** | **7,710** | **9,770** |
| Accumulated amortizationAs of January 1, 2002 | 1,562 | 2,000 | 3,562 |
| Difference from currency translation | 0 | 0 | 0 |
| Additions | 233 | 428 | 661 |
| Impairment pursuant to IAS 36 | 0 | 5,282 | 5,282 |
| Disposals | 0 | 0 | 0 |
| **As of December 31, 2002** | **1,795** | **7,710** | **9,505** |
| **Carrying amount** | **265** | **0** | **265** |

FIG. 10

PROPERTY, PLANT AND EQUIPMENT in EUR '000

| | Land and buildings including buildings on third-party land | Technical equipment and machines | Other equipment, furniture and fixtures | Total |
|---|---|---|---|---|
| Cost as of January 1, 2002 | 772 | 8,237 | 2,660 | 11,669 |
| Difference from currency translation | 2 | 6 | 1 | 9 |
| Additions | 336 | 137 | 292 | 765 |
| Disposals | 205 | 79 | 469 | 753 |
| **As of December 31, 2002** | **905** | **8,301** | **2,484** | **11,690** |
| Accumulated depreciation as of January 1, 2002 | 406 | 6,443 | 1,541 | 8,390 |
| Difference from currency translation | 0 | 4 | 1 | 5 |
| Additions | 100 | 1,154 | 420 | 1,674 |
| Disposals | 144 | 71 | 202 | 417 |
| **As of December 31, 2002** | **362** | **7,530** | **1,760** | **9,652** |
| **Carrying amount** | **543** | **771** | **724** | **2,038** |

## F. Balance Sheet

***1 Intangible assets***

This item includes goodwill, franchises, industrial and similar rights and assets and licenses in such rights and assets: FIG. 9

Both scheduled amortization and impairment of goodwill was recorded in the income statement pursuant to IAS 36 under amortization of intangible assets and depreciation of property, plant and equipment.

FIG. 11

FINANCIAL ASSETS in EUR '000

| | |
|---|---|
| Cost as of January 1, 2002 | 181 |
| Additions | 23 |
| Disposals | 3 |
| **As of December 31, 2002** | **201** |

FIG. 12

DEFERRED TAX ASSETS in EUR '000

| | |
|---|---|
| As of January 1, 2002 | 4,079 |
| Reclassification of tax receivables | –234 |
| Increase | 0 |
| Decrease | –1,395 |
| **As of January 1, 2002** | **2,450** |

FIG. 13

DEFERRED TAX ASSETS in EUR '000

| | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|
| Loss carryforward | 2,450 | 4,028 |
| Reclassification of tax receivables | 0 | –234 |
| Pension provision | 0 | 51 |
| | **2,450** | **3,845** |

Due to the continuing negative results of operations of the French subsidiaries, for which no significant improvements are expected for the foreseeable future, impairments of EUR 5,282 k had to be applied to the goodwill from capital consolidation of these companies in accordance with IAS 36. When determining the impairment loss, the French subgroup corresponding to the geographical segment France was taken as a cash-generating unit as defined by IAS 36. The recoverable amount was set at the net realizable value.

The net realizable value was determined on the basis of current offers.

***2 Property, plant and equipment*** FIG. 10

***3 Financial assets***

The disclosure relates to other loans. FIG. 11

FIG. 14

INVENTORIES in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Merchandise | 2,640 | 1,650 |
| Services not yet invoiced | 314 | 1,220 |
| | **2,954** | **2,870** |

***4 Deferred tax assets***
The deferred tax assets developed as follows: FIG. 12 FIG. 13

Based on the probable development of the Group as stated in the tax planning, it is sufficiently probable that the group companies will be able to realize the accumulated capitalized loss carryforwards.

Unused tax losses of EUR 6,181 k were not capitalized as deferred tax assets, since it is not sufficiently probable that they will be realized by the group companies.

***5 Inventories*** FIG. 14

***6 Trade receivables***
All trade receivables were due within one year.

***7 Other receivables***
The other receivables break down as follows: FIG. 15

***8 Tax receivables***
The tax receivables essentially comprise claims from advance payments for trade tax and VAT.

They developed as follows: FIG. 16

***9 Cash and cash equivalents***
Changes in cash and cash equivalents as defined by IAS 7 are presented in the cash flow statement. FIG. 17

***10 Prepaid expenses***
These are deferrals for rights of use, motor vehicle insurance, special lease payments, etc.

FIG. 15

OTHER RECEIVABLES in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Tax receivables | 0 | 1,777 |
| Reclassification of tax receivables | 0 | –1,777 |
| Credit notes | 0 | 43 |
| Creditors with debit balances | 22 | 205 |
| Other | 254 | 227 |
| | **276** | **475** |

FIG. 16

TAX RECEIVABLES in EUR '000

| | |
|---|---|
| As of January 1, 2002 after reclassification of tax receivables | 2,011 |
| Utilization | 1,948 |
| Additions | 42 |
| **As of December 31, 2002** | **105** |

FIG. 17

CASH AND CASH EQUIVALENTS in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Bank balances | 2,442 | 3,568 |
| Cash on hand | 8 | 3 |
| | **2,450** | **3,571** |

***11 Equity***
The Company's share capital has remained unchanged since January 1, 2001 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. Cenit Aktiengesellschaft Systemhaus holds 14,637 treasury shares (prior year: 14,637).

**Authorized capital I**

Upon approval by the supervisory board, management is 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 bearer shares (common stock) for contributions in cash or kind (authorized capital I). The shareholders must be offered a stock option. However, management is authorized to exclude fractional amounts from the shareholders' subscription rights. In addition, management is authorized to decide on further details of the capital increase with approval by the supervisory board.

## Authorized capital II

Upon approval by the supervisory board, management is 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 bearer shares (common stock) for contributions in cash or kind (authorized capital II). Subject to approval by the supervisory board, management is authorized to exclude the statutory subscription right of the shareholders for the purpose of acquiring companies or investments in companies; companies or 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 subscription rights is not exercised, management may exclude fractional amounts from the shareholders' statutory subscription rights. Management is authorized to decide on further details of the capital increase subject to approval by the supervisory board.

Following the capital increases carried out in the year 2000, the authorized capital II totals EUR 416,121.00.

## Authorized capital III

Upon approval by the supervisory board, management is 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 bearer shares (common stock) for contributions in cash or kind (authorized capital III). Subject to approval by the supervisory board, management is authorized to exclude the statutory subscription rights of the shareholders for the purpose of acquiring companies or investments in companies; companies or 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 subscription rights is not exercised, management may exclude fractional amounts from the shareholders' statutory subscription rights. Management is authorized to decide on further details of a capital increase subject to approval by the supervisory board.

## Conditional capital

The conditional capital comprises the following: FIG. 18

The share capital has been conditionally increased by a maximum of EUR 120,000 (conditional capital) through the issue of up to 120,000 individual bearer shares (common stock). The conditional capital increase is intended to grant conversion rights to the bearers of convertible bonds issued in accordance with authorization by the shareholders' meeting on July 14, 2000.

