CENIT AG SYSTEMHAUS

ANNUAL REPORT 2003

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CADENAS Integration 2SAP

FAS CAA 3D riveting TIP

Drawing for CATIA Manager

ECO simulation PAINT

CALA monitoring LOGFILE

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Generic for CATIA V5 PartManager

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PREFACE

DEAR SHAREHOLDERS, BUSINESS PARTNERS, CUSTOMERS AND INTERESTED PARTIES,

this 2003 annual report documents impressively how CENIT has again returned to profitability.

For the first time for almost three years, CENIT again achieved a positive Group result. The sustainability of our positive earnings trend of the last few quarters is thus continuing in an impressive manner. Sound volumes of orders on hand and the extremely good utilisation levels in some areas of business fill us with confidence for the next few years. We have booked particularly pleasing growth rates and incoming orders from customers in the automotive, aviation and finance sectors. However, it is not only our earnings and orders on hand that are pleasing. We are also proud to be able to present to you today a company that no longer has any short-term dues to its corporate banks. Dear readers, we can justifiably say that this is the result of a sound and well-considered financial and corporate policy.

During the last financial year, we concentrated heavily on our core competences and always placed the requirements and needs of our customers at the forefront of our operating activities. We thus strengthened our leading position in the Product Lifecycle Management and IT Outsourcing areas as one of the most important independent PLM consultancy firms in Europe.

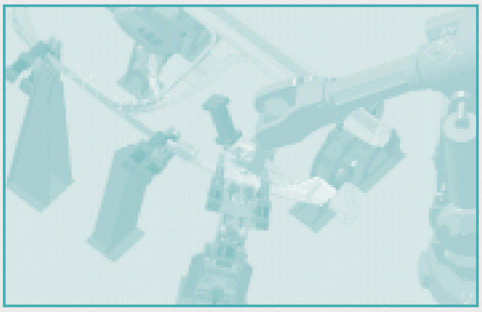
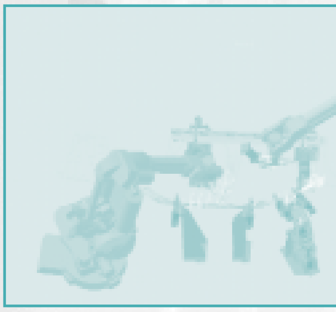
A turnaround was also successfully implemented in the e-business area. We also gained significant market share in this area. Finally, with our American software partner in our international partnership with FileNet we were awarded the accolade of "Partner of the year 2003" in the European market.

Dear shareholders, if you have monitored the share prices over the last year, you will notice that the stock exchange has also rewarded the positive development of earnings. With a low of EUR 1.25 at the beginning of 2003, our share recovered to a price of EUR 6.66 at the end of the year. The volumes of shares traded also showed a pleasing development. They corresponded to, or in some cases exceeded the movements of some TecDax stocks. Despite the difficult general economic conditions, we are aiming to achieve further sales and earnings growth for the 2004 financial year.

Thank you, dear shareholders, business partners, customers and interested parties, for your support of CENIT over the last few, not always easy financial years. Rest assured that during this next financial year we will do everything we can to continue to be worthy of your trust.

Yours sincerely,
The Executive Board

Hubertus Manthey *Andreas Schmidt* *Christian Pusch*

COMBINED MANAGEMENT REPORT

CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2003

DEVELOPMENT OF THE ECONOMY AS A WHOLE

Despite first signs of a recovery on the markets in the European Union in 2003, Germany remained far behind the European average with zero growth in gross domestic product (GDP) in 2003.

Nevertheless, German companies have regained some optimism and many factors indicate that they will not be disappointed. After three years of a stagnating economy, 2004 should see growth in the German economy. The business climate is better than it has been for a long while and most economists are forecasting economic growth of at least 1.5 % in 2004. The German Institute for Economic Research (DIW), for one, has forecast growth of 1.4 % per year for Germany in the next two years.

The driving force behind the recovery is the upswing of the global economy. Demand from abroad was the only reason why the German economy did not contract further last year and exports are expected to be the main factor stimulating growth this year. The higher exchange rate of the euro should not affect that – if the global economy is working, it will automatically boost exports. The German export industry is expecting 2004 to see a significant increase in business. Domestic demand, however, slumped in 2003 and is not forecast to pick up. Capital expenditures – the low level of which has been observed with concern in past years – should nevertheless pick up slightly. Consumers will continue to show modest spending patterns, and if the labor market perspectives remain as poor as they currently are, no changes can be expected here.

A turnaround is becoming apparent, albeit a minor one. The forecasts for 2004 in the German automotive industry, for instance – an important customer segment of CENIT, give cause for moderate optimism and are a key indicator for CENIT. Contrary to forecasts by many market observers, the German Automobile Industry Association expects moderate growth of around 3 % in the number of new registrations of passenger vehicles to 3.35 million cars in 2004 after four years of declining or stagnating sales. The automotive development and production segments are sending out positive signals. The relationship between automotive manufacturers and their suppliers will undergo substantial changes in the next few years. In future, manufacturers will concentrate on the development and production of modules and components that are characteristic for their respective models. Suppliers will in return be responsible for large parts of production and development. Even today, carmakers only produce 35 % of their cars themselves. Pointing both parties towards the uniform technology platform required will generate immense consulting potential for CENIT. This is significant in light of the fact that 55 % of CENIT's customers come directly or indirectly from the automotive industry. In the aviation industry, too, the trend towards rationalization in development and production has been favorable for CENIT services. In addition, the financial services industry – which had displayed a cautious spending pattern for a long while, putting off its IT service providers for three years in a row – was able to overcome this reluctance to invest. The same applies for trade and commerce, which also started making the IT investments needed. All of these major CENIT customer segments are once again willing to invest. The market research institute IDC is not the only one expecting growth on the German IT market of 5.2 % to exceed the European average of 3.6 % in 2004.

With the stock index at its peak, a stable cash value and a pleasant economic outlook, 2003 closed satisfactorily from an economic point of view. Following the challenges of 2003, we can be confident that we will be able to manage the risks and that they will be outweighed by opportunities in 2004.

DEVELOPMENT OF THE IT INDUSTRY

The western European market for information technology and telecommunication has returned to the profit zone. Sales in western Europe are estimated to have risen by 1 % to EUR 590 billion by the end of 2003. In 2004, demand is expected to rise at a faster pace of 3.1 % and generate sales of EUR 609 billion for the industry. By contrast: in 2002 companies in the IT and telecommunications market recorded a decline of 0.8 %. These figures were published in the most recent study by the European Information Technology Observatory (EITO) presented in 2003.

Companies on the IT and telecommunications market in German are accordingly optimistic for the coming years. Growth of 2 % is forecast for the German IT and telecommunications market in 2004. According to the announcement made by the German Association for Information Technology, Telecommunications and New Media (BITKOM) in Berlin at the end of 2003, around half of the companies reported rising sales and profits even in 2003. For 2003 BITKOM came to the conclusion that, generally speaking, the IT and telecommunications industry broke even. Sales are estimated at EUR 131 billion. For 2004, growth of around 2 % is forecast with total sales of EUR 134 billion. While telecommunications recorded a strong upwards trend, the market for information technology still recorded negative growth of –2 % in 2003. Here, too, BITKOM still forecasts a turnaround for 2004 and further slight growth of 1 % to about EUR 66 billion. Positive signals are coming from the market for PLM and outsourcing. There, market studies by CIMDATA or Daratech predict double-digit growth rates for Germany and internationally. Analysts of the renowned market research and consulting company Gartner Inc. are equally optimistic with respect to the position of FileNet as a solution for Business Process Management (BPM). In a report recently issued, in which Gartner analysts reviewed a total of 49 providers of Business Process Management software, FileNet was named as "leading provider".

POSITIONING AND STRATEGY OF CENIT

In 2003, CENIT celebrated 15 years in business.

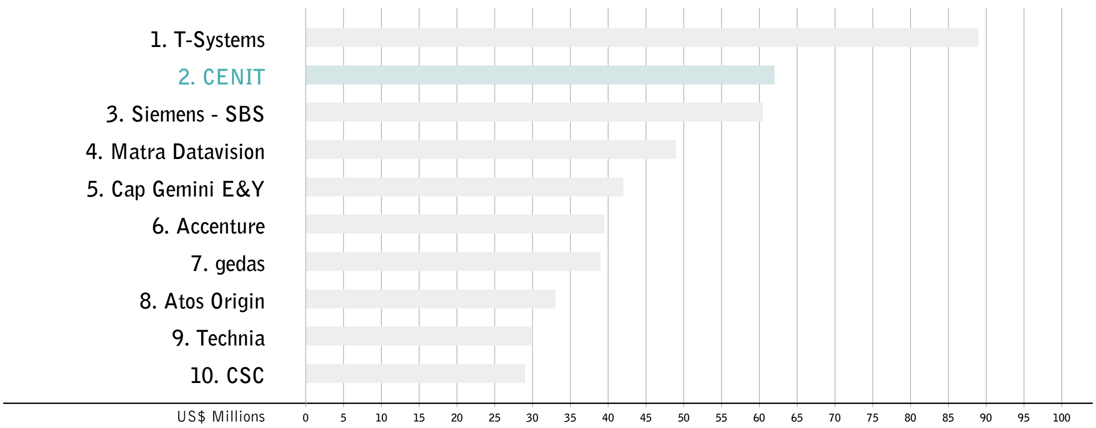
Over the years, CENIT AG Systemhaus has successfully established itself as a leading IT consulting company and service provider. The Company has been operating as a specialist for optimization of business processes and product lifecycle management since 1988. CENIT is listed on the Prime Standard segment of Deutsche Börse and on the Gate-M of the Stuttgart stock exchange since January 2004. It has more than 430 employees. CENIT's customers include large companies such as Allianz, BMW, DaimlerChrysler, EADS Airbus, LBS, Bausparkasse Schwäbisch Hall, Metro, REWE and VW. The majority of its customers are small and medium-sized businesses, in particular associated with the automotive industry and machine engineering, such as Dürr, ISE, Emil Bucher and Webasto, to mention just a few.

The Stuttgart-based company 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. We have expanded our excellent market position in product lifecycle management in Germany and Europe despite the negative market environment.

