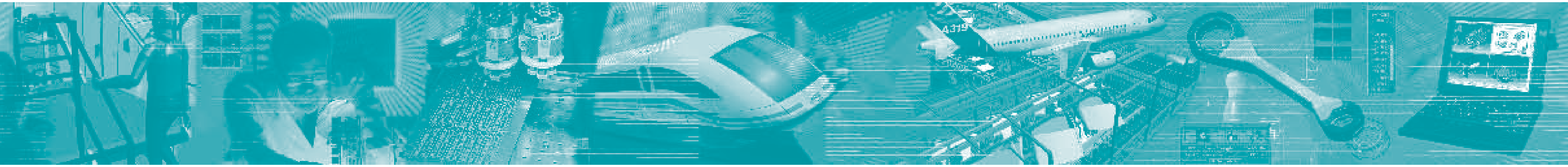


CENIT AG SYSTEMHAUS

ANNUAL REPORT 2006

ANNUAL REPORT 2006
CENIT AG SYSTEMHAUS

CENIT Financial Statement 2006

NUMBER OF SHARES: 8.367.758

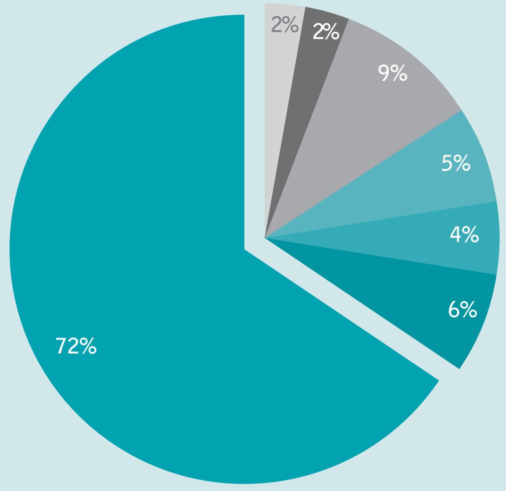
KEY RATIO

in Mill. EUR	Dec. 31. 2006	Dec. 31. 2005
Income Statement		
Sales	82.36	74.30
Gross profit	58.99	52.14
EBITDA	11.14	10.23
Operating returns (EBIT)	10.19	9.41
EBT	10.03	9.08
Netincome of the Group	8.40	6.75
Result per share (basic) in EURO	1.00	*0.81
Result per share (diluted) in EURO	1.00	*0.81
Number of employees at end of period	576	523
EBIT - Margin in %	12.4	12.7
Profit - Margin in %	10.2	9.1
Structure of the balance sheet		
Equity in ratio in %	62.0	58.0
Equity	24.30	19.57
Liabilities	14.91	14.34
Balance sheet total	39.21	33.91

*(*adjusted to actual number of shares)*

Shareholders Structure

NUMBER OF SHARES: 8.367.758



As of 02/2007

Executive Board	2%
Supervisory Board	2%
dit, Allianz Dresdner Global Investors	9%
UBS	5%
BW VA für Ärzte	4%
BW Invest	6%
Freefloat	72%

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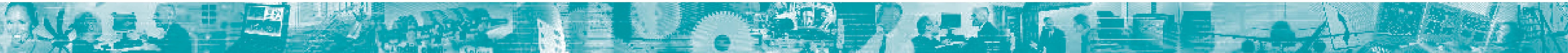
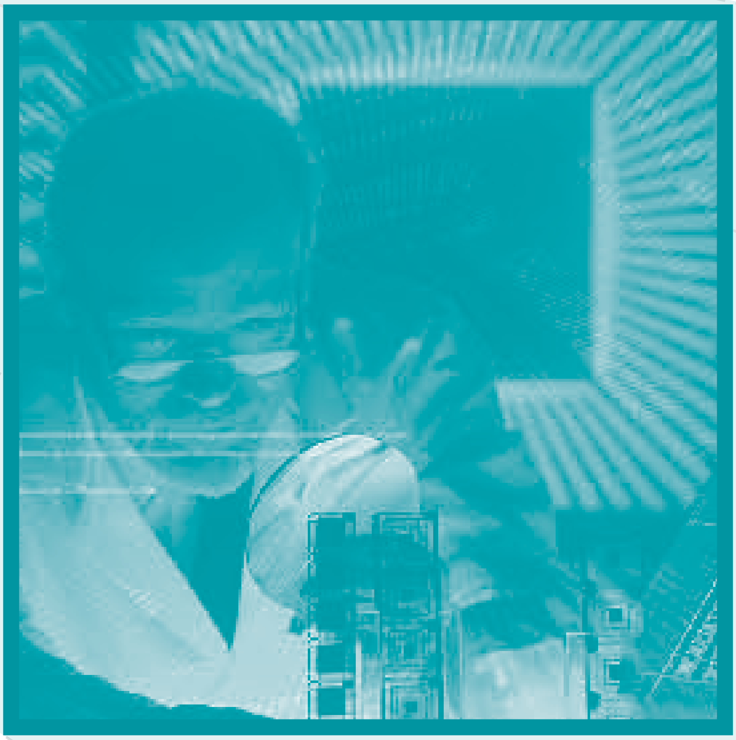