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

FIG. 18

CONDITIONAL CAPITAL

| | 31.12.2002 Shares | 31.12.2001 Shares | 31.12.2002 EUR | 31.12.2001 EUR |
|---|---|---|---|---|
| 1 Conditional capital – convertible bonds | 120,000 | 120,000 | 120,000 | 120,000 |
| 2a Conditional capital – employee stock ownership plan | 0 | 40,000 | 0 | 40,000 |
| 2b Conditional capital – employee stock ownership plan | 260,000 | 0 | 260,000 | 0 |
| 3 Acquisition of Lemire & Habrich | 0 | 0 | 0 | 0 |
| | **380,000** | **160,000** | **380,000** | **160,000** |

The conversion right may be exercised at the earliest 2 years after the convertible bonds have been issued.

Furthermore, the conversion right 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 securities market on the five last trading days before start of the conversion period amounts to at least 135 percent of the share price of CENIT Aktiengesellschaft Systemhaus on the date of management'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 exercising of conversion rights is at least 15% higher than the development of the German Neuer Markt [new market] venture index over the same period of time.

The closing share price on the date of the management's resolution is 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 is EUR 46.00.

Changes in the convertible bonds portfolio during the fiscal year were as follows: FIG. 19

***Employee stock ownership plan (old)***
By resolution of the shareholders' meeting on May 31, 2000, the Company conditionally increased its share capital by up to EUR 40,000.00 by issuing up to 40,000 individual bearer shares (common stock). The conditional capital increase is exclusively intended to grant rights to bearers of options which the Company issues until May 1, 2004 in accordance with the authorization for management to grant options within the framework of the employee stock ownership plan for executives. Both the persons entitled to subscribe and the issuing price are stated in the afore-mentioned authorization. The conditional capital increase is only to be carried out to the extent that the bearers of the issued options exercise their rights.

Management is authorized to decide on further details of the conditional capital increase and its implementation with approval by the supervisory board.

FIG. 19

CONVERTIBLE BONDS

| | 2002 Shares | 2001 Shares |
|---|---|---|
| As of January 1, 2002 | 8,190 | 9,770 |
| Returned | 1,290 | 1,580 |
| **As of Dec. 31, 2002** | **6,900** | **8,190** |

The authorization of management to issue option rights and the conditional capital increase of EUR 40,000.00 approved by the shareholders' meeting on May 31, 2000 were revoked by resolution passed at the shareholders' meeting on June 19, 2002.

***Employee stock ownership plan (new)***
By resolution of the shareholders' meeting on June 19, 2002, the Company conditionally increased its share capital by up to EUR 260,000.00 by issuing up to 260,000 individual bearer shares (common stock). The conditional capital increase is exclusively intended to grant shares to bearers of options which management was authorized to issue on the basis of the resolution by the shareholder meeting on June 19, 2002 (“stock ownership plan 2002”). The conditional capital increase is only to be carried out to the extent that the bearers of the issued 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 through the exercising of stock options. Management is authorized to decide on further details of the conditional capital increase and its implementation with approval by the supervisory board.

The stock 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 [“Aktiengesetz”: German stock corporations act] (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. 50% of subscription rights may be exercised at the earliest two years after issue, 80% at the earliest three years after issue, and 100% at the earliest four years after issue.

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 securities market on the five last 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 decision by management 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 exercising of the stock options is at least 15% higher than the development of the NEMAX-ALL-SHARE Performance Index (DE0008468943) 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 by 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 case 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.

Due to noncompliance with the performance criteria in the reporting year 2002, no stock options were granted to employees.

***Acquisition of Lemire & Habrich***
By resolution of the shareholders' meeting on May 31, 2000, the Company conditionally increased its share capital by a maximum of EUR 355,520.00 by issuing up to 355,520 individual bearer shares (common stock). The conditional capital increase is exclusively intended to grant stock options in connection with the acquisition of all shares in the companies incorporated under Canadian law under the company names “Lemire & Habrich Consultants Inc.” and “Solid Xperts Inc.” with registered office in St. Laurent (Canada). The stock options are issued for contributions in kind. All shares in the companies incorporated under Canadian law under the company names Lemire & Habrich Consultants Inc. and Solid Xperts Inc. are to be directly or indirectly transferred to the Company as contributions in kind.

The conditional increase of the share capital by up to EUR 355,520.00 was revoked by resolution of the shareholders' meeting on June 19, 2002.

***Details on the components of equity***
The capital reserve contains the amount realized in the issuance of CENIT shares exceeding their nominal value. It can only be released if the conditions stipulated in Sec. 150 AktG are fulfilled.

The revenue reserve comprises net earnings transferred to the reserves. EUR 33 k of this reserve can only be released if the conditions laid out in Sec. 272 (4) HGB are fulfilled.

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

For the development of equity, please refer to the statement of changes in shareholders' equity (Exhibit 4).

### *12 Convertible bonds*
The convertible bond issued by CENIT at a total nominal value of EUR 69,000.00 is divided into 6,900 bearer convertible bonds with a nominal value of EUR 10.00 each and equal rights. The convertible bonds bear annual interest of 2% starting on September 6, 1999 and ending on September 5, 2004. Following a waiting period of 2 years after issuance, they can be converted in tranches.

Pursuant to IAS 32.18 et seq., the convertible bond is broken down into its components equity and liability. In accordance with IAS 32.28, the equity component was calculated as residual value after determining the carrying amount of the liability through discounting. The market rate of 5.2% for comparable instruments was applied.

That portion of the convertible bond which is disclosed as liability has a remaining term of more than one year.

### *13 Minority interest*
As the losses applicable to the minority in a consolidated subsidiary exceed the minority interest in the equity of the subsidiary, no amounts are applicable to the minority. The incurred losses are charged against the majority interest in the Group's equity.

### *14 Provisions* FIG. 20

The tax provisions developed as follows: FIG. 21

Other provisions cover all identifiable obligations to third parties in accordance with IAS 37. They developed as follows: FIG. 22

### *15 Deferred tax liabilities*
The recognition and valuation differences between the results of the tax and commercial balance sheets as well as the adjustments of the commercial balance sheets of the consolidated companies to IAS have produced deferred tax liabilities of the following amounts: FIG. 23

### *16 Liabilities to banks/long-term liabilities*
Liabilities to banks break down as follows: FIG. 24
The interest rates range from 5% to 8.25% (prior year: between 5% and 8.25%).

### *17 Trade payables*
There is customary retention of title to the supplied items for the trade payables.

### *18 Other liabilities*
Other liabilities break down as follows: FIG. 25

FIG. 20

PROVISIONS in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Pension provisions | 154 | 154 |
| Tax provisions | 0 | 0 |
| Other provisions | 422 | 208 |
| | **576** | **362** |

FIG. 21

TAX PROVISIONS

| | EUR '000 |
|---|---|
| As of January 1, 2002 | 0 |
| Utilization | 0 |
| Provisions | 0 |
| As of December 31, 2002 | 0 |

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. 26

### *19 Deferred income*
Deferred income essentially comprises income from maintenance contracts that are attributable to the year 2003.

### *20 Financial instruments*
Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. 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. Since none of the consolidated companies has concluded contracts on derivatives, these explanations are limited to primary financial instruments.