Our competency in PLM is used above all by large customers. One example here is EADS Airbus GmbH, which awarded CENIT a contract to implement CATIA solutions and hold training courses in connection with the development of the new A380.

INDEPENDENT PLM SERVICE PROVIDER 2002 IN EUROPE

Source: CIMdata study 2003



CENIT is the leading partner and service provider for the development software CATIA, a program developed by our software partner Dassault Systèmes for computer-aided design and development 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.

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.

In the e-business segment, CENIT markets and implements enterprise content 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. 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.

The positive developments of the Company are supported by the success in IT outsourcing. CENIT provides outsourcing services both in the e-engineering and e-business segments. CENIT has successfully established itself as a reliable partner for well-known customers such as BMW, Allianz, Mann+Hummel, VW, VR Kreditwerk, Wüstenrot & Württembergische. As required, CENIT also assumes all-round operational responsibility, for instance for the IT infrastructure, data security and protection against downtimes, the hotline service or remote maintenance of hardware and software right through to systems management.

CENIT – THE COMPANY

CENIT's headquarters are located in Stuttgart (Germany) and the Company is present in the most important urban centers. The German market is consequently an important pillar. In addition, the American market is served by a branch in Michigan, which works as a selling agency for the current customers in Detroit. CENIT has a further branch in Switzerland.

The strategic focus on consulting and other services for product lifecycle management, outsourcing and enterprise content management solutions was successfully extended in 2003. This produced increasing demand for consulting services in the automotive and aviation industries. The Company was able to capture further market share there from the competition. As a result of strategic decisions by management, sales generated with hardware fell as expected in 2003 and were to some extent compensated for by high-margin sales of consulting services. CENIT will again tap new market potential in 2004 following market consolidation in the field of document management.

BUSINESS DEVELOPMENT OF CENIT AG SYSTEMHAUS IN 2003

DEVELOPMENT OF EARNINGS

The Group generated sales of EUR 70.5 million in the reporting period (2002: EUR 94.0 million; –25 %). The main reason for the drop in sales is the hardware sector and the deconsolidation of the French subsidiary Spring. Gross profit fell by 17 % and came to EUR 43.2 million (2002: EUR 52.1 million). The prior period's EBITDA of EUR 2.3 million was raised by 52 % to EUR 3.5 million. Similarly, EBIT rose by an above-average rate of 146 % to EUR 2.5 million (2002: EUR –5.4 million). With the good liquidity situation, the Group was able to considerably reduce interest expenses, leading to an EBT of EUR 2.4 million (2002: EUR –5.8 million; 143 %).

CENIT AG Systemhaus generated sales of EUR 68.8 million in the reporting period (2002: EUR 75.8 million; –9 %). The main reason for the drop in sales is the reduction of sales with hardware, which fell by 36 %. Notwithstanding this, the gross profit was increased by 3 % from EUR 40.2 million to EUR 41.4 million. In Germany, EBITDA came to EUR 3.0 million (2002: EUR 2.0 million; +50 %). EBIT in Germany was EUR 2 million (2002: EUR –8.6 million; +123 %), i. e. significantly higher than in the prior year. With the good liquidity situation, the Company was able to considerably reduce interest expenses, leading to an EBT of EUR 2 million (2002: EUR –8.9 million; +122 %). The disposal of the French subsidiary Spring Technologies S. A. made a positive contribution of EUR 0.6 million to earnings.

ORDER BACKLOG

As of December 31, 2003 order backlog in the Group totaled EUR 14 million and incoming orders amounted to EUR 75 million in 2003.

For CENIT AG Systemhaus, Germany, incoming orders totaled EUR 72 million in the fiscal year 2003. As of December 31, 2003 order backlog stood at EUR 13.5 million.

Orders of particular significance:

In 2003 CENIT successfully continued its close partnership as systems supplier of an automotive manufacturer based in southern Germany. The contract worth more than EUR 4 million was concluded for one year. CENIT has been working as a reliable IT consultant for the automotive manufacturer in the south of Germany since 1992, ensuring secure operation of the applications and support. The contract essentially comprises applications support and operations for CATIA Pro/E and Robcad on Unix and partly on Windows XP. CENIT AG Systemhaus has thereby strengthened its position in product lifecycle management (PLM) and IT outsourcing of specific operational issues.

The decision of an international aircraft builder to use CENIT as preferred IT service provider led to a follow-up order for CENIT of several million.

Cooperation with SAP in PLM was highly successful in the past year. A significant number of license contracts were concluded for our SAP/PLM integration software linking the development and production areas with the SAP world. With Aesculap, the leading manufacturer of medical devices and surgical instruments worldwide, as well as two of the leading manufacturers of bathroom fixtures, hansgrohe AG and Geberit group, well-known customers have decided to implement our solutions. In the training sector CENIT also has successes to report such as a large training contract with the automotive supplier Georg Fischer.

DaimlerChrysler also placed its trust in CENIT in fiscal 2003. 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.

In addition, contracts for several million euros in our e-business segment awarded by our customers Bausparkasse Schwäbisch Hall, AGIS, Allianz, Dresdner Bank, AXA and VR Kreditwerk helped to improve capacity utilization.

EQUITY INVESTMENTS

CENIT (SCHWEIZ) AG

CENIT (Schweiz) AG generated sales of CHF 3.2 million in the past fiscal year. CENIT AG Systemhaus issued a partial waiver as of December 31, 2003 for the loan of CHF 2.1 million, leading to net income for the company of CHF 2.1 million in the reporting year. The Swiss company's capital stock has thus been revived in full. The receivables waiver does not present a burden for CENIT AG Systemhaus in 2003, as the loan was written off in full already in 2002.

SPRING TECHNOLOGIES S. A., FRANCE

CENIT AG Systemhaus sold its subsidiary Spring Technologies S. A. in a management buy-out. The disposal of the French subsidiary was necessary to allow CENIT to continue its positive development of results. The disposal was accompanied by the conclusion of a distribution agreement providing for CENIT products to be sold in France as before.

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, C-Post, MB5AXES) is in great demand on the US market. The sales office in the USA recorded sales of USD 1.0 million and net income of USD 0.07 million.

MANAGEMENT BOARD AND SUPERVISORY BOARD

Falk Engelmann, Dipl.-Ing., Hubert Leypoldt, Dipl.-Kfm., and Dr. Dirk Lippold were re-elected at the shareholders' meeting on June 18, 2003. In accordance with Art. 10 (3) of the Company's articles of incorporation and bylaws, Norbert Fink, Dipl.-Ing. (FH), Metzingen, aged 44, was appointed substitute member for the supervisory board members Falk Engelmann, Hubert Leypoldt and Dr. Dirk Lippold with the condition that Mr. Fink is made a member of the supervisory board if one of the above supervisory board members elected by the shareholders resigns before the end of the term of office, and that Mr. Fink is again appointed substitute member when the shareholders' meeting appoints a new supervisory board member for the one prematurely resigned and replaced by Mr. Fink. Mr. Fink is on no other legally required supervisory boards or similar monitoring boards of German or foreign businesses in terms of Sec.125 (1) Sentence 3 AktG ["Aktiengesetz": German Stock Corporations Act]. Norbert Fink is one of the former founders of CENIT in 1988.

CAPITAL EXPENDITURE

The Group's capital expenditure on property, plant and equipment and intangible assets amounted to EUR 0.7 million in 2003 (prior year: EUR 0.9 million). In comparison to the previous year, capital expenditure fell by 22 %. Depreciation of property, plant and equipment and amortization of intangible assets amounted to EUR 1.1 million.

CENIT AG Systemhaus's capital expenditure on property, plant and equipment and intangible assets amounted to EUR 0.6 million in 2003 (prior year: EUR 0.8 million). Most of the money was spent on replacements for the technical infrastructure and on furniture and fixtures. In comparison to the prior year, capital expenditure fell by 25 %. Depreciation of property, plant and equipment and amortization of intangible assets fell by EUR 0.6 million to EUR 1 million.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

While 2002 closed with a net loss of EUR 7.4 million for the Group, net income of EUR 1.7 million was generated by the Group in 2003. The Group's total assets were reduced further following deconsolidation of the French subsidiary. The equity ratio stood at 41.4 % which is considerably higher than the prior-year figure.

Following several years of declining total assets at CENIT AG Systemhaus, total assets increased in 2003 owing to the improved results of operations and the associated increase in cash and cash equivalents. The equity ratio came to approximately 27 %. Equity amounted to EUR 5.8 million at the end of 2003 (2002: EUR 3.9 million), i. e. 138 % of subscribed capital. The net income of EUR 1.9 million is used to offset the loss carried forward from prior years. The remaining loss carried forward from prior years is offset against the capital reserve, with 10 % of the legally prescribed reserves being retained in full. The remaining loss carryforward is balanced by reversal of some of the revenue reserves. The equity restructuring is intended to enhance transparency and clarity and improve external rating results.

At CENIT AG Systemhaus, short-term liabilities to banks were repaid in full. Trade receivables and other assets fell by EUR 1.2 million to EUR 11.3 million. Cash and cash equivalents amounted to EUR 6.6 million as of December 31, 2003 (2002: EUR 1.9 million; +247 %).

The Group's personnel expenses totaled EUR 28.1 million (2002: EUR 34.9 million; –19.5 %) and those of CENIT AG Systemhaus EUR 27.3 million (2002: EUR 25.6 million; +6.6 %).

EMPLOYEES

In the Group, the number of employees amounted to 442 as of December 31, 2003 (2002: 558). An annual average of 433 (2002: 583) persons were employed by the Group around the world.

At CENIT AG Systemhaus, the number of employees amounted to 428 as of December 31, 2003 (2002: 419). The average for the year is 419 employees in Germany. Personnel expenses rose by 6.6 % on the prior year. The average employee age in Germany was 36. Over 70 % of the employees have a university degree, for the most part in informatics or engineering. At 4.5 %, fluctuation was much lower in 2003 than in the prior year. The fact that these figures are significantly lower than the industry average is proof for us that our employees are content and loyal. Absence due to illness remains at a very low level.

Our employees in Germany can take part in a company pension scheme in the form of a pension trust fund at a large German insurance company and direct insurance. The number of employees taking up this offer is rising steadily. Currently, about 30 % of our employees have participated. By participating in this scheme, the employees use tax and social security savings to build up their pensions. CENIT does not have any additional costs here, except for minor administrative expenses.