Content

Preface of the Executive Board



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

2006 was an extremely successful year for CENIT. We succeeded in raising our most important ratios considerably. Our strategic focus on innovation and growth has led to lasting improvements in the Group's operative capability and profitability. In addition, we have identified and launched major sources of potential for the coming years, particularly in the field of software. We are convinced that our concentration on software and consultancy services will also have an extremely positive effect on the Group's profitability in the future. Our international presence is also growing thanks to the systematic expansion of business in the US and the creation of an application management and software development centre in Romania.

For this reason, we will face the necessary challenges and make the necessary investments in order to further the growth of CENIT in 2007.

At the end of 2006, you learned – both from a company letter and from the press – that Andreas Schmidt and Hubertus Manthey will be leaving the company in 2007. Both members of the Executive Board have been with CENIT since the founding of the company in 1988, and their time with the company has been a very pleasant time, but also a very successful one and one on which our customers, partners, employees and shareholders have left their mark.

The CENIT share lost momentum slightly in 2006 even though it reached an annual peak of over EUR 18 in April. We forecast for 2007 that our systematic, profit-oriented growth strategy will continue to have a favorable effect on the share price and both national and international investors will continue to see the CENIT share as an attractive investment.

We would like to take this occasion to express a particular word of thanks to our shareholders for the confidence they have shown in us.

And we would also like to thank our employees for their extraordinary dedication, and in particular our customers for their confidence in our abilities.

Not only has our corporate strategy laid the foundation for a successful 2007 but it has also paved the way for the successful future of the Group.

Kind regards

The Executive Board

Andreas Schmidt
(CEO / Spokesman of the Management Board)