The status of primary financial instruments can be seen from the balance sheet. Pursuant to IAS 39, financial instruments that represent assets are classified either as “held for trading”, “held to maturity”, “available for sale”,

FIG. 22

OTHER PROVISIONS

| | Consulting cost restructuring EUR '000 | Shareholders' meeting EUR '000 | Onerous contracts EUR '000 | Other EUR '000 | Total EUR '000 |
|---|---|---|---|---|---|
| As of January 1, 2002 | 100 | 103 | 0 | 5 | 208 |
| Utilizations | 50 | 103 | 0 | 0 | 153 |
| Reversals | 50 | 0 | 0 | 0 | 50 |
| Provisions | 0 | 125 | 230 | 62 | 417 |
| **As of December 31, 2002** | **0** | **125** | **230** | **67** | **422** |

FIG. 23

DEFERRED TAX LIABILITIES in EUR '000

| | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|
| General valuation allowances on receivables | 47 | 35 |
| Warranty provision | 64 | 20 |
| Amortization on treasury shares | 107 | 107 |
| Internal audit expenses | 9 | 0 |
| Personnel | 143 | 0 |
| | **370** | **162** |

FIG. 24

LIABILITIES in EUR '000

| | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|
| Short–term bank liabilities due within 1 year | 6,151 | 12,936 |
| Long–term bank liabilities due within 1 year | 96 | 96 |
| Remaining term of 1 to 5 years | 335 | 288 |
| Due within more than 5 years | 0 | 48 |
| | **6,582** | **13,368** |

“loans and receivables originated by the enterprise” and are recognized at amortized cost or fair value according to their classification. Financial instruments that represent liabilities are recorded at amortized cost.

The fair values of the long-term bank liabilities mainly correspond to the carrying amounts as of the balance sheet date.

FIG. 25

OTHER LIABILITIES in EUR '000

| | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|
| Tax liabilities | 1,926 | 2,744 |
| Social security liabilities | 1,082 | 1,079 |
| Accruals | 2,415 | 4,148 |
| Other | 218 | 185 |
| | **5,641** | **8,156** |

FIG. 26

ACCUALS in EUR '000

| | Vacation and bonuses | Outstanding invoices | Other | Total |
|---|---|---|---|---|
| As of January 1, 2002 | 1,967 | 1,487 | 694 | 4,148 |
| Utilization | 1,929 | 1,481 | 694 | 4,104 |
| Reversals | 38 | 6 | 0 | 44 |
| Provisions | 856 | 826 | 733 | 2,415 |
| **As of December 31, 2002** | **856** | **826** | **733** | **2,415** |

Financial assets contain other loans and were classified pursuant to IAS 39 as “loans and receivables originated by the enterprise”. They have been recorded at amortized cost. If there is an indication of impairment, an impairment test is carried out and the impairment loss is taken into account by extraordinary write-downs. As soon as the reasons for impairments of value no longer exist, write-ups are made accordingly. There were no indications of impairment in fiscal 2002. The carrying amounts of the loans essentially equaled the fair values as of the balance sheet date.

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

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.

***Credit risk***

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

Credit ratings are conducted via Creditreform e.V. for large contracts.

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

As we do not conclude any general netting agreements with our customers, the sum of the amounts reported under assets also represents the maximum credit risk.

***Currency risk***

Currency risks exist in particular where receivables or liabilities exist or will arise in the ordinary 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 material.

***Interest rate risk***

Receivables and liabilities due in more than one year are particularly susceptible to interest rate risks.

Such longer terms to maturity are not material in the operative segment in contrast to financial assets and liabilities due to banks.

The interest rate risk was not hedged due to fixed interest conditions.

***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 to the cash flow generated by sales.

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

Cash and cash equivalents comprise the following: FIG. 27

FIG. 27

CASH AND CASH EQUIVALENTS in EUR '000

| | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|
| Bank balances | 2,442 | 3,568 |
| Cash on hand | 8 | 3 |
| **Cash and cash equivalents** | **2,450** | **3,571** |

## 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, insurances, utilities and logistics companies. Its range of services covers solutions for imaging, workflow, document and content management with FileNet and Groupware solutions based on Lotus Notes/Domino, efficient systems management with TIVOLI and IT outsourcing for IT infrastructures and applications.

To provide for a better understanding, a distinction is made between continuing and discontinuing operations. Discontinuing operations are those activities which the Group abandoned already in 2001. This refers to the then subsidiaries in the United Kingdom and North America.

No sales were effected between the primary segments. Transfer prices essentially correspond to those prices that would have been realized in transactions with third parties.

In the segmentation by business segment, those financial assets and tax receivables and liabilities due to banks of the segment are disclosed in the "not allocated" column that could not be attributed to the respective business segments. In addition, that column also contains the subsidiary Cenit Systemhaus Holding (CSH).

In the segmentation by region, the subsidiaries Cenit North America und Cenit Systemhaus Holding (CSH) are contained in the column "not allocated".

SEGMENT REPORTING (in accordance with IFRS)

for the period from January 1 to December 31, 2002

| in EUR '000 | | Germany | Switzerland | France | not allocated | Consolidation Operations | Continuing Operations | Discontinuing | Group |
|---|---|---|---|---|---|---|---|---|---|
| **Intercompany sales** | **Q1–Q4 2002** | 1,254 | 415 | 284 | 0 | –1,953 | 0 | 0 | 0 |
| | **Q1–Q4 2001** | 771 | 475 | 282 | 0 | –1,939 | –411 | 411 | 0 |
| **Sales to third parties** | **Q1–Q4 2002** | 74,504 | 2,074 | 16,603 | 808 | 0 | 93,989 | 0 | 93,989 |
| | **Q1–Q4 2001** | 86,570 | 2,244 | 16,548 | 33 | 0 | 105,395 | 13,495 | 118,890 |
| **Segment assets** | **Dec. 31, 2002** | 21,037 | 806 | 5,373 | 303 | 0 | 27,519 | 0 | 27,519 |
| | **Dec. 31, 2001** | 38,096 | 1,393 | 6,624 | 205 | –790 | 45,528 | 0 | 45,528 |
| **Capital expenditure** | **Dec. 31, 2002** | 749 | 1 | 116 | 7 | 0 | 873 | 0 | 873 |
| | **Dec. 31, 2001** | 1,982 | 40 | 1,282 | 0 | 0 | 3,304 | 238 | 3,542 |