After raising our headcount in Germany by approx. 2 % in 2003, we are planning to increase the number of employees by a further 10 % in 2004. We will mainly reinforce the areas consulting business and customer-specific software development.

DEVELOPMENT OF THE CENIT SHARE

The CENIT share showed a positive development in the past year. Considering the historical development of the CENIT share, our share price rose in the past year at a rate of 177 % p. a. This pleasing development is to some extent attributable to the positive development of results. Analysts continue to classify the CENIT share as "buy" or "outperform". At the same time, we were able to place well over 150 articles on CENIT in the press documenting this positive trend. In 2004 we will continue to support our investors in a timely and open manner, and plan to extend our contacts to investors and analysts. There are currently research reports on CENIT from four different analysts (BW Bank, Concord Effekten Bank, Independent Research and SES Research). With four capital market events and 43 investor discussion rounds, we were able to noticeably raise interest in the CENIT share. A total of seven funds included CENIT shares in their portfolio. In addition, four portfolio managers subscribed to CENIT shares. Baden-Württembergische Kapitalanlagegesellschaft increased its equity investment to 5.35 %.

RESEARCH & DEVELOPMENT

CENIT focuses on 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. In addition to adapting standard software, CENIT develops programs to supplement and enhance existing standard software required by our customers. A team of ten employees is ready to help here. The Company entered into a cooperation agreement with an Indian software development company to be able to increase capacities at short notice, if necessary.

Development of CENIT Share	
CENIT share ratios for 2003 / Status as of Dec. 31, 2003	
Security number	540710
ISIN	DE0005407100
Symbol	CSH
Exchange	Xetra
Start price	2,35
52-week high	7,29
52-week low	1,24
Current price	6,66
Date	Dec. 31, 2003

DEVELOPMENT OF CENIT SHARE

RISKS TO FUTURE DEVELOPMENT

As an international business, the CENIT Group has to deal with risks that are inextricably linked to entrepreneurial activity. At the same time, there is a wide 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.

Strategic risk management and an early warning system installed in cooperation with a consulting company in 2000 in compliance with the guidelines set out by KonTraG, the German Law on Control and Transparency in Business, and adjusted regularly to new developments is a guarantee for transparent management and the early detection of risks. 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 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. On the other hand, the proximity to IBM also gives us a competitive edge, enabling us to take on large projects in the automotive and aviation 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.

A review of the current risk situation showed that there were no risks in the reporting period jeopardizing the continued existence of the Group as a going concern and that no such risks are identifiable for the future. 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 strategic risk management and early warning system introduced in accordance with the requirements of KonTraG guarantees transparent control and early detection of risks.

ANTICIPATED DEVELOPMENT AND OUTLOOK

In 2003, CENIT met its goal of generating a positive operating result in Germany. We have thus fulfilled the forecasts published by analysts at the beginning of the year of "achieving a turnaround in 2003".

Our excellent positioning in the PLM market should enable us to make the most of the anticipated growth of consulting services in 2004. One of our prime aims for 2004 will be to capture a further share in the market, in Germany in particular. The market for IT outsourcing continues to be the growth market of the IT industry. Double-digit market growth rates are expected for the coming years. Here, too, CENIT is well positioned in applications outsourcing and we are expecting to participate in the growth. The crisis of the financial services providers in past years was the main cause for a serious reluctance to invest. For 2004, that industry is forecast to show growing willingness to invest. Even in 2003 investing activities were starting to pick up there, to the advantage of CENIT. In that market, CENIT is concentrating on consulting services for workflow and document management solutions with FileNet software.

With respect to its development in 2004, CENIT AG Systemhaus expects sales growth and even better results. This expectation is based on the assumption that the economy will recover in Germany. In addition, the Company's development in 2004 will be accompanied by further hires in line with the orders situation. As far as our foreign companies in Switzerland and North America are concerned, we expect sales to increase in line with the market situation and that a positive result will be generated.

Stuttgart, March 11, 2004

CENIT AG Systemhaus
The Executive Board

CAL MON
monitoring

IMPORT MANAGER
for FileNet

FLEX PLUS
administration

CENIT CARISMA
FileNet into J2EE

CUT 4AXES
wire-EDM

C POST
post processing

DMU CHECKER
high quality secure

TIVOLI PLUS
for FileNet

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 2003 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 four 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 2003 financial year, the Supervisory Board established no committees.

Central topics of discussion were the continuation of the restructuring measures implemented, the liquidity situation of the company and its alignment to the market. In addition, the Supervisory Board tackled personnel issues relating to the Executive Board, compliance with the Corporate Governance Code and improvements to risk management.

On June 18, 2003, the shareholders' meeting reappointed the incumbent Supervisory Board for a further period of five years. At its constituent meeting on July 24, 2003, the Supervisory Board elected Dipl.-Ing. Falk Engelmann as Chairman and Dipl.-Kfm. Hubert Leypoldt as Deputy Chairman.

As a result of a resolution by the shareholders' meeting, Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart, was once more chosen as the auditor.

The present Annual Financial Statements, the Consolidated Annual Financial Statements and the combined Management and Group Management Report for the 2003 financial year have been audited, also taking into account the focal points determined by the Supervisory Board. The results of the audit show that the accounting and the Annual Financial Statements are in accordance with legal requirements. 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 13, 2004.

The Consolidated Annual Financial Statements for the year 2003 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, 2003, 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 12, 2004 the Supervisory Board ratified the Annual Financial Statements and Management Report presented by the Executive Board and approved the Consolidated Annual Statements.

There were no conflicts of interest involving members of the Supervisory Board with their office in the period under consideration.

In the 2003 financial year, the company continued to consistently focus on its objective of efficient cost management, concentration on the core areas of expertise and the separation from risk factors despite once more finding itself in difficult economic times and weak economic activity. The Supervisory Board would like to pay its compliments to all employees and the Executive Board for a successful financial year in 2003 and would like to thank the entire workforce for the work it has done and the commitment and resolution it has demonstrated.

Stuttgart, March 2004
The Supervisory Board

Falk Engelmann / Chairman

FINANCIAL STATEMENT

GROUP FINANCIAL STATEMENT ACC. TO IRSF

CENIT AG SYSTEMHAUS FINANCIAL STATEMENT ACC. TO

GERMAN COMMERCIAL CODE (HGB)

CENIT Aktiengesellschaft Systemhaus

CONSOLIDATED BALANCE SHEET (in accordance with IFRS)

for the period from January 1 to December 31, 2003

in EUR k	Note	Dec. 31, 2003	Dec. 31, 2002
ASSETS			
FIXED ASSETS			
Intangible assets	F1	113	265
Property, plant and equipment	F2	1,225	2,038
Financial assets	F3	0	201
		1,338	**2,504**
DEFERRED TAX ASSETS	F4	**1,935**	**2,450**
CURRENT ASSETS			
Inventories	F5	1,855	2,954
Receivables and other assets	F6	11,672	16,429
Tax refund claims	F8	7	63
Other receivables	F7	96	318
Securities		2	2
Cash and cash equivalents	F9	7,152	2,450
Prepaid expenses	F10	231	349
		21,015	**22,565**
		24,288	**27,519**
Discontinuing operations	I		*5,480*

in EUR k	Note	Dec. 31, 2003	Dec. 31, 2002
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital	F11	4,184	4,184
Capital reserve	F11	418	23,350
Currency reserve	F11	–122	–90
Revenue reserve	F11	1,239	3,953
Treasury stock	F11	0	–511
Retained earnings/accumulated loss of the Group	F11	4,340	– 22,613
		10,059	**8,273**
MINORITY INTERESTS	F12	**0**	**0**
LIABILITIES (long-term)			
Deferred tax liabilities	F4	485	370
Pension provisions	F13	0	154
Long-term liabilities to banks	F14	240	335
		725	**859**
LIABLILITIES (short-term)			
Short-term liabilities to banks	F14	3,248	6,247
Trade payables	F15	2,951	5,586
Other liabilities	F16	6,699	5,641
Tax provisions	F13	74	0
Other provisions	F13	297	422
Deferred income	F17	235	491
		13,504	**18,387**
		24,288	**27,519**
Discontinuing operations	I		*4,427*

CENIT Aktiengesellschaft Systemhaus

CONSOLIDATED INCOME STATEMENT (in according wiht IFRS)

for the period from January 1 to December 31, 2003

in EUR k	Note		2003	2002
1. Sales	E1		**70,484**	**93,989**
2. Increase or decrease in finished goods and work in process			266	–1,001
Total operating performance			70,750	92,988
Discontinuing operations	I		*0*	*16,238*
Continuing operations			*70,750*	*76,750*
3. Other operating income	E2		509	460
Operating performance			71,259	93,448
4. Cost of materials	E3	28,095		41,335
5. Personnel expenses	E4	28,142		34,863
6. Amortization of intangible assets and depreciation of property, plant and equipment	E5	1,067		7,617
7. Other operating expenses	E6	11,475		14,988
			68,779	98,803
Operating income/loss			**2,480**	**–5,355**
Discontinuing operations	I		*0*	*–5,860*
Continuing operations			*2,480*	*505*
8. Other interest and similar income	E7	35		46
9. Amortization of financial assets and securities classified as current assets		0		1
10. Interest and similar expenses	E8	75		477
			40	432
Result from ordinary activities			**2,440**	**–5,787**
11. Income taxes	E9		704	1,607
12. Result before minority interests			1,736	–7,394
13. Profits/losses allocable to minority interests	F12		0	0
14. Net income/loss of the Group for the year			**1,736**	**–7,394**
Basic earnings per share in EUR	E10		0.41	–1.77
Diluted earnings per share in EUR	E10		0.41	–1.77