Christian Pusch

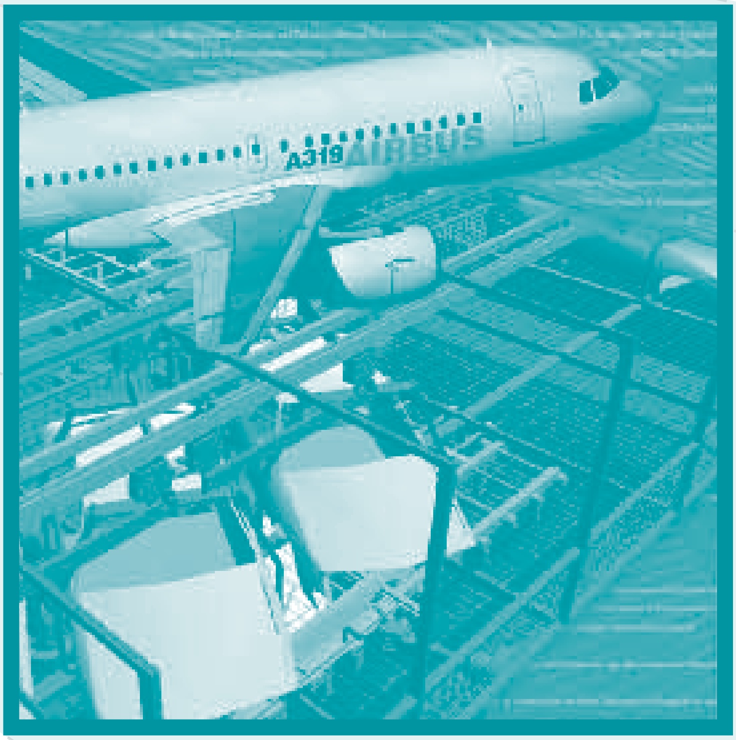
Kurt Bengel


Christian Pusch


Andreas Schmidt


Kurt Bengel

Combined Management Report and Group Management Report



CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2006

OVERALL ECONOMIC CONDITIONS

The recovery of the global economy continued in 2006. According to current estimates, global gross domestic product is growing by 5.2% following a growth rate of 4.9% in the prior year. As a result, the rate of global economic growth is slightly higher than expected a year ago. The prices of energy and raw materials continued their rapid ascent.

The dynamic economic development of the new EU member states and Russia also continues unabated. In addition, the economic conditions in developed industrial nations remained favorable for the most part. In Japan, the moderate upward trend continued on the back of an increase in domestic demand. By contrast, the US economy cooled down in the course of the year. Interest rate hikes, rising petrol prices and indications of a weakening real estate sector burdened consumer spending.

According to the economic forecast of the Ifo (Institute for Economic Research), the German economy is in the midst of a vigorous recovery that began in early 2005. The strong growth continues to be fueled by export demand, which has risen sharply again shouldered by the healthy development of the global economy, despite the sharp appreciation of the euro / US dollar exchange rate again in the current year. On average, exports rose by 10.5% in 2006. This was the strongest growth since 2000. By contrast to 2005, domestic demand is also recovering. Investment in buildings and equipment expanded very generously in the current year. The most important fundamental with a 59% share in nominal GDP, private consumption rose again in the current year for the first time since 2001. Total economic production increased by 2.5% on average in 2006, following a 0.9% rise in the prior year.

ECONOMIC CONDITIONS IN THE INDUSTRY - Information Technology

Based on an industry survey, the German Association for Information Technology, Telecommunications and New Media (BITKOM) confirmed its growth forecast for the German information technology and telecommunications market including digital consumer electronics of 1.6% to EUR 148.8 billion in 2007. That was the result of the current BITKOM industry survey. Providers of software and IT services (maintenance, IT consulting, IT outsourcing, etc.) are very optimistic. 85% of the companies surveyed and 75% of the IT service providers surveyed anticipate a rise in sales in the coming year. They are benefiting from the high level of capital expenditure of the private sector and public administrations in the digitalization of their organizational processes. 56% of hardware manufacturers expect an increase in sales in 2007. This compares to the 22% that anticipate a decrease in business. The keen competition in this market segment is reflected in the earnings expectations of the companies. 35% expect higher earnings, while 30% anticipate a drop in earnings. This is contrasted by the quiet optimism in the telecommunications technology segment where 50% of companies expect an increase in sales in the coming year. There was a noticeable improvement in the economic conditions prevailing in the euro zone. Growth of 2.5% is expected for the year as whole. The German economy is also expected to grow by a healthy 2% on the back of accelerating domestic demand.

NET INCOME/LOSS FOR THE YEAR

DEVELOPMENT OF SALES AND EARNINGS

Sales by Customer Group / Industry: See Fig. 1

RESULTS OF OPERATIONS FOR THE GROUP

In the fiscal year 2006, CENIT recorded group sales revenue of EUR 82.4 million (2005: EUR 74.3 million; 11%). Strong growth was again recorded in the services segment. This was accompanied by the extremely favorable development of sales of internally generated CENIT software. Gross profit increased by a further 13%, reaching EUR 59 million (2005: EUR 52.1 million). EBITDA[1)] reached EUR 11.1 million (2005: EUR 10.2 million; 9%). The operating result before interest and taxes (EBIT [2)]) rose by 9% in the period under review from EUR 9.4 million to EUR 10.2 million in 2006. With EBT (earnings before taxes) of EUR 10 million (2005: EUR 9.1 million; 10%) and group EPS (earnings per share) of EUR 1.00 (2005: EUR 0.81 adjusted), an extremely successful year has come to a close for CENIT.