| in EUR '000 | | E-Business (EB) | E-Engineering (EE) | not allocated | Consolidation | Continuing Operations | Discontinuing Operation EB | Discontinuing Operation EE | Group |
|---|---|---|---|---|---|---|---|---|---|
| **Sales to third Parties** | **Q1–Q4 2002** | 25,740 | 68,249 | 0 | 0 | 93,989 | 0 | 0 | 93,989 |
| | **Q1–Q4 2001** | 33,621 | 71,774 | 0 | 0 | 105,395 | 373 | 13,122 | 118,890 |
| **EBIT befor valuation allowance** | **Q1–Q4 2002** | –1,144 | 1,112 | –41 | 0 | –73 | 0 | 0 | –73 |
| | **Q1–Q4 2001** | –1,765 | –1,723 | 0 | –797 | –4,285 | –259 | –3,291 | –7,835 |
| **Valuation allowance of subsidiaries** | **Q1–Q4 2002** | 0 | –5,282 | 0 | 0 | –5,282 | 0 | 0 | –5,282 |
| | **Q1–Q4 2001** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **EBIT** | **Q1–Q4 2002** | –1,144 | –4,170 | –41 | 0 | –5,355 | 0 | 0 | –5,355 |
| | **Q1–Q4 2001** | –1,765 | –1,723 | 0 | –797 | –4,285 | –259 | –3,291 | –7,835 |
| **Expenses from restructuring** | **Q1–Q4 2002** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Q1–Q4 2001** | –2,399 | –5,228 | 0 | –1,044 | –8,671 | 0 | 0 | –8,671 |
| **Interest** | **Q1–Q4 2002** | 0 | 0 | 0 | 0 | –432 | 0 | 0 | –432 |
| | **Q1–Q4 2001** | 0 | 0 | 0 | 0 | –853 | 0 | 0 | –853 |
| **Taxes on income and deferred taxes** | **Q1–Q4 2002** | 0 | 0 | 0 | 0 | –1,607 | 0 | 0 | –1,607 |
| | **Q1–Q4 2001** | 0 | 0 | 0 | 0 | 3,814 | 0 | 0 | 3,814 |
| **Net loss of the Group** | **Q1–Q4 2002** | 0 | 0 | 0 | 0 | –7,394 | 0 | 0 | –7,394 |
| | **Q1–Q4 2001** | 0 | 0 | 0 | 0 | –13,674 | 0 | 0 | –13,674 |
| **Segment assets** | **Dec. 31, 2002** | 5,644 | 19,319 | 2,556 | 0 | 27,519 | 0 | 0 | 27,519 |
| | **Dec. 31, 2001** | 9,592 | 31,188 | 5,745 | –997 | 45,528 | 0 | 0 | 45,528 |
| **Segment liabilities** | **Dec. 31, 2002** | 2,502 | 10,163 | 6,581 | 0 | 19,246 | 0 | 0 | 19,246 |
| | **Dec. 31, 2001** | 4,445 | 14,866 | 13,440 | –2,930 | 29,821 | 0 | 0 | 29,821 |
| **Capital expenditure** | **Dec. 31, 2002** | 230 | 643 | 0 | 0 | 873 | 0 | 0 | 873 |
| | **Dec. 31, 2001** | 716 | 2,588 | 0 | 0 | 3,304 | 13 | 225 | 3,542 |
| **Amortization and deprecation** | **Q1–Q4 2002** | 345 | 1,990 | 0 | 0 | 2,335 | 0 | 0 | 2,335 |
| | **Q1–Q4 2001** | 1,219 | 2,531 | 0 | 523 | 4,273 | 10 | 680 | 4,963 |

FIG. 28

OTHER FINACIAL COMMITMENTS in EUR '000

| | 2002 | 2001 |
|---|---|---|
| Tenancy and lease obligations | | |
| Remaining term of up to 1 year | 3,460 | 4,425 |
| Remaining term of 1 to 5 years | 7,425 | 9,722 |
| Remaining term of more than 5 years | 5,675 | 7,093 |
| | **16,560** | **21,240** |

## I. Other Disclosures

***1 Contingent liabilities and other financial commitments***

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 commitments in connection with tenancy and lease agreements. The resulting financial obligations have been taken into account in the table below: FIG. 28

Other financial commitments principally consist of tenancy obligations of EUR 15 million entered into for the office building rented in Germany.

***2 Other disclosures as defined by Sec. 292 a HGB***

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, they have in the consolidated financial statements been translated at the exchange rate valid on the balance sheet date. The corresponding profits and losses are charged or credited to income.

The general bad debt allowance for trade receivables, which had been set up in accordance with HGB, was released with effect on income, since it is not permissible to have a general allowance in addition to the specific allowance already created.

The HGB flatrate warranty provision cannot be recognized in accordance with IFRS.

The treasury shares acquired by the Company have been subtracted from equity diverging from the rules in HGB. The acquisition of treasury shares is presented as a change in equity (SIC 16). It was not possible to charge it against equity pursuant to Sec. 272 (1) Sent. 4 to 6 HGB, as the legal requirements of the German stock corporations act were not fulfilled.

Pursuant to IAS 27.27, negative minority interest is charged against the majority interest in equity except to the extent that the minority has a binding obligation, and is able, to make good the losses. This is not permissible under HGB.

***3 Related parties***

“Related parties” as defined by IAS 24 were members of the supervisory board and companies for whom members of the supervisory board work as well as a former member of the management board who provided consulting services. This produced consulting expenses of EUR 114 k in the fiscal year 2002 (prior year: EUR 231 k). The business dealings were settled at customary market conditions.

***4 Supervisory board and management***

The Company's **supervisory** board members are:

- Dr. jur. Axel Sigle (lawyer), Stuttgart, (chairman), retired as of July 31, 2002 (Deputy chairman of the supervisory board of Funk-Oase Communications AG, Ellhofen/Weinsberg)
- Falk Engelmann (Dipl.-Ing.), Leinfelden-Echterdingen (supervisory board member since August 7, 2002, chairman since September 12, 2002)
- Hubert Leypoldt (Dipl.-Kfm.), German public auditor, tax advisor, Dettingen/Erms (deputy chairman)
- Dr. Dirk Lippold (managing director), Friolzheim

The **management board** members are/were:

- Falk Engelmann (Dipl.-Ing.), Leinfelden-Echterdingen, retired on July 31, 2002 (Finance, Organization, E–Engineering), spokesperson for the management board until July 31, 2002
- Hubertus Manthey (Dipl.-Ing.), Pliezhausen, (Personal, Marketing, Investor Relations)
- Andreas Schmidt (Dipl.-Ing.), Ebersbach (e-business, from August 1, 2002 also e-engineering), spokesperson for the management board since August 1, 2002
- Christian Pusch (Dipl.-Wirt.-Ing.), Erfurt (Finance, Organization) from June 1, 2002

Management board remuneration totaled EUR 620,480 in the fiscal year (prior year: EUR 914,521). The board member who stepped down in 2002 received EUR 113,556 thereof. The supervisory board received EUR 67,500.00 in remuneration (prior year: EUR 67,500.00).