CENIT Aktiengesellschaft Systemhaus

CONSOLIDATED STATEMENT OF CASH FLOWS (IN ACCORDANCE WITH IFRS)

for the period from January 1 to December 31, 2003

in EUR k	2003	2002
Cash flow from operating activities		
Earnings before income taxes and deferred taxes	2,440	–5,787
Adjusted for:		
Amortization of intangible assets and depreciation of property, plant and equipment	1,067	7,617
Loss on the disposal of fixed assets	40	322
Losses from the disposal of assets of deconsolidated companies	452	0
Other non-cash expenses and income	–58	0
Interest income	–35	–46
Interest expenses	75	477
Operating result before changes in net working capital	**3,981**	**2,583**
Increase/decrease in trade receivables and other assets	896	8,505
Increase/decrease in inventories	720	–84
Increase/decrease in short-term liabilities and provisions	–688	–7,778
Cash flow from ordinary operations	**4,909**	**3,226**
Cash paid for interest	–75	–477
Cash received for interest	35	46
Cash received from tax refunds (prior year: cash paid for income taxes)	56	–4
Net cash received from operating activities	**4,925**	**2,791**
thereof from discontinuing operations	**0**	**32**
Cash flow from investing activities		
Cash received from the disposal of subsidiaries	482	0
Purchase of property, plant and equipment and intangible assets	–675	–873
Cash received from the disposal of property, plant and equipment	0	12
Increase in other loans	0	–23
Net cash paid for investing activities	**–193**	**–884**
thereof from discontinuing operations	**0**	**–138**
Cash flow from financing activities		
Disposal of treasury shares	82	0
Cash proceeds from borrowings	0	431
Cash payments from long-term bank loans	–97	–3,433
Change in convertible bond	–3	–15
Net cash paid for investing activities	**–18**	**–3,017**
thereof from discontinuing operations	**0**	**0**
Net increase/decrease in cash and cash equivalents	**4,714**	**–1,110**
Cash and cash equivalents at the beginning of the period	**2,450**	**3,571**
Net increase/decrease in cash and cash equivalents	**4,714**	**–1,110**
Effect on cash and cash equivalents of changes in exchange rates	**–12**	**–11**
Cash and cash equivalents at the end of the period	**7,152**	**2,450**

CENIT Aktiengesellschaft Systemhaus

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in accordance with IFRS)

for the period from January 1 to December 31, 2003

in EUR k	Subscribed capital	Capital reserve	Currency reserve	Revenue reserve	Retained earnings/accumulated loss	Treasury shares	Total
As of Jan. 1, 2002	4,184	23,350	–53	3,956	–15,219	–511	15,707
Effects from convertible bonds				–3			–3
Currency fluctuation			–37				–37
Net loss for the year					–7,394		–7,394
As of Dec. 31, 2002	**4,184**	**23,350**	**–90**	**3,953**	**–22,613**	**–511**	**8,273**
Reversal of capital reserve		–22,932			22,932		0
Reversal of revenue reserve				–2,714	2,714		0
Disposal of treasury shares					–429	511	82
Currency fluctuation			–32				–32
Net income for the year					1,736		1,736
As of Dec. 31, 2003	**4,184**	**418**	**–122**	**1,239**	**4,340**	**0**	**10,059**

CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2003

A. Commercial Register and Business Objective of the Company

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

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

The consolidated financial statements of CENIT Aktiengesellschaft Systemhaus, Stuttgart, have been prepared and published based on the International Financial Reporting Standards (IFRS) and the management board released them to the supervisory board on March 11, 2004.

The consolidated financial statements have been prepared in euro. To help provide a clear presentation, all figures are given in thousand euros, abbreviated as EUR k. The balance sheet date is December 31, 2003.

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

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

FIG. 1

EQUITY INVESTMENTS as of December 31, 2003

NO., NAME AND LOCATION OF REGISTERED OFFICES	Currency	Equity investment %	of	Subscribed capital thousands of LC	Equity thousands of LC	Result thousands of LC
1 CENIT Aktiengesellschaft Systemhaus						Parent company
2 CENIT (Schweiz) AG, Frauenfeld/Schwitzerland	CHF	90.00	1	500	500	2,109
3 CENIT SYSTEMHAUS HOLDING (CSH) INC., Montreal/Canada	CAD	100.00	1	5,000	60	0
4 CENIT CANADA INVESTMENTS (CCI) INC., Montreal/Canada	CAD	92.58	3	7,613	200 [1]	0
		7.42	1			
5 CENIT NORTH AMERICA INC., Rochester Hills/USA	USD	100.00	1	25	113	70

[1] Corresponds to prior year figure.

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 J.2. Compliance of group accounting with the 7th EU Directive, which is required for exemption from the obligation to prepare consolidated financial statements in accordance with German Commercial Code, has been based on the interpretation of the directive by German Accounting Standard No 1 (GAS 1) 'Exempting Consolidated Financial Statements in Accordance with Sec. 292 a HGB'.

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.

C. Consolidation Principles

1. Consolidated Group

The consolidated financial statements comprise all affiliated companies in which CENIT AG Systemhaus (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 shareholder in a consolidated subsidiary must be offset against the majority interest in the consolidated equity if the losses applicable to the minority shareholder exceed the minority interest in the equity of the subsidiary.

Effective January 1, 2003, the 100 % investment in Spring Technologies S. A., Montreuil/France, was sold, which in turn held a 100 % investment in CAD Ecole SGAO SARL and Cenit SARL, both Montreuil/France. A detailed presentation of these changes in the consolidated group is included in Section I.

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, 2003 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 offsetting the acquisition costs against the fair value of the acquired, identified assets less liabilities applicable to the parent company at the date of acquisition. Goodwill resulting from capital consolidation is amortized over its economic life – regularly estimated at fifteen years in the past – using the straight-line 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 functional currency concept is applied to translate 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 of the balance sheet date, equity at the historic rate and income and expenses at the annual average rate.

The resulting difference is netted with equity without affecting income.

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

CURRENCY TRANSLATION IN EUR

	Closing rate		Average annual rate	
	Dec. 31, 2003	Dec. 31, 2002	2003	2002
CHF	1.5608	1.4533	1.5543	1.4672
CAD	1.6395	1.6343	1.6118	1.4825
USD	1.2503	1.0414	1.2253	0.9446

D. Accounting and Valuation Principles

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

Internally generated intangible assets are not capitalized due to non-fulfillment of the criteria in IAS 38.45. The expenditure of EUR 2,320 k incurred in the course of optimizing existing products was recorded as expenses.

Property, plant and equipment are recorded at cost less scheduled straight-line depreciation. Maintenance costs are recorded directly as expenses. Borrowing costs are not capit alized, 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.

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

A reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversals are posted to the income statement (IAS 36).

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 to maturity", "available for sale", or "loans and receivables originated by the enterprise" and are recognized at amortized cost or fair value according to their classification.

In accordance with IAS 39.103 b (i), the changes in 'available for sale' financial instruments are accounted for in the results of the period in which they arose. Capitalization generally takes place on the trade date. Credit risks are taken into account through adequate specific allowances. 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.

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

Liabilities are generally recorded at amortized cost.

Sales are recognized as revenue at the date of delivery or provision of the services to the customer. Sales revenues are reported ex VAT and after deduction of any discount allowed.

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. 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.

FIG. 3

SALES in EUR k

	2003	2002
Income from services	34,787	50,977
Income from trade	30,899	38,821
License fees	4,798	4,191
Total	**70,484**	**93,989**

FIG. 4

PERSONNEL EXPENSES in EUR k

	2003	2002
Wages and salaries including social security contributions	23,780	30,840
Pension costs	4,362	4,023
	28,142	**34,863**

E. Income Statement

The income statement has been prepared using 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 operating income mainly includes rental income and income from the reversal of provisions.

3. Cost of Materials

These are costs for purchased merchandise (EUR 24,059 k, prior year: EUR 38,558 k) and costs for third-party services (EUR 4,036 k, prior year: EUR 2,777 k).

FIG. 5

OTHER OPERATING EXPENSES in EUR k

	2003	2002
Motor vehicle costs	1,410	1,786
Travel expenses	1,302	1,659
Advertising expenses	962	1,163
Telecommunication and office supplies	732	1,219
Rent and rent incidentals	702	744
Rent and lease expenses	3,449	4,534
Loss from deconsolidation	452	0
Other	2,466	3,883
	11,475	**14,988**

FIG. 6

INCOME TAXES in EUR k

	2003	2002
Current tax expense	74	4
Expenses from the reversal of deferred tax claims	515	1,395
Expenses from the creation of deferred tax liabilities	115	208
	704	**1,607**

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. Pension costs include EUR 48 k for contributions to the pension scheme of a large German insurance company.

An annual average of 433 (prior year: 583) persons were employed by the Group.

FIG. 7

ANTICIPATED TAX BURDEN in %

	2003	2002
Trade tax at a levy rate of 444.69 %	18.20 %	18.17 %
Corporate income tax (26.5 % of net income after trade tax)	21.68 %	20.46 %
Solidarity surcharge (5.5 % of corporate income tax)	1.19 %	1.13 %
Statutory tax rate	**41.07 %**	**39.76 %**

5. Amortization of Intangible Assets and Depreciation of Property, Plant and Equipment
Amortization and depreciation is broken down in the analysis of fixed assets presented in the notes F 1 to F 3.

6. Other Operating Expenses
Exchange rate losses came to EUR 64 k in the year under review (prior year: EUR 30 k). 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
Income taxes payable break down as follows: FIG. 6

Expenses from the reversal of deferred tax assets were incurred from the use of tax losses at the parent company.

The current tax expense includes expenses of EUR 62 k relating to other periods (prior year: EUR 0 k).

With respect to the changes in deferred taxes, we refer to the details given under F 4.

The anticipated tax burden on the taxable income is 41.07 % as of the balance sheet date, calculated as follows: FIG. 7

The difference between the current tax burden and the imputed tax burden for CENIT AG, which is based on a tax rate of 41.07 %, is detailed below: FIG. 8

FIG. 8

ANTICIPATED TAX BURDEN in EUR k

	2003	2002
Earnings before taxes	2,440	– 5,724
Theoretical tax burden based on a tax rate of 41.07 % (prior year: 39.76 %)	1,002	–2,276
Non-deductible expenses	214	3,019
Non-deductible expenses from amortization of goodwill resulting from capital consolidation	0	2,270
Earnings effect from reversal of amortization on investments and intercompany receivables	0	–3,594
Unrecognized unused tax losses	0	2,637
Use of unused tax losses for which no deferred taxes had been recorded	–604	0
Effects of different tax rates within the Group	0	62
Taxes from other periods	62	0
Other	30	–511
Income tax expenses (prior year: income tax income) according to consolidated income statement	704	1,607

Other Taxes

In fiscal 2003 other taxes of EUR 49 k (prior year: EUR 63 k) were reclassified to other operating expenses. The prior-year figures were adjusted accordingly.