RESULTS OF OPERATIONS IN GERMANY

In the fiscal year 2006, CENIT AG Systemhaus generated sales of EUR 78.2 million in Germany (2005: EUR 72.1 million; 9%). Sales revenue in the services segment was increased again, up 6% on the prior year. Growth in sales of CENIT software and the increase in the services segment resulted in a gross profit increase of 9% to EUR 56.3 million (2005: EUR 51.8 million). Person-

[1)] EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated from the net profit of the Group for the year before income taxes, the interest and financial result and before amortization of intangible assets and depreciation of property, plant and equipment and excluding the extraordinary result.

[2)] EBIT (earnings before interest and taxes) is calculated from the net profit of the Group for the year before income taxes, the interest and financial result and excluding the extraordinary result. Elimination of these factors results in a comparable indicator of the actual operating results of a company, irrespective of the specific capital structure.

nel expenses came to EUR 33.6 million (2005: EUR 30.8 million; 9%). Other operating expenses amounted to EUR 12.7 million (2005: EUR 11.4 million; 11%). CENIT AG Systemhaus thus generated EBITDA1) of EUR 9.9 million (2005: EUR 9.7 million; 2%) and EBIT2 of EUR 9.1 million (2005: EUR 8.9 million; 1%). The tax expense came to EUR 1.3 million. The net income for the year after tax amounts to EUR 7.8 million (2005: EUR 6.3 million; 24%).

PROPOSED DIVIDEND

The management board and the supervisory board will submit a proposal to the annual general meeting for distributing a dividend of 50 cents on the increased share capital to the shareholders and transferring EUR 3.5 million to the revenue reserve.

As proposed by the management board, the annual general meeting of CENIT AG passed a resolution on June 13, 2006 to increase the share capital of the Company totaling EUR 4,183,879.00 by EUR 4,183,879.00 to EUR 8,367,758.00 in accordance with the provisions of AktG ["*Aktiengesetz*": German Stock Corporation Act] concerning capital increases from company funds (AktG Secs. 207

et seq.). This capital increase was carried out by issuing 4,183,879 new no-par shares representing a pro-rata amount of the share capital of EUR 1.00. The capital increase was entered in the commercial register on August 14, 2006.

GROUP SALES REVENUE BY SEGMENT

In the PLM segment, CENIT generated sales revenue of EUR 53.9 million (2005: EUR 48.9 million/10%). The ECM segment generated sales revenue of EUR 28.5 million (2005: EUR 25.4 million; 12%).

CENIT AG SYSTEMHAUS SALES REVENUE BY SEGMENT

In the PLM segment, CENIT generated sales revenue of EUR 51.1 million (2005: EUR 46.9 million). The ECM segment generated sales revenue of EUR 27.2 million (2005: EUR 25.1 million).