As of the balance sheet date, management held 736,104 shares (prior year: 1,108,704 shares), i.e. 17.6% (prior year 26.5%) of the Company's share capital. The supervisory board members held 333,196 shares (prior year: 800) in the Company's share capital. The following board members hold more than 1% of the Company's shares as of December 31, 2002:

| *Management board* | | *Supervisory board* | |
|---|---|---|---|
| Hubertus Manthey (Dipl.-Ing.) | 337,508 shares | Falk Engelmann (Dipl.-Ing.) | 332,396 shares |
| Andreas Schmidt (Dipl.-Ing.), Ebersbach | 398,596 shares | | |

***5 Corporate governance***

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

*Stuttgart, March 7, 2002*
CENIT Aktiengesellschaft Systemhaus
The Management Board

## J. AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the combined management report:

“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, 2002. The preparation and the content of the consolidated financial statements are the responsibility of the Company's management. 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 have conducted our audit of the consolidated financial statements in accordance with the German audit regulations and the generally accepted German standards for the audit of financial statements promulgated by the IDW ["Institut der Wirtschaftsprüfer in Deutschland": Institute of Public Auditors in Germany]. 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 combined management report prepared by the management board for the fiscal year from January 1 to December 31, 2002, has not led to any reservations.
In our opinion the combined management report overall provides a suitable understanding of the Group's position and suitably presents the risks to future development.
In addition, we confirm that the consolidated financial statements and the combined management report for the fiscal year from January 1 to December 31, 2002 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 12, 2003

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| *Benzinger* | *Sandrisser* |
| *Wirtschaftsprüfer* | *Wirtschaftsprüferin* |
| *[German Public Auditor]* | *[German Public Auditor]* |

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Balance Sheet as of December 31, 2002

| | | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|---|
| **ASSETS** | | | |
| **A. FIXED ASSETS** | EUR | EUR | EUR '000 |
| I. Intangible assets | | | |
| Franchises, industrial rights and similar rights and licenses in such rights and assets | | **198,128.11** | 288 |
| II. Property, plant and equipment | | | |
| 1 Buildings on third-party land | 531,226.14 | | 342 |
| 2 Technical equipment and machines | 659,800.15 | | 1,636 |
| 3 Other equipment, furniture and fixtures | 185,999.63 | | 481 |
| | | **1,377,025.92** | |
| III. Financial assets | | | |
| Shares in affiliated companies | | **28,082.42** | 7,359 |
| **B. CURRENT ASSETS** | | | |
| I. Inventories | | | |
| 1 Work in process | 275,433.00 | | 912 |
| 2 Merchandise | 2,213,843.03 | | 1,136 |
| | | **2,489,276.03** | |
| II. Receivables and other assets | | | |
| 1 Trade receivables | 12,185,101.74 | | 17,611 |
| 2 Receivables from affiliated companies | 202,284.65 | | 1,601 |
| 3 Other assets | 137,125.36 | | 2,252 |
| | | **12,524,511.75** | |
| III. Securities | | | |
| 1 Treasury shares | 32,933.25 | | 45 |
| 2 Other securities | 1,956.00 | | 3 |
| | | **34,889.25** | |
| IV. Cash on hand, bank balances and checks | | **1,850,513.02** | 3,189 |
| **C. PREPAID EXPENSES** | | **75,926.76** | 42 |
| | | **18,578,353.26** | **36,897** |

| | | Dec. 31, 2002 | Dec. 31, 2001 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **A. EQUITY** | EUR | EUR | EUR '000 |
| I. Subscribed capital | | **4,183,879.00** | 4,184 |
| Conditional capital EUR 380,000.00 (prior year EUR 160 k) | | | |
| II. Capital reserve | | **23,349,597.07** | 23,350 |
| III. Revenue reserves | | | |
| 1 Reserve for treasury shares | 32,933.25 | | 45 |
| 2 Other revenue reserves | 3,869,196.20 | | 3,869 |
| | | **3,902,129.45** | |
| IV. Accumulated deficit | | **–27,573,942.54** | –18,652 |
| | | **3,861,662.98** | 12,796 |
| **B. ACCRUALS** | | | |
| Other accruals | | **2,427,170.59** | 3,465 |
| **C. LIABILITIES** | | | |
| 1 Liabilities to banks | 6,296,117.50 | | 12,582 |
| 2 Trade payables | 3,907,973.93 | | 5,122 |
| 3 Liabilities to affiliated companies | 97,008.94 | | 26 |
| 4 Other liabilities | 1,988,419.32 | | 2,906 |
| thereof related to social security EUR 552,652.40 (prior year EUR 654 k) | | | |
| thereof from taxes EUR 1,216,334.66 (prior year EUR 2,020 k) | | | |
| | | **12,289,519.69** | |
| | | **18,578,353.26** | **36,897** |

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Income Statement for 2002

| | | 2002 | | 2001 |
|---|---|---|---|---|
| | | EUR | EUR | EUR '000 |
| 1 | Sales | | 75,758,208.89 | 87,321 |
| 2 | Decrease (prior year increase) in work in process | | –636,555.56 | 912 |
| 3 | Other operating income | | 319,106.37 | 690 |
| | | | **75,440,759.70** | 88,923 |
| 4 | Cost of materials | | | |
| | a) Cost of raw materials, consumables and supplies and of purchased merchandise | 32,182,757.58 | | 38,765 |
| | b) Cost of purchased services | 3,029,401.43 | | 4,792 |
| | | | **35,212,159.01** | |
| 5 | Personnel expenses | | | |
| | a) Salaries | 21,839,832.70 | | 26,701 |
| | b) Social security and other pension costs | 3,776,787.10 | | 3,999 |
| | | | **25,616,619.80** | |
| 6 | Amortization and depreciation | | | |
| | a) on intangible assets and on property, plant and equipment | 1,595,614.53 | | 3,389 |
| | b) on current assets in excess of depreciation which is normal for the Company | 1,709,433.53 | | 0 |
| | | | **3,305,048.06** | |
| | | | | |
| 7 | Other operating expenses | | **12,524,985.42** | 14.672 |
| | | | **76,658,812.29** | 92,318 |
| | | | | |
| 8 | Other interest and similar income | | 112,491.51 | 106 |
| | thereof from affiliated companies EUR 72,853.70 (prior year EUR 96 k) | | | |
| 9 | Amortization of financial assets and securities classified as current assets | | 7,344,378.78 | 2,196 |
| 10 | Interest and similar expenses | | 421,307.09 | 562 |
| | | | | |
| **11** | **Result of ordinary activities** | | **–8,871,246.95** | **–6,047** |
| | | | | |
| 12 | Extraordinary income | 0.00 | | 9 |
| 13 | Extraordinary expenses | 0.00 | | 12,695 |
| 14 | Extraordinary result | | **0.00** | |
| | | | | |
| 15 | Taxes on income | 0.00 | | –206 |
| 16 | Other taxes | 62,713.33 | | 129 |
| | | | **62,713.33** | |
| | | | | |
| **17** | **Net loss for the year** | | **–8,933,960.28** | **–18,656** |
| | | | | |
| 18 | Loss carryforward (prior year profit carryforward) | | –18,652,423.71 | 4 |
| 19 | Withdrawal from revenue reserves | | 12,441.45 | 0 |
| | | | | |
| **20** | **Accumulated deficit** | | **–27,573,942.54** | **–18,652** |