10. Earnings Per Share

The number of shares remained unchanged in 2003 at 4,183,879. The weighted average of the number of ordinary shares amounted to 4,183,879 (denominator). The consolidated net income of EUR 1,736 k (prior year: net loss of EUR 7,394 k) was included in the calculation as numerator.

Under IAS 33.49, basic and diluted earnings per share total EUR 0.41 (prior year: EUR –1.77).

The Company has issued convertible bonds worth EUR 63,600.00 (prior year: EUR 69,000.00) 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 2003, which is why this did not have an impact on the calculation of the diluted earnings per share.

FIG. 9

INTANGIBLE ASSETS in EUR k

	Franchises, industrial and similar rights and assets as well as licenses in such rights and assets	Goodwill	Total
Cost January 1, 2003	2,060	7,710	9,770
Difference from currency translation	–2	0	–2
Additions	82	0	82
Disposals	1,217	7,710	8,927
December 31, 2003	**923**	**0**	**923**
Accumulated amortization/depreciation January 1, 2003	1,795	7,710	9,505
Difference from currency translation	–1	0	–1
Additions	171	0	171
Impairment pursuant to IAS 36	0	0	0
Disposals	1,155	7,710	8,865
December 31, 2003	**810**	**0**	**810**
Carrying value	**113**	**0**	**113**

FIG. 10

PROPERTY, PLANT AND EQUIPMENT in EUR k

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

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

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

FIG. 11

FINANCIAL ASSETS in EUR k

Acquisition cost January 1, 2003	201
Additions	0
Disposals	201
December 31, 2003	**0**

FIG. 12

DEFERRED TAXES in EUR k

January 1, 2003	2,450
Increase	0
Decrease	515
December 31, 2003	**1,935**

FIG. 13

DEFERRED TAX LIABILITIES in EUR k

	Dec. 31, 2003	Dec. 31, 2002
General bad debt allowances	47	47
Warranty provision	142	64
Amortization of treasury shares	0	107
Internal audit expenses	9	9
Personnel	287	143
	485	**370**

2. Property, Plant and Equipment FIG. 10

3. Financial Assets

The disclosure relates to other loans: FIG. 11

4. Deferred Taxes

The deferred tax assets developed as follows: FIG. 12

Deferred tax assets only contain unused tax losses.

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

Unused tax losses of EUR 4,710 k (prior year: 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.

FIG. 14

INVENTORIES in EUR k

	2003	2002
Merchandise (at cost of purchase/cost of conversion)	1,314	2,640
Services not yet billed (at cost)	541	314
	1,855	**2,954**

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 IFRS have produced deferred tax liabilities of the following amounts: FIG. 13

5. Inventories

The difference between changes in services not yet billed reported in the income statement (EUR 266 k) and the changes reported in the balance sheet (EUR 227 k) is attributable to disposals of services not yet billed of deconsolidated French subsidiary (EUR 39 k). FIG. 14

6. Trade Receivables

All trade receivables were due within one year. A specific bad debt allowance of EUR 51 k (prior year: EUR 4 k) was recorded as expense in the year under review.

7. Other Receivables

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 mainly prepaid expenses for rights of use, motor vehicle insurance, special lease payments, etc.

11. Equity

The Company's share capital has remained unchanged since January 1, 2002 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.

FIG. 15

OTHER RECEIVABLES in EUR k

	2003	2002
VAT balance	39	42
Social security receivable	49	22
Other	8	254
	96	**318**

FIG. 16

TAX RECEIVABLES in EUR k

January 1, 2003 tax receivables	63
Utilization	63
Additions	7
December 31, 2003	**7**

FIG. 17

CASH AND CASH EQUIVALENTS in EUR k

	2003	2002
Bank balances	7,147	2,442
Cash on hand	5	8
	7,152	**2,450**

Authorized Capital I

With the approval of 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 preclude fractional amounts from the shareholders' stock options. In addition, management is authorized to decide on further details of the capital increase with the approval of the supervisory board.

Authorized Capital II

With the approval of 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 preclude 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 preclude fractional amounts from the shareholders' statutory subscription rights. Management is authorized to decide on further details of the capital increase subject to the approval of 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

With the approval of 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 preclude 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 stock options is not exercised, management may preclude fractional amounts from the shareholders' legal stock option. Management is authorized to decide on further details of a capital increase subject to the approval of the supervisory board.

The conditional capital comprises the following:
FIG. 18

The share capital has been conditionally increased by a maximum of EUR 120,000 (conditional capital) by 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 two 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 stock exchange on the five last trading days before start of the conversion period

FIG. 18

CONDITIONAL CAPITAL

	Dec. 31, 2003 Number	Dec. 31, 2002 Number	Dec. 31, 2003 EUR	Dec. 31, 2002 EUR
1. Conditional capital, convertible bonds	120,000	120,000	120,000	120,000
2. Conditional capital, stock option plan	260,000	260,000	260,000	260,000
	380,000	**380,000**	**380,000**	**380,000**

FIG. 19

CONVERTIBLE BONDS

	2003 Number	2002 Number
January 1, 2003	6,900	8,190
Returned	540	1,290
December 31, 2003	**6,360**	**6,900**

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 exercise of conversion rights is at least 15 % higher than the development of the German Neuer Markt 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 met in 2003.

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

Employee Stock Option Plan

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 shareholders' 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 by exercising the 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 stock exchange 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 the decision taken 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 exercise of the stock options is at least 15 % higher than the development of the NEMAX-ALL-SHARE Performance Index (rolled forward using statistics) over the same period of time.

The closing price of the Company's common stock on the XETRA (Exchange Electronic Trading) platform (or a functionally comparable successor system taking the place of the XETRA system) on the date of the decision 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 2003, no stock options were granted to employees, which means that no options from this option plan have been issued to employees to date.

Details on the Components of Equity

The capital reserve contains the amount realized in the issuance of shares of the parent company exceeding their nominal value. If, pursuant to Sec. 272 (2) No 1 to 3 HGB, the legal reserve and the capital reserve together exceed a tenth of the capital stock or any higher amount stipulated in the articles of incorporation and bylaws, the excess may be reversed in accordance with Sec. 150 AktG to balance a net loss for the year, unless it is covered by a profit brought forward from the prior year, or to balance a loss brought forward from the prior year, unless it is covered by net income for the year.

The revenue reserve comprises profits transferred to the reserves.

To improve presentation of the net assets and financial position as of the balance sheet date, the parent company offset the loss brought forward from the prior year against the proportionate amounts of capital and revenue reserves and the net income for 2003 as of the balance sheet date, in compliance with the conditions set forth in Sec. 150 AktG.

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.

Convertible Bonds

The convertible bond issued by CENIT at a total nominal value of EUR 63,600.00 is divided into 6,360 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 two 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 value 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.

12. Minority Interests

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

13. 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

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

14. Liabilities to Banks/Long-Term Liabilities

Liabilities to banks break down as follows: FIG. 23

The interest rates range from 5 % to 8.25 % (prior year: from 5 % to 8.25 %).

The current portion of long-term liabilities to banks was disclosed under short-term liabilities to banks in the fiscal year 2003. The prior-year figures were adjusted accordingly.

A blanket assignment for all trade liabilities has been provided as collateral for the liabilities. The blanket assignment is held in trust by BW Bank for a security pool of business banks.

15. Trade Payables

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

FIG. 20

PROVISIONS in EUR k

	2003	2002
Pension provisions	0	154
Tax provisions	74	0
Other provisions	297	422
	371	**576**

FIG. 21

TAX PROVISIONS in EUR k

January 1, 2003	0
Additions	74
December 31, 2003	**74**

16. Other Liabilities

Other liabilities break down as follows: FIG. 24

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. 25

17. Deferred Income

The deferred income item is primarily a result of the distribution, license and brand utilization agreement concluded as of April 17, 2003 with the buyers of the French subsidiaries. The income is recognized over the three-year term of the agreement.

18. Financial Instruments

The fair values of the long-term bank liabilities mainly correspond to the carrying values as of the balance sheet date. Due to customary market interest rates, there are no significant differences between carrying values and fair values.

There are no significant differences between the carrying value 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.

FIG. 22

OTHER PROVISIONS in EUR k

	Shareholders' meeting	Onerous contracts	Other	Total
January 1, 2003	125	230	67	422
Utilization	97	156	62	315
Reversals	28	0	0	28
Additions	138	0	80	218
December 31, 2003	**138**	**74**	**85**	**297**

FIG. 23

LIABILITIES in EUR k

	Dec. 31, 2003	Dec. 31, 2002
Short-term bank liabilities Due within 1 year	3,151	6,151
Long-term bank liabilities Due within 1 year	97	96
Due in 1 to 5 years	240	335
Due within more than 5 years	0	0
	3,488	**6,582**

FIG. 24

OTHER LIABILITIES in EUR k

	Dec. 31, 2003	Dec. 31, 2002
Tax liabilities	1,147	1,926
Social security liabilities	581	1,082
Accruals	4,129	2,415
Other	842	218
	6,699	**5,641**

FIG. 25

ACCUALS in EUR k

	Levy in lieu of employing the severely disabled	Vacation and bonuses	Outstanding invoices	Other	Total
January 1, 2003	165	856	826	568	2,415
Utilization	165	856	826	568	2,415
Additions	240	2,346	515	1,028	4,129
December 31, 2003	**240**	**2,346**	**515**	**1,028**	**4,129**

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 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 changed 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. 26

The effects of the disposal of the 100 % investment in Spring Technologies S. A. are explained in Section I.

H. Segment Reporting

Segment reporting is carried out according to the rules in IAS 14 and breaks the primary

FIG. 26

CASH AND CASH EQUIVALENTS in EUR k

	Dec. 31, 2003	Dec. 31, 2002
Bank balances	7,147	2,442
Cash on Hand	5	8
Cash and cash equivalents	**7,152**	**2,450**

reporting format down by business division and the secondary reporting format by region.

The presentation is based on internal reporting.