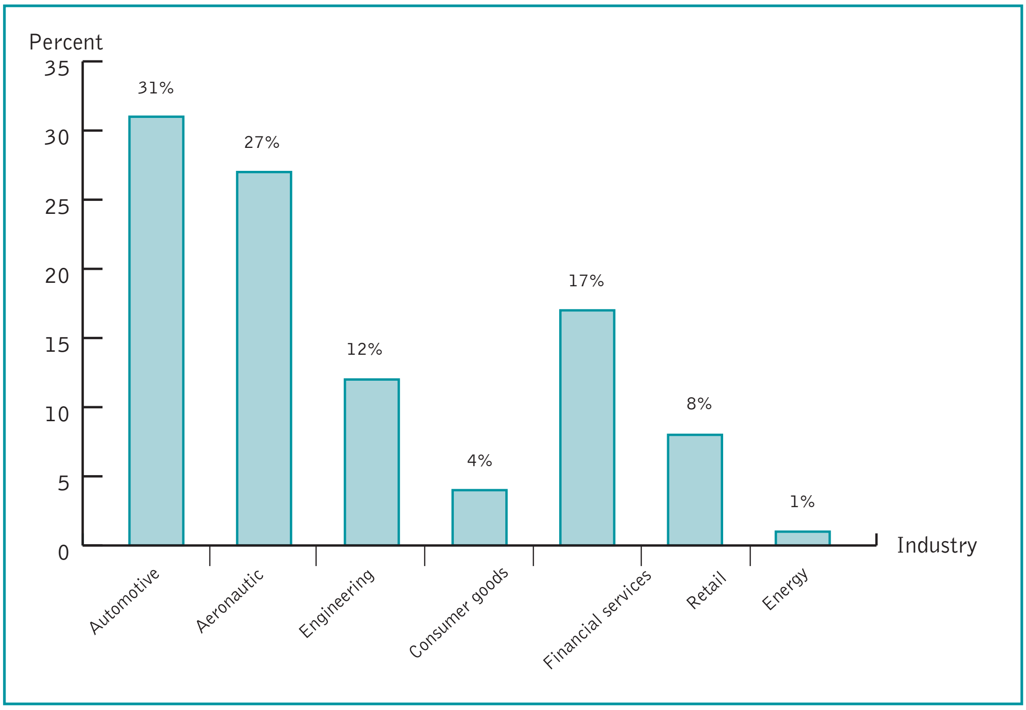
ORDER DEVELOPMENT

The order backlog as of December 31, 2006 amounted to EUR 18.2 million in the Group (2005: EUR 19.3 million), while incoming orders came to about EUR 84.8 million in 2006 (2005: 79.6 million).

The order intake of CENIT AG amounted to EUR 75.8 million in the past fiscal year 2006 (2005: EUR 76.1 million). As of December 31, 2006, the order backlog came to EUR 15.6 million (2005: EUR 17.9 million). The total share of new customers increased to 7% in 2006.

SALES BY CUSTOMER GROUP / INDUSTRY

Fig. 1



NET ASSETS AND FINANCIAL POSITION

The good results of operations had a positive impact on the net assets of the Group. Equity as of the balance sheet date amounted to EUR 24.3 million (2005: EUR 19.6 million) with an equity ratio of 62% (2005: 58%). The good development of business is reflected in the structure of the balance sheet of CENIT AG Systemhaus in Germany as of December 31, 2006. Bank balances and securities classified as current came to EUR 17.4 million as of the balance sheet date (2005: EUR 20 million). Apart from the cash and cash equivalents, the Company still has sufficient overdraft facilities. Both trade receivables and payables were indicative of the development of business. In Germany, the equity ratio of CENIT AG Systemhaus is 56%, which constitutes a clear improvement on the prior year (2005: 50%).

EQUITY INVESTMENTS

CENIT (SCHWEIZ) AG, FRAUENFELD, SWITZERLAND

Cenit (Schweiz) AG generated sales revenues of EUR 2.6 million in the past fiscal year (2005: EUR 1.3 million) and EBIT of EUR 1.1 million (2005: EUR 56 k).

CENIT NORTH AMERICA INC., ROCHESTER HILLS, USA

CENIT North America Inc. generated sales revenue of EUR 4.7 million (2005: EUR 1.7 million and EBIT of EUR 0.4 million (2005: EUR 0.2 million).

CENIT SRL , IASI, ROMANIA

CENIT founded a subsidiary in Romania in fiscal 2006. As a result, CENIT is now in a position to offer its application management and software engineering services at a significantly more competitive level. The company is at the development stage and will continue to expand in 2007. Initial projects with a smaller scope were already handled in 2006. CENIT SRL generated sales revenue of EUR 0.03 million and EBIT of EUR 0.01 million.

VALUE-BASED MANAGEMENT

CENIT is managed and controlled using a value-based management system. This focuses on continuous and sustained increases in the value of the Company by concentrating on the business segments. A comprehensive range of controlling measures are used to achieve this goal. These allow a targeted control and coordination of the activities of all business segments supported by centralized administration and the highest possible degree of transparency. With this in mind, we rely on our reporting systems which enable optimal analysis of actual and budgeted data in addition to internal and external reporting. Key performance indicators include gross profit, EBIT and order intake. These are calculated each month and evaluated based on a comparison of actual and budgeted data.

FINANCING

The good results of operations allow sustainable financing from company funds. Existing liabilities due to banks relate to short-term credits for goods delivered. Otherwise, the lines of credit granted did not have to be availed of during the period under review. The amount of cash and cash equivalents that is temporarily not required in financing the operating business is invested in securities classified as current.

SECURING LIQUIDITY

Apart from financial planning over a multi-year planning horizon, CENIT also has monthly liquidity planning in place. Any liquidity surplus is purposely used for the financing of projects, investments and the expansion of national companies.