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Analysis of Fixed Assets 2002

| | Acquisition and production cost | | | | Accumulated deception | | | | Net book values | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan. 1, 2002 EUR | Additions EUR | Disposals EUR | Dec. 31, 2002 EUR | Jan. 1, 2002 EUR | Additions EUR | Disposals EUR | Dec. 31, 2002 EUR | Dec. 31, 2002 EUR | Dec. 31, 2001 EUR |
| **I. Intangible assets** | | | | | | | | | | |
| Franchises, industrial rights and similar rights and licenses in such rights and assets | 1,111,562.97 | 90,177.17 | 0.00 | 1,201,740.14 | 824,015.81 | 179,596.22 | 0.00 | 1,003,612.03 | 198,128.11 | 287,547.16 |
| **II. Property, plant and equipment** | | | | | | | | | | |
| 1 Buildings on third-party land | 725,437.09 | 335,638.48 | 190,311.83 | 870,763.74 | 383,909.02 | 94,622.11 | 138,993.53 | 339,537.60 | 531,226.14 | 341,528.07 |
| 2 Technical equipment and machines | 8,005,137.15 | 135,734.54 | 76,854.63 | 8,064,017.06 | 6,368.886.29 | 1,105,622.88 | 70,292.26 | 7,404,216.91 | 659,800.15 | 1,636,250.86 |
| 3 Other equipment, furniture and fixtures | 1,157,836.40 | 187,060.34 | 467,988.32 | 876,908.42 | 676,920.35 | 215,773.32 | 201,784.88 | 690,908.79 | 185,999.63 | 480,916.05 |
| | **9,888,410.64** | **658,433.36** | **735,154.78** | **9,811,689.22** | **7,429,715.66** | **1,416,018.31** | **411,070.67** | **8,434,663.30** | **1,377,025.92** | **2,458,694.98** |
| **III. Financial assets** | | | | | | | | | | |
| Shares in affiliated companies | 13,397,529.35 | 0.00 | 0.00 | 13,397,529.35 | 6,038,103.60 | 7,331,343.33 | 0.00 | 13,369,446.93 | 28,082.42 | 7,359,425.75 |
| | **24,397,502.96** | **748,610.53** | **735,154.78** | **24,410,958.71** | **14,291,835.07** | **8,926,957.86** | **411,070.67** | **22,807,722.26** | **1,603,236.45** | **10,105,667.89** |

# CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

## NOTES TO THE FINANCIAL STATEMENTS FOR 2002

### A. General

The financial statements as presented 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 Corporations 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 largely 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 in accordance with their useful lives. Additions are amortized on a pro rata temporis basis. Property, plant and equipment is capitalized at acquisition or production cost as required by tax law and, if it has a limited life, is reduced by systematic depreciation.

It is depreciated over its useful life using the straight-line method. The tax simplification rules were applied to additions to movable property, plant and equipment. Pursuant to Sec. 6 (2) EStG [“Einkommensteuergesetz”: German Income Tax Act], low-value assets with a value not exceeding EUR 410.00 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. Due to the general economic developments, a valuation allowance of EUR 7 million was applied to the investment in the French subsidiary Spring Technologies S.A., Montreuil/France. The investment in Cenit (Switzerland) AG, Frauenfeld, was also written down by EUR 0.3 million.

**Merchandise** is generally valued at average acquisition cost or the market value as of the balance sheet date, whichever is lower. Individual items were written down because of long shelf life or lacking or limited possibilities of use.

**Work in process** is valued at production cost, which essentially consist of personnel expenses, observing the prudence principle.

**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 0.5%) was established for the general bad debt risk for trade receivables. The effect of the valuation changes totals approx. EUR 60 k.

**Treasury shares** and **securities** are valued at cost or market, whichever is lower.

The discount of EUR 13 k contained in **prepaid expenses** is written off according to the straight-line method over the fixed-interest period of the corresponding loan.

The **accruals** take into account all foreseeable risks and contingent liabilities and are recorded at the amounts which reasonable commercial judgment would suggest.

**Liabilities** are recorded at their repayment value.

**Currency Translation**

To determine the acquisition costs 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; in case the exchange rate on the balance sheet date is lower for receivables or higher for liabilities, they are valued at the exchange rate of the balance sheet date.

FIG. 29

EQUITY INVESTMENTS

| NO. | NAME AND REGISTERED OFFICE | Currency | Equity interest % | of | Subscribed capital in thous., local currency | Equity in thous., local currency | Net income/loss in thous., lokal currency |
|---|---|---|---|---|---|---|---|
| 2 | Cenit (Switzerland) AG, Frauenfeld/Switzerland | CHF | 90.00 | | 500 | –1,608 | –411 |
| 3 | Spring Technologies S.A., Montreuil/France | EUR | 100.00 | | 328 | 1,300 | 40 |
| 4 | CAD Ecole SGAO SARL, Montreuil/France | EUR | 100.00 | 3 | 38 | –119 | –94 |
| 5 | CENIT SARL, Montreuil/France | EUR | 100.00 | 3 | 38 | 150 | –236 |
| 6 | CENIT SYSTEMHAUS HOLDING (CSH) INC., Montreal/Canada | CAD | 100.00 | | 5,000 | 60 | –74 |
| 7 | CENIT CANADA INVESTMENTS (CCI) INC., Montreal/Canada | CAD | 92.58<br>7.42 | 6 | 7,613 | 200 | 0 |
| 8 | CENIT North America Inc., Detroit/USA | USD | 100.00 | | 25 | 43 | 19 |
| 9 | CENIT Italy S. r. l., Modena/Italy | EUR | 100.00 | | 12 | 5 | 0 |

## C. Notes to the 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 exhibit to the Notes. FIG. 29

All shares in Spring Technologies S.A., Montreuil (France) - which itself holds all shares in CAD Ecole SGAO SARL, Montreuil (France), and in ADVANTIA SARL, now CENIT SARL, Montreuil (France) - that were acquired in 2000 have been fully depreciated.

The valuation allowance of EUR 7 million results from an outlook of sustained decline on the IT market in France and the related reduced earnings forecasts for the Company.

By agreement dated May 16, 2000, CENIT has founded CENIT SYSTEMHAUS HOLDING (CSH) INC., Montreal (Canada), and CENIT CANADA INVESTMENTS (CCI) INC., Montreal (Canada). The purpose of that company was to invest in several operative companies in the U.S. Following the reversal of the acquisition of these operative companies in 2001, CENIT CANADA INVESTMENTS (CCI) INC. and CSH continue to exist as corporate shells until the legal settlement is fully completed.

***3. Treasury shares***

14,637 individual share certificates were held by the Company in the reporting year. In total this corresponds to a 0.35 percent share in equity. Treasury shares were valued at the closing rate of the balance sheet date. Treasury shares were amortized to the lower attributable value according to the decrease in the market price. The acquisition of treasury shares was carried out in accordance with the authorization by the shareholders' meeting based on Sec. 71 (1) No 8 AktG.

A resolution was passed at the shareholders' meeting on June 20, 2001 to revoke the authorization dated May 31, 2000 and to authorize management to purchase treasury shares once or several times until November 30, 2002 up to a total of 400,000 shares subject to approval by the supervisory board for the purpose of redeeming or reselling them. The reselling option is restricted to reselling via the stock exchange or as consideration for acquiring companies or investments. Management did not avail itself of this option in the fiscal year 2002.

A resolution was passed at the shareholders' meeting on June 19, 2002 to revoke the authorization dated June 20, 2001 and to authorize management to purchase treasury shares (common stock) once or several times until November 30, 2003 subject to approval by the supervisory board for the purpose of redeeming or reselling them. The portfolio of treasury shares must not exceed 10% of the Company's share capital at the end of any day.