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

The **e-business** segment focuses on the customer segment trade and commerce, banks, insurance firms, utilities and logistics companies. Its range of services covers solutions for imaging, workflow, document and content management with FileNet 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 already abandoned in 2003. Specifically, these are the 100 % investment in Spring Technologies S. A., Montreuil/France, and its subsidiaries CAD Ecole SGAO SARL and CENIT SARL, both Montreuil/France. 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).

CENIT Aktiengesellschaft Systemhaus

SEGMENT REPORTING BY COUNTRY (in accordance with IFRS)

for the period from January 1 to December 31, 2003

in EUR k		Germany	Switzerland	North America	Elimination	Continuing Operations	Discontinuing Operations	Group
Internal sales	Q1–Q4 2003	800	328	78	–1,206	0	0	0
	Q1–Q4 2002	1,254	415	0	–1,953	–284	284	0
External sales	Q1–Q4 2003	67,986	1,725	773	0	70,484	0	70,484
	Q1–Q4 2002	74,504	2,074	808	0	77,386	16,603	93,989
Segment assets	Dec. 31, 2003	23,257	731	300	0	24,288	0	24,288
	Dec. 31, 2002	21,037	806	303	–107	22,039	5,480	27,519
Investments in property, plant and	Dec. 31, 2003	643	7	25	0	675	0	675
equipment and intangible assets	Dec. 31, 2002	749	1	7	0	757	116	873

SEGMENT REPORTING BY BUSINESS SEGMENT (in accordance with IFRS)

for the period from January 1 to December 31, 2003

in EUR k		e-business (EB)	e-engineering (EE)	not allocated	Elimination	Continuing Operations	Discontinuing Operation e-business (EB)	Discontinuing Operation e-engineering (EE)	Discontinuing Operation not allocated	Group
External sales	Q1–Q4 2003	26,254	44,230	0	0	70,484	0	0	0	70,484
	Q1–Q4 2002	25,740	51,646	0	0	77,386	0	16,603	0	93,989
EBIT before valuation allowance	Q1–Q4 2003	474	2,006	0	0	2,480	0	0	0	2,480
	Q1–Q4 2002	–1,144	1,690	–41	0	505	0	–578	0	–73
Valuation allowance subsidiaries	Q1–Q4 2003	0	0	0	0	0	0	0	0	0
	Q1–Q4 2002	0	0	0	0	0	0	–5,282	0	–5,282
EBIT	Q1–Q4 2003	474	2,006	0	0	2,480	0	0	0	2,480
	Q1–Q4 2002	–1,144	1,690	–41	0	505	0	–5,860	0	–5,355
Interest	Q1–Q4 2003	0	0	–40	0	–40	0	0	0	–40
	Q1–Q4 2002	0	0	–384	0	–384	0	0	–48	–432
Income taxes	Q1–Q4 2003	0	0	–704	0	–704	0	0	0	–704
	Q1–Q4 2002	0	0	–1,599	0	–1,599	0	0	–8	–1,607
Retained earnings/	Q1–Q4 2003	474	2,006	–744	0	1,736	0	0	0	1,736
accumulated loss	Q1–Q4 2002	–1,144	1,690	–2,024	0	–1,478	0	–5,860	–56	–7,394
Segment assets	Dec. 31, 2003	5,435	9,757	9,096	0	24,288	0	0	0	24,288
	Dec. 31, 2002	5,644	13,957	2,438	0	22,039	0	5,362	118	27,519
Segment liabilities	Dec. 31, 2003	3,143	7,039	4,047	0	14,229	0	0	0	14,229
	Dec. 31, 2002	2,502	5,943	6,374	0	14,819	0	4,220	207	19,246
Investments in property, plant and	Dec. 31, 2003	95	580	0	0	675	0	0	0	675
equipment and intangible assets	Dec. 31, 2002	230	527	0	0	757	0	116	0	873
Amortization and depreciation	Q1–Q4 2003	327	740	0	0	1,067	0	0	0	1,067
	Q1–Q4 2002	345	1,750	0	0	2,095	0	240	0	2,335

FIG. 27

DISCONTINUING OPERATIONS in EUR k

Fixed assets	727
Current assets	4,753
ASSETS	**5,480**
Provisions	154
Liabilities and deferred income	4,273
EQUITY AND LIABILITIES	**4,427**

FIG. 28

OTHER NOTES in EUR k

	2003	2002
Rent and lease obligations		
Due within 1 year	2,855	3,460
Due in 1 to 5 years	6,586	7,425
Due in more than 5 years	3,942	5,675
	13,383	**16,560**

I. Discontinuing Operations

Effective January 1, 2003, the 100 % investment in Spring Technologies S. A. and its subsidiaries CAD Ecole SGAO SARL and Cenit SARL were sold to their previous owner. These subsidiaries were deconsolidated as of the date of disposal in these consolidated financial statements for 2003. No income or expenses were recorded for fiscal 2003. The total selling price amounted to EUR 600 k and was paid in cash in full by the buyer. After deduction of EUR 118 k in the scope of the disposal, the net cash received from the disposal amounts to EUR 482 k. The loss from deconsolidation thus comes to EUR 452 k for the Group. In the prior year, assets and liabilities were reported for this segment as follows: FIG. 27

The result from ordinary operations of the French subsidiary amounted to EUR –5,860 k in 2002 (including goodwill amortization of EUR 5,282 k). Therefore, there were no tax expenses in 2002. Unused tax losses were not capitalized for the French subsidiaries in 2002, as their realization was not sufficiently probable.

J. Other Notes

1. Contingent Liabilities and Other Financial Obligations

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

The Company has other financial obligations in connection with rental and lease agreements. The resulting financial obligations have been taken into account in the table below: FIG. 28

Other financial obligations principally consist of tenancy obligations of EUR 12 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, in the consolidated financial statements they have been translated at the exchange rate prevailing on the balance sheet date. The corresponding profits and losses are charged or credited to income.

The provision recorded under HGB for binding personnel to the Company cannot be set up under IFRS, as there is no legal or constructive obligation to third parties as required by IAS 37.

The treasury shares held by the Company were sold in the fiscal year 2003. In contrast to the accounting under HGB, IFRS does not permit disclosure of income or expenses from the disposal of treasury shares in the income statement, but requires reporting as changes of shareholders' equity instead pursuant to SIC - 16.

Pursuant to IAS 27.27, negative minority interests are offset against the majority interest in equity except to the extent that the minority interest has a binding obligation, and is able, to make good the losses. This is not permissible under HGB. Minority interests are disclosed as a separate item between equity and liabilities in accordance with IFRS in contrast to HGB.

Under IFRS, deferred taxes are recorded on temporary differences between the carrying values in the tax accounts and in the consolidated balance sheet, i. e. this also applies to differences that have arisen without profit and loss effect.

Financial instruments are valued at the higher of cost or market.

Inventories are generally written down to the lower attributable value based on the sales market.

3. Related Parties

Transactions with related parties as defined by IAS 24 were conducted with one member of the supervisory board. This gave rise to consulting expenses of EUR 7 k in the fiscal year 2003 (prior year: EUR 114 k). The business was transacted at customary market conditions.

4. Changes at Shareholder Level

By letter dated November 3, 2003, Baden-Württembergische Kapitalanlagegesellschaft mbH announced that it had increased its voting rights to 5.35 %.

The notification pursuant to Sec. 21 (1) Sentence 1 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] reads as follows:

"Ladies and Gentlemen,
Subsequent to our letter dated October 23, 2003, please find attached the supplement to the notification pursuant to Sec. 21 WpHG.

In accordance with Sec. 21 (1) WpHG, we hereby notify you of the fact that our voting rights in CENIT AG Systemhaus, Industriestraße 52–54, D-70565 Stuttgart, Germany

rose above the threshold of 5 % of our funds on October 16, 2003 and now amount to 5.35 %. Of those, 2.89 % are allocable to us pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

Yours sincerely,

Baden-Württembergische
Kapitalanlagegesellschaft mbH"

5. Supervisory Board and Management

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

- Dipl.-Ing. Falk Engelmann, (management consultant), Leinfelden-Echterdingen, Chairman

- Hubert Leypoldt (Dipl.-Kfm., German public auditor, tax advisor, legal counsel), Dettingen/Erms, Deputy Chairman

- Dr. rer. pol. Dirk Lippold (managing director), Berlin

The **management board members** are:

- Andreas Schmidt (Dipl.-Ing.), Ebersbach (e-business, e-engineering), spokesperson for the management board

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

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

By resolution of the shareholders' meeting on June 18, 2003, Norbert Fink (Dipl.-Ing., management consultant, Metzingen) was appointed substitute member for the supervisory board members Engelmann, Leypoldt and Dr. Lippold pursuant to Art. 10 (3) of the Company's articles of incorporation and bylaws subject to the condition that Mr. Fink is made a member of the supervisory board if one of the supervisory board members elected by the shareholders resigns before the end of the term of office, and that Mr. Fink is again appointed substitute member when the shareholders' meeting appoints a new supervisory board member for the one prematurely resigned and replaced by Mr. Fink.

Management board remuneration totaled EUR 612,130 in the fiscal year (prior year: EUR 620,480). The supervisory board received EUR 67,500.00 in remuneration (prior year: EUR 67,500.00).

As of the balance sheet date, management held 741,154 shares (prior year: 736,104 shares), i. e. 17.7 % (prior year: 17.6 %) of the Company's share capital. The supervisory board members hold 244,800 shares (prior year: 333,196) in the Company's share capital.

The following board members hold more than 1 % of the Company's shares as of December 31, 2003:

A. Management Board

Dipl.-Ing. Hubertus Manthey	341,108 shares
Dipl.-Ing. Andreas Schmidt	398,596 shares

B. Supervisory Board

Dipl.-Ing. Falk Engelmann	244,000 shares

6. Corporate Governance

The management board and supervisory board of the Company have issued the declaration for 2003 required by Sec. 161 AktG and made it available to the shareholders.

Stuttgart, March 11, 2004
CENIT Aktiengesellschaft Systemhaus

K. AUDIT OPINION

"We have audited the consolidated financial statements, comprising the balance sheet, income statement, the statement 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, 2003. 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 International Financial Reporting Standards (IFRS), based on our audit.

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

We believe that our audit provides a reasonable basis for our opinion.

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

Our audit, which also extends to the group management report prepared by the Management Board for the fiscal year from January 1 to December 31, 2003, has not led to any reservations.

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

In addition, we confirm that the consolidated financial statements and the group management report for the fiscal year from January 1, to December 31, 2003 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, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Göhner	*Sandrisser*
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

CENIT Aktiengesellschaft Systemhaus, Stuttgart

BALANCE SHEET as of December 31, 2003

		Dec. 31, 2003	Dec. 31, 2002
ASSETS			
A. FIXED ASSETS	EUR	EUR	EUR k
I. Intangible assets			
Franchises, industrial rights and similar rights			
and assets and licenses in such rights and assets		**103,122.00**	198
II. Property, plant and equipment			
1. Buildings on third-party land	463,406.26		531
2. Technical equipment and machines	505,319.15		660
3. Other equipment, furniture and fixtures	133,691.90		186
		1,102,417.31	
III. Financial assets			
Shares in affiliated companies		**28,081.42**	28
B. CURRENT ASSETS			
I. Inventories			
1. Work in process	539,601.92		275
2. Merchandise	1,313,464.23		2,214
		1,853,066.15	
II. Receivables and other assets			
1. Trade receivables	11,061,494.59		12,185
2. Receivables from affiliated companies	178,183.03		202
3. Other assets	89,119.83		137
		11,328,797.45	
III. Securities			
1. Treasury shares	0.00		33
2. Other securities	1,956.00		2
		1,956.00	
IV. Cash on hand, bank balances and checks		**6,639,094.00**	1,851
C. PREPAID EXPENSES		**216,844.62**	76
		21,273,378.95	**18,578**

		Dec. 31, 2003	Dec. 31, 2002
EQUITY AND LIABILITIES			
A. EQUITY	EUR	EUR	EUR k
I. Subscribed capital		**4,183,879.00**	4,184
Conditional capital: EUR 380,000.00 (prior year: EUR 380 k)			
II. Capital reserve		**418,387.90**	23,350
III. Revenue reserves			
1. Reserve for treasury shares	0.00		33
2. Other revenue reserves	1,154,834.48		3,869
		1,154,834.48	
IV. Retained earnings (prior year: accumulated loss)		**0.00**	–27,574
		5,757,101.38	3,862
B. ACCRUALS			
1. Tax accruals	**62,000.00**		0
2. Other accruals	**6,264,786.00**		2,427
		6,326,786.00	
C. LIABILITIES			
1. Liabilities to banks	3,487,867.03		6,296
2. Payments received on account of orders	635,851.11		0
3. Trade payables	2,875,441.85		3,908
4. Liabilities to affliliated companies	65,365.60		97
5. Other liabilities	1,894,401.89		1,988
thereof for social security: EUR 579,046.61 (prior year EUR 553 k)			
thereof for taxes: EUR 1,139,727.25 (prior year EUR 1,216 k)			
		8,958,927.48	
D. DEFERRED INCOME		**230,564.09**	0
		21,273,378.95	**18,578**

CENIT Aktiengesellschaft Systemhaus, Stuttgart

INCOME STATEMENT for Fiscal Year 2003

			2003	2002
		EUR	EUR	EUR k
1.	Sales		68,786,057.97	75,758
2.	Increase (prior year: decrease) in work in process		264,168.92	–637
3.	Other operating income		499,872.76	319
			69,550,099.65	75,440
4.	Cost of materials			
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	23,985,953.38		32,183
	b) Cost of purchased services	4,212,233.27		3,029
			28,198,186.65	
5.	Personnel expenses			
	a) Wages and salaries	23,157,831.22		21,840
	b) Social security	4,161,145.30		3,777
			27,318,976.52	
6.	Amortization and depreciation			
	a) on intangible assets and property, plant and equipment	999,448.68		1,596
	b) on current assets in excess of depreciation which is customary for the company	0.00		1,709
			999,448.68	
7.	Other operating expenses		**11,697,370.82**	12,525
			1,336,116.98	–1,219
8.	Other interest and similar income thereof from affiliated companies: EUR 61,454.16 (prior year: EUR 73 k)		743,870.99	112
9.	Amortization of financial assets and securities classified as current assets		0.00	7,344
10.	Interest and similar expenses thereof to affiliated companies: EUR 0.00 (prior year: EUR 0 k)		73,740.56	421
11.	**Result form ordinary operations**		**2,006,247.41**	**–8,872**
12.	Income taxes	62,000.00		0
13.	Other taxes	48,809.01		62
			110,809.01	
14.	**Net income for the year (prior year: net loss for the year)**		**1,895,438.40**	**–8,934**
15.	Loss brought forward from prior year		–27,573,942.54	–18,652
16.	Withdrawals from the capital reserve		22,931,209.17	0
17.	Withdrawals from the revenue reserves			
	a) from the reserve for treasury shares		32,933.25	12
	b) from other revenue reserves		2,714,361.72	0
18.	**Retained earnings (prior year: accumulated loss)**		**0.00**	**–27,574**

CENIT Aktiengesellschaft Systemhaus, Stuttgart

ANALYSIS OF FIXED ASSETS for Fiscal Year 2003

in EUR	Acquisition and production cost			
	Jan. 1, 2003	Additions	Disposals	Dec. 31, 2003
I. Intangible assets				
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	1,201,740.14	80,224.83	386,466.17	895,498.80
II. Property, plant and equipment				
1. Buildings on third-party land	870,763.74	17,454.00	149,894.83	738,322.91
2. Technical equipment and machines	8,064,017.06	459,730.84	2,641,081.30	5,882,666.60
3. Other equipment, furniture and fixtures	876,908.42	85,863.79	428,898.63	533,873.58
	9,811,689.22	**563,048.63**	**3,219,874.76**	**7,154,863.09**
III. Financial assets				
Shares in affiliated companies	13,397,529.35	0.00	9,049,478.75	4,348,050.60
	24,410,958.71	**643,273.46**	**12,655,819.68**	**12,398,412.49**

in EUR	Accumulated amortization/depreciation				Net book values	
	Jan. 1, 2003	Additions	Disposals	Dec. 31, 2003	Dec. 31, 2003	Dec. 31, 2002
	1,003,612.03	165,182.93	376,418.16	792,376.80	103,122.00	198,128.11
	339,537.60	84,184.62	148,805.57	274,916.65	463,406.26	531,226.14
	7,404,216.91	612,973.53	2,639,842.99	5,377,347.45	505,319.15	659,800.15
	690,908.79	137,107.60	427,834.71	400,181.68	133,691.90	185,999.63
	8,434,663.30	**834,265.75**	**3,216,483.27**	**6,052,445.78**	**1,102,417.31**	**1,377,025.92**
	13,369,446.93	0.00	9,049,477.75	4,319,969.18	28,081.42	28,082.42
	22,807,722.26	**999,448.68**	**12,642,379.18**	**11,164,791.76**	**1,233,620.73**	**1,603,236.45**

CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR 2003

A. General

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

B. Accounting and Valuation Methods

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

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

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

They are 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 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.

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

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

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

Securities are valued at the lower of cost or market.

The discount of EUR 10 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. The warranty accrual was set up for the first time in the reporting year at 0.5 % of sales (lump sum in the prior year). This increased the accrual by EUR 185 k.

Liabilities are recorded at the amount repayable.

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; if the exchange rate on the balance sheet date is lower for receivables or higher for liabilities, they are valued at the exchange rate prevailing on the balance sheet date.

C. Notes to the Balance Sheet and Income Statement

I. Balance Sheet

1. Fixed Assets

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

2. Financial Assets

The information on equity investments is shown in the attachment to the notes. FIG. 29

By agreement dated May 16, 2000, CENIT 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 USA. Following the reversal of the acquisition of these operative companies, CENIT CANADA INVESTMENTS (CCI) INC. and CSH continue to exist as corporate shells until it has been legally wound up.

On April 17, 2003, all shares in Spring Technologies S. A., Montreuil, were sold effective January 1, 2003. This produced a book gain of EUR 0.6 million. In connection with the disposal, a distribution and brand utilization agreement was concluded with Spring for a term of three years.

3. Treasury Shares

By resolution of the shareholders' meeting on June 19, 2002, the management was authorized to purchase, with the approval of the supervisory board, the Company's own no-par shares (common stock) once or several times until November 30, 2003 for the purpose of cancellation and resale, subject to the supervisory board's approval. The portfolio of treasury shares must not exceed 10 % of the Company's share capital at the end of any day.

The 14,637 no-par treasury shares held by the Company were sold to third parties on September 23, 2003 at a price of EUR 5.60 per share.

4. Inventories

Inventories dropped by EUR 0.6 million (26 %) on the prior year. The drop primarily relates to merchandise that was still in the delivery process as of the balance sheet date. Merchandise essentially comprises hardware acquired for projects. Individual items were written down because of long shelf life or lacking or limited usability.

Own work included in work in process comprises consulting and other services only, which were valued at an average hourly rate of EUR 52.00.

A deduction of EUR 100 k was applied for own work still to be incurred that is not covered by the sales revenues.

5. Receivables and Other Assets

Other assets include tax refund claims of EUR 46 k.

6. Prepaid Expenses

This item includes a debt discount of EUR 10 k (prior year EUR 13 k).

7. 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 made out to the bearer.

FIG. 29

LIST OF EQUITY INVESTMENTS

NO., NAME AND LOCATION OF REGISTERED OFFICES		Currency	Equity investment %	of	Subscribed capital thousands of LC	Equity thousands of LC	Result thousands of LC
2	CENIT (Schweiz) AG, Frauenfeld/Schwitzerland	CHF	90.00	1	500	500	2,109
6	CENIT SYSTEMHAUS HOLDING (CSH) INC., Montreal/Canada [2]	CAD	100.00	1	5,000	60	0
7	CENIT CANADA INVESTMENTS (CCI) INC., Montreal/Canada [2]	CAD	92.58	6	7,613	200 [1]	0
			7.42	1			
8	CENIT North America Inc., Rochester Hills/USA	USD	100.00	1	25	113	70

[1] Corresponds to prior year figure.

[2] Dormant.