***4. Receivables and other assets***
Other assets include tax refund claims of EUR 104 k.

***5. Prepaid expenses***
This item includes a debt discount of EUR 13 k (prior year EUR 16 k).

***6. Equity***

***Share capital***
The Company's share capital amounts to EUR 4,183,879. It is divided into 4,183,879 individual shares. The shares are bearerdenominated shares.

***Authorized capital I***
Upon approval by the supervisory board, management is 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 bearer shares (common stock) for contributions in cash or kind (authorized capital I). The shareholders must be offered a stock option. However, management is authorized to exclude fractional amounts from the share-holders' stock options. In addition, management is authorized to decide on further details of the capital increase with approval by the supervisory board.

***Authorized capital II***
Upon approval by the supervisory board, management is 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 bearer shares (common stock) for contributions in cash or kind (authorized capital II). Subject to approval by the supervisory board, management is authorized to exclude legal stock options of the shareholders for the purpose of acquiring companies or investments in companies; companies or 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, management may exclude fractional amounts from the shareholders' legal stock option. Management is authorized to decide on further details of the capital increase subject to approval by the supervisory board.
The authorized capital II totals EUR 416,121 as of December 31, 2002.

***Authorized capital III***
Upon approval by the supervisory board, management is 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 bearer shares (common stock) for contributions in cash or kind (authorized capital III). Subject to approval by the supervisory board, management is authorized to exclude the legal stock options of the shareholders for the purpose of acquiring companies or investments in companies; companies or 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, management may exclude fractional amounts from the shareholders' legal stock option. Management is authorized to decide on further details of a capital increase subject to approval by the supervisory board.

FIG. 30

CONDITIONAL CAPITAL

| | Shares | EUR |
|---|---|---|
| 1. Conditional capital – convertible bonds | 120,000 | 120,000 |
| 2a. Conditional capital – employee stock ownership plan | 0 | 0 |
| 2b. Conditional capital – employee stock ownership plan | 260,000 | 260,000 |
| 3. Conditional capital – acquisition of Lemire & Habrich | 0 | 0 |
| | **380,000** | **380,000** |

## Conditional capital

The conditional capital comprises the following: FIG. 30

***1. Convertible bonds***
The share capital has been conditionally increased by a maximum of EUR 120,000 (conditional capital) through the issue of up to 120,000 individual bearer shares (common stock). The conditional capital increase is 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** may only be offered to a circle of CENIT Group employees, consisting of employees of CENIT Aktiengesellschaft Systemhaus (group 1), members of the management boards of Group companies (group 2) and employees of Group companies (group 3). A total of up to 95.75% of the convertible bonds may be issued to group 1, up to 1.25% to group 2, and up to 3.0% to group 3.

The conversion right may be exercised at the earliest 2 years after the convertible bonds have been issued. Furthermore, the conversion right 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 securities market on the five last trading days before start of the conversion period amounts to at least 135 percent of the share price of CENIT Aktiengesellschaft Systemhaus on the date of management'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 exercising of conversion rights is at least 15% higher than the development of the German Neuer Markt [new market] venture index over the same period of time.

The closing share price on the date of the management's resolution is 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 is EUR 46.00. None of the performance criteria were fulfilled in 2002.

***2a. Employee stock ownership plan (old)***
By resolution of the shareholders' meeting on May 31, 2000, the Company has conditionally increased its share capital by up to EUR 40 k by issuing up to 40,000 individual bearer shares (common stock). The conditional capital increase is exclusively intended to grant rights to bearers of options which the Company issues until May 1, 2004 in accordance with the authorization for management to grant options within the framework of the employee stock ownership plan for executives. Both the persons entitled to subscribe and the issuing price are stated in the aforementioned authorization. The conditional capital increase is only to be carried out to the extent that the bearers of the issued options exercise their rights. Management is authorized to decide on further details of the conditional capital increase and its implementation with approval by the supervisory board.
The authorization of management to issue option rights and the conditional capital increase of EUR 40,000.00 approved by the shareholders' meeting on May 31, 2000 were revoked by resolution passed at the shareholders' meeting on June 19, 2002.

***2b. Employee stock ownership plan (new)***
By resolution of the shareholders' meeting on June 19, 2002, the Company conditionally increased its share capital by up to EUR 260,000.00 by issuing up to 260,000 individual bearer shares (common stock). The conditional capital increase is exclusively intended to grant shares to bearers of options which management was authorized to issue on the basis of the resolution by the shareholder meeting on June 19, 2002 (“stock ownership plan 2002”). The conditional capital increase is only to be carried out to the extent that the bearers of the issued 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 through the exercising of stock options. Management is authorized to decide on further details of the conditional capital increase and its implementation with approval by the supervisory board.
The stock 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 securities market on the five last 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 decision by management 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 exercising of the stock options is at least 15% higher than the development of the NEMAX-ALL-SHARE Performance Index (DE0008468943) 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 by 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 case 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.

***3. Acquisition of Lemire & Habrich***
By resolution of the shareholders' meeting on May 31, 2000, the Company has conditionally increased its share capital by up to EUR 355,520.00 by issuing up to 355,520 individual bearer shares (common stock). The conditional capital increase is exclusively intended to grant stock options in connection with the acquisition of all shares in the companies incorporated under Canadian law under the company names "Lemire & Habrich Consultants Inc." and "Solid Xperts Inc." with registered office in St. Laurent (Canada). The stock options are issued for contributions in kind. All shares in the companies incorporated under Canadian law under the company names "Lemire & Habrich Consultants Inc." and "Solid Xperts Inc." are to be directly or indirectly transferred to the Company as contributions in kind.
In the course of the reversal of the investment in fiscal 2001 the balance sheet item "Contributions made for implementing resolution to increase capital" was netted with the acquisition costs of the investment in CCI.
The conditional increase of the share capital by up to EUR 355,520.00 was revoked by resolution of the shareholders' meeting on June 19, 2002.

FIG. 31

CAPITAL RESERVE in EUR

| | |
|---|---|
| | |
| | |
| **Dec. 31, 2002 – unchanged –** | **23,349,597.07** |

FIG. 32

REVENUE RESERVES in EUR

| | |
|---|---|
| Jan. 1, 2002 | 45,374.70 |
| | |
| Withdrawal due to depreciation/amortization | 12,441.45 |
| **Dec. 31, 2002** | **32,933.25** |

FIG. 33

OTHER REVENUE RESERVES in EUR

| | |
|---|---|
| | |
| | |
| **Jan. 1, 2002 – unchanged –** | **3,869,196.20** |

In the course of the reversal of the investment in fiscal 2001 the balance sheet item “Contributions made for implementing resolution to increase capital” was netted with the acquisition costs of the investment in CCI.
The conditional increase of the share capital by up to EUR 355,520.00 was revoked by resolution of the shareholders' meeting on June 19, 2002.

***7. Capital reserve*** FIG. 31

***8. Revenue reserves***
Reserve for treasury shares FIG. 32

The withdrawal was recorded under 'other operating income' with effect on results.