Authorized Capital I

With the approval of 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 preclude fractional amounts from the shareholders' stock options. In addition, management is authorized to decide on further details of the capital increase with the approval of the supervisory board.

Authorized Capital II

With the approval of the supervisory board, management is authorized to increase the Company's share capital once or several times initially by a maximum amount of EUR 600,000.00 and following utilization on April 10, 2000 by another of EUR 572,800.00 until July 1, 2004 by issuing new individual bearer shares (common stock) for contributions in cash or kind (authorized capital II). Subject to the approval of 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 pursuant to sentence 2, management may preclude fractional amounts from the shareholders' legal stock option. Management is authorized to decide on further details of the capital increase subject to the approval of the supervisory board.

With the approval of the supervisory board, management increased the share capital by EUR 27,200 on April 10, 2000 by using authorized capital II.

With the approval of the supervisory board, management increased the share capital by EUR 156,679 on April 13, 2000 by using authorized capital II.

Following these capital increases, the authorized capital II amounts to EUR 416,121.

FIG. 30

CONDITIONAL CAPITAL

	Number	EUR
1. Conditional capital – convertible bonds	120,000	120,000
2. Conditional capital – employee stock ownership plan	260,000	260,000
	380,000	**380,000**

Authorized Capital III

With the approval of 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 the approval of the supervisory board, management is authorized to preclude 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 to preclude stock options is not exercised, management may preclude fractional amounts from the shareholders' legal stock option. Management is authorized to decide on further details of a capital increase subject to the approval of the supervisory board.

Conditional Capital

The conditional capital comprises the following:
FIG. 30

The share capital has been conditionally increased by a maximum of EUR 120,000 (conditional capital) by 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 two 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 stock exchange 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 exercise of conversion rights is at least 15 % higher than the development of the German Neuer Markt venture index (rolled forward using statistics) over the same period of time.

The closing share price on the date of the management'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 2003.

Stock Option Plan

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 shareholders' meeting on June 19, 2002 ("stock option plan 2002"). The conditional capital increase is only to be carried out to the extent that the bearers of the 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 by exercising stock options. Management is authorized to decide on further details of the conditional capital increase and its implementation with the approval of the supervisory board.

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

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

- Adjusted for possible capital measures taken by the Company in the meantime, the average closing share price of the common stock on the Frankfurt stock exchange on the 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 the decision taken 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 exercise of the stock options is at least 15 % higher than the development of the NEMAX-ALL-SHARE Performance Index (rolled forward using statistics) over the same period of time.

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

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

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

FIG. 31

CAPITAL RESERVE in EUR

January 1, 2003	23,349,597.07
Withdrawal to balance loss	22,931,209.17
December 31, 2003	**418,387.90**

FIG. 32

RESERVE FOR TREASURY SHARES in EUR

January 1, 2003	32,933.25
Withdrawal due to disposal	32,933.25
December 31, 2003	**0.00**

FIG. 33

OTHER REVENUE RESERVES in EUR

January 1, 2003	3,869,196.20
Withdrawal to balance loss	–2,714,361.72
December 31, 2003	**1,154,834.48**

Capital and Revenue Reserves

To improve presentation of the net assets and financial position as of the balance sheet date, the Company offset the loss brought forward from the prior year against the proportionate amounts of capital and revenue reserves and the net income for 2003.

7. Capital Reserve

FIG. 31

8. Revenue Reserves

Reserve for Treasury Shares

Income from the reversal of the reserve for treasury shares is reported in the income statement under the net income for the year and balances the loss brought forward. FIG. 32

Other Revenue Reserves

FIG. 33

FIG. 34

ACCUMULATED LOSS in EUR

January 1, 2003	27,573,942.54
Loss equalization	–27,573,942.54
December 31, 2003	**0.00**

FIG. 35

LIABILITIES

	Dec. 31, 2003 EUR	Dec. 31, 2002 EUR k
Due within 1 year	3,248,198.94	5,961
Due in 1 to 5 years	239,668.09	335
	3,487,867.03	**6,296**

FIG. 36

OTHER LIABILITIES

	Dec. 31, 2003 EUR	Dec. 31, 2002 EUR
Tax liabilities	1,139,727.25	1,216,334.66
Liabilities related to social security	579,046.61	552,652.40
Sundry other liabilities	175,628.03	219,432.26
	1,894,401.89	**1,988,419.32**

9. Accumulated Loss

FIG. 34

10. Accruals

Other accruals essentially comprise accruals for personnel expenses (EUR 3,535 k), rent for unused office and storage space (EUR 974 k), warranties (EUR 345 k) and for outstanding supplier invoices (EUR 919 k).

11. Liabilities

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

FIG. 37

SALES

	2003 EUR k	2002 EUR k	Change EUR k	%
Services	33,925	32,582	1,343	4.1
Merchandise	18,590	29,043	–10,453	–36.0
Software	9,169	6,773	2,396	35.4
License fees	4,395	4,207	188	4.5
Commission	2,707	3,153	–446	–14.1
	68,786	**75,758**	**–6,972**	**–9.2**

All other liabilities have a remaining term of up to one year.

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

Other liabilities break down as follows: FIG. 36

II. Income Statement

1. Sales FIG. 37

95 % of the sales were effected within Germany, 2.8 % in EU countries and 2.2 % in other countries.

2. Other Operating Income

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

3. Other Operating Expenses

Total other operating expenses fell by 7 % to EUR 11.7 million compared to the prior year. Other operating expenses are mainly composed of rent and rent incidentals, vehicle costs, travel expenses, commissions and marketing expenses.

4. Financial Result

Other interest and similar income includes interest from bank balances and interest credit notes from affiliated companies (EUR 61 k; prior year: EUR 73 k). In addition, the item contains income from the disposal of treasury shares and income from the disposal of the investment in Spring (a total of approx. EUR 650 k).

D. Other Notes

1. Personnel

An average of 419 (prior year 435) members of staff were employed during the fiscal year, of which 17 (prior year 20) were trainees.

2. Contingent Liabilities and Other Financial Obligations

The **other financial obligations** relate to **rent and lease agreements** and amount to EUR 13.3 million.

The Company signed a subordination agreement for CHF 2,484 k for CENIT (Schweiz) AG, Switzerland. The underlying loan receivable was written off in full already in fiscal 2002. In February 2004, a waiver of CHF 2,130 k of the loan was agreed with retroactive effect as of December 31, 2003. The share capital is thus revived in full.

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. Boards of the Company

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

- Andreas Schmidt (Dipl.-Ing.), Ebersbach, – spokesperson of the management board – (e-business, e-engineering)
- Hubertus Manthey (Dipl.-Ing.), Pliezhausen, (Personnel, Marketing, Investor Relations), Deputy spokesperson for the management board
- Christian Pusch (Dipl.-Wirt.-Ing.), Waldachtal, (Finance, Organization)

The **supervisory board members** are:

- Falk Engelmann (Dipl.-Ing.), (management consultant), Leinfelden-Echterdingen, Chairman
- Hubert Leypoldt (Dipl.-Kfm.), German public auditor, tax advisor, legal counsel), Dettingen/Erms, Deputy Chairman
- Dr. rer. pol. Dirk Lippold (managing director), Berlin

By resolution of the shareholders' meeting on June 18, 2003, Norbert Fink (Dipl.-Ing., management consultant, Metzingen) was appointed substitute member for the supervisory board members Engelmann, Leypoldt and Dr. Lippold pursuant to Art. 10 (3) of the Company's articles of incorporation and bylaws subject to the condition that Mr. Fink is made a member of the supervisory board if one of the supervisory board members elected by the shareholders resigns before the end of the term of office, and that Mr. Fink is again appointed substitute member when the shareholders' meeting appoints a new supervisory board member for the one prematurely resigned and replaced by Mr. Fink.

Management board remuneration totaled EUR 612,130.00 in the fiscal year. The supervisory board received EUR 67,500.00 in remuneration. The D & O insurance was continued in fiscal 2003 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 10,000.00.

As of the balance sheet date, management held 741,154 shares, i.e. 17.7 % of the Company's share capital. Supervisory board members hold 244,800 shares (5.9 %).

4. Changes at Shareholder Level

By letter dated November 3, 2003, Baden-Württembergische Kapitalanlagegesellschaft mbH announced that it had increased its voting rights to 5.35 %. The notification pursuant to

Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] reads as follows:

"Ladies and Gentlemen,
Subsequent to our letter dated October 23, 2003, please find attached the supplement to the notification pursuant to Sec. 21 WpHG.
In accordance with Sec. 21 (1) WpHG, we hereby notify you of the fact that our voting rights in Cenit AG Systemhaus, Industriestraße 52–54, D-70565 Stuttgart, Germany, rose above the threshold of 5 % of our separate trust assets on October 16, 2003 and now amount to 5.35 %. Of those, 2.89 % are allocable to us pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

Yours sincerely,
Baden-Württembergische
Kapitalanlagegesellschaft mbH"

E. Group Relationships

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

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

In 2003, 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 12, 2004

CENIT Aktiengesellschaft Systemhaus
The Management Board

Hubertus Manthey *Andreas Schmidt* *Christian Pusch*

G. AUDIT OPINION

"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, 2003. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Stuttgart, February 13, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Göhner	*Sandrisser*
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

CORPORATE GOVERNANCE CODEX

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

I. General comments on the German Corporate Governance Code

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

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

II. Regulation levels of the German Corporate Governance Code

The Code comprises three regulation levels:

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

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

3. Suggestions from the Code Commission for good and responsible corporate management and monitoring which are formulated with expressions such as "should" or "can" and for which no disclosure of deviation in line with Article 161 of the AktG is required.

III. Regulation areas of the German Corporate Governance Code

The German Corporate Governance Code governs the following areas:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   CENIT AG Systemhaus will comply with this recommendation in future.

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

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

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

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

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

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

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

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

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

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

   The Supervisory Board shall set up an audit committee,

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

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

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

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

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

    The remuneration of the members of the Supervisory Board shall be posted in the notes to the Group financial statements, broken down into individual members and by components.

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

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

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

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

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

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

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

Executive Board and Supervisory Board of
CENIT AG Systemhaus

Stuttgart, August 2003

Andreas Schmidt, Spokesman for the Executive Board
Hubertus Manthey, member of the Executive Board
Christian Pusch, member of the Executive Board

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

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