***Other revenue reserves*** FIG. 33

FIG. 34

ACCUMULATED DEFICIT in EUR

| | |
|---|---|
| Jan. 1, 2002 | 18,652,423.71 |
| Net loss for the year 2002 | 8,921,518.83 |
| **Dec. 31, 2002** | **27,573,942.54** |

FIG. 35

LIABILITIES

| | 2002 EUR | 2001 EUR K |
|---|---|---|
| Due within 1 year | 5,960,582.21 | 12,151 |
| Remaining term of 1 to 5 years | 335,535.29 | 383 |
| Due within more than 5 years | 0.00 | 48 |
| | **6,296,117.50** | **12,582** |

FIG. 36

OTHER LIABILITIES

| | Dec. 31, 2002 EUR | Dec. 31, 2001 EUR K |
|---|---|---|
| Tax liabilities | 1,216,334.66 | 2,020 |
| Liabilities related to social security | 552,652.40 | 654 |
| Remaining other liabilities | 219,432.26 | 232 |
| | **1,988,419.32** | **2,906** |

***9. Accumulated deficit*** FIG. 34

***10. Accruals***

**Other accruals** essentially comprise accruals for personnel expenses (EUR 831 k), rent for unused office and storage space, the agreements for which were cancelled as of June 30, 2004 (EUR 230 k), warranties (EUR 160 k) and for outstanding supplier invoices (EUR 892 k).

***11. Liabilities***

The **remaining terms of liabilities** due to banks are as follows: FIG. 35

FIG. 37

SALES

| | 2002 EUR '000 | 2001 EUR '000 | Change EUR '000 | % |
|---|---|---|---|---|
| Services | 32,582 | 35,696 | –3,114 | –9 |
| Merchandise | 29,043 | 35,502 | –6,459 | –18 |
| Software | 6,773 | 1,468 | 5,305 | 361 |
| License fees | 4,207 | 10,425 | –6,218 | –60 |
| Commission | 3,153 | 4,229 | –1,076 | –25 |
| | **75,758** | **87,320** | **–11,562** | **–13** |

All other liabilities have a remaining term of up to one year.
There is customary retention of title to the supplied items for the **trade payables**.

Other liabilities break down as follows: FIG. 36

The above-mentioned convertible bonds are disclosed under other liabilities.

## II. Income Statement

***1. Sales***

96.5% of the sales were effected within Germany, 2% in EU countries and 1.5% in other countries. FIG. 37

***2. Other operating income***

The **other operating income** includes income from insurance premium refunds and from the release of accruals.

***3. Other operating expenses***

Total **other operating expenses** fell by 15% to EUR 12.5 million compared to the prior year. **Other operating expenses** mainly comprises costs for premises (EUR 3.2 million), vehicle costs (EUR 2.5 million), travel expenses (EUR 1.2 million), legal and consulting costs (EUR 1.2 million), and marketing expenses (EUR 1 million).

***4. Financial result***

Of other interest and similar income, EUR 73 k refers to affiliated companies (prior year EUR 96 k).

The write-down on **financial assets** concerns amortization of EUR 7 million on the investment in Spring Technologies S.A., Montreuil (France) and of EUR 0.3 million on Cenit (Switzerland) AG, Frauenfeld.

## D. Other Disclosures

***1. Personnel***

An average of 435 (prior year 526) members of staff were employed during the fiscal year, of which 20 (prior year 17) were trainees.

***2. Contingent liabilities and other financial commitments***

**Obligations from rental and lease agreements** amount to EUR 15.6 million. A declaration of subordination for a loan receivable of EUR 1.7 million has been issued for Cenit (Switzerland) AG.
There is a blanket assignment for all trade receivables. The blanket assignment is held in trust by BW Bank for a security pool of business banks.

***3. Derivative financial instruments***

The interest swap business at Commerzbank was cancelled in August 2002.

***4. Executive bodies***

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

- Falk Engelmann (Dipl.-Ing.), Leinfelden-Echterdingen - spokesperson of the management board until July 31, 2002, (Finance, Organization, e-Engineering) - retired on July 31, 2002
- Hubertus Manthey (Dipl.-Ing.), Pliezhausen, (Personnel, Marketing, Investor Relations)
- Andreas Schmidt (Dipl.-Ing.), Ebersbach - spokesperson of the management board from (e-Business, from August 1, 2002 also e-Engineering), August 1, 2002
- Christian Pusch (Dipl.-Wirtsch.-Ing.), Erfurt (Finance, Organization) from June 1, 2002

The **supervisory board members** are:

- Dr. jur. Axel Sigle (lawyer), Stuttgart - Chairman - retired on July 31, 2002 - Deputy chairman of the supervisory board of Funk-Oase Communications AG, Hofen/Weinsberg
- Falk Engelmann (Dipl.-Ing.), Leinfelden-Echterdingen - member of the supervisory board since August 7, 2002 - Chairman since September 12, 2002
- Hubert Leypoldt (Dipl.-Kfm.), (German public auditor, tax advisor, counsel), Dettingen/Erms - deputy chairman
- Dr. rer. pol. Dirk Lippold (managing director), Friolzheim

Management board remuneration totaled EUR 620,480 in the fiscal year. The supervisory board received EUR 67,500 in remuneration.
The D & O insurance was continued in fiscal 2002 for management board members as well as other executives and supervisory board members. The Company pays premiums for the supervisory board members up to an annual total of EUR 10,000.

As of the balance sheet date, management held 736,104 shares (prior year 1,108,704 shares), i.e. 17.6% (prior year 26.5%) of the Company's share capital. Supervisory board members held 333,196 shares (prior year 800 shares), i.e. 8.0% of the Company's share capital.

EXPLANATION TO OWNING SHARES AND THE PRE-EMPTIVE RIGHTS OF DIRECTORS AND OFFICERS AND EMPLOYEES ACCORDING TO §161 ABS.1 NR. 2 AND 5 AKTG

Directors and Officers of the company have no share pre-emptive rights.
CENIT employees have pre-emptive rights on 6,900 convertible bonds according to the employee shares participation program.

DIRECTOR'S HOLDING STAND Dec. 31, 2002

| | | |
|---|---|---|
| **Total number of Shares** | | 4,183,879 |
| **Shares owned by the Executive Board** | | |
| Hubertus Manthey | Andreas Schmidt | Christian Pusch |
| 337,508 | 398,596 | 0 |
| **Shares owned by the Supervisory Board** | | |
| Falk Engelmann | Hubert Leypoldt | Dr. Dirk Lippold |
| 332,396 | 800 | 0 |

## E. Loss Appropriation

Management and the supervisory board propose carrying forward the accumulated deficit.

## F. Group Relationships

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

## G. 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 required by Sec. 161 AktG and made it available to the shareholders.

*Stuttgart, February 24, 2003*
CENIT Aktiengesellschaft Systemhaus

The Management Board

Hubertus Manthey    Andreas Schmidt    Christian Pusch

## H. AUDIT OPINION

We have issued the following opinion on the annual financial statements and the management report:

“We have audited the annual financial statements, together with the bookkeeping system and the management report of CENIT Aktiengesellschaft Systemhaus, Stuttgart, for the fiscal year from January 1 to December 31, 2002. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law articles of incorporation and bylaws 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 have conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] and the German 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 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 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, February 28, 2003*

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| *Benzinger* | *Sandrisser* |
| *Wirtschaftsprüfer* | *Wirtschaftsprüferin* |
| *[German Public Auditor]* | *[German Public Auditor]* |