DISCLOSURES PURSUANT TO THE GERMAN TAKEOVER DIRECTIVE IMPLEMENTATION ACT

As of December 31, 2006, the share capital amounted to EUR 8,367,758.00 and is divided into 8,367,758 bearer shares. They are all no-par value common shares with an imputed share in the capital stock of EUR 1.00 per share.

The management board is authorized, with the consent of the supervisory board, to increase the share capital of the Company once or in several installments by a total amount of EUR 4,183,879.00 (authorized capital) up until June 13, 2011, by issuing up to 4,183,879 new no-par value bearer shares in return for contributions in cash or in kind. The shareholders must be granted subscription rights.

By resolution passed at the annual general meeting 2006, the authorization of the management board set forth in Art. 5 (3) of the articles of incorporation and bylaws to increase, with the consent of the supervisory board, the share capital of the Company once or in several installments to a total amount of EUR 2,091,939.00 (authorized capital) up until September 16, 2009, by issuing up to 2,091,939 new no-par value bearer shares in return for contributions in cash or in kind was revoked.

At the annual general meeting 2006, the authorization of the management board dated June 10, 2005 to acquire treasury shares was revoked. At the same time, the management board was authorized to purchase, with the approval of the supervisory board, the Company's treasury no-par value shares (common stock) on behalf of the Company once or several times until November 30, 2007 for the purpose of cancellation. The cancellation does not require any further shareholder resolutions.

As of December 31, 2006, the conditional capital came to 520,000 shares with a nominal value of EUR 520,000.00. Reference is made to the comments in the notes to the financial statements.

No additional agreements, such as change of control agreements, were concluded.

We have no information from shareholders with a shareholding greater than 10%.

There are also no employee participations exercising their control rights either directly or indirectly.

In connection with the establishment of Cenit (Schweiz) AG, CENIT AG Systemhaus and the minority shareholder granted each other reciprocal options entitling them to acquire the remaining shares, provided certain circumstances arise.

APPOINTMENT AND DISMISSAL OF MANAGEMENT BOARD MEMBERS

The Company's management board comprises at least two members. The number of members and deputies is determined by the supervisory board. The members of the management board are appointed and dismissed by the supervisory board.

A personnel committee has not been formed. The members of the management board are appointed for a maximum of five years. It is possible to be appointed several times or for an appointment to be extended. The supervisory board decides on the number of management board members and on amendments to or the cancellation of employment contracts.

In 2006, there were no compensation agreements in place with the management board in case of takeover offers.

The supervisory board is authorized, by majority vote, to make amendments and supplements to the articles of incorporation and bylaws provided these only affect the wording.

Resolutions by the Annual General Meeting

The resolutions of the annual general meeting require a simple majority of the votes cast and, where required, the simple controlling interest, unless legal regulations or the articles of incorporation and bylaws prescribe otherwise.

RATING

CENIT has a very favorable rating from its business banks – Deutsche Bank, Commerzbank and LBBW. Issuer ratings from rating agencies such as Moody's or Standard & Poor's are not available.

FOREIGN CURRENCY MANAGEMENT

Among other things, the business activities of CENIT involve payments in USD and CHF. CENIT is thus exposed to a certain degree of foreign exchange risk. Hedging foreign exchange risks is a component of our risk management and our centralized foreign currency management.

RISK REPORT

The management board of CENIT has installed a systematic and efficient risk management system at the companies of the Group. The operating risk management encompasses early warning, sustainability of controls and risk communication. Risk reporting means that the managers responsible for the business units inform the management board of CENIT continually concerning the current risk position. Moreover, sudden risks with implications for the Group as a whole are notified directly to the risk manager responsible at CENIT in urgent cases, bypassing normal reporting channels.

Compliance with the risk management system by the group companies and their risk management system was reviewed using quality inspections in the course of internal audits. The findings obtained in this manner are used for the further improvement of the early warning system and risk management.

CENIT is well positioned in its target markets. The Company has a strong market position in product lifecycle management, enterprise content management and application management outsourcing with regard to medium-sized and large customers. CENIT's risk policy is based on the concept of using existing opportunities to the full and only entering into the risks associated with the business activities if the opportunities for creating a corresponding added value outweigh the risks.

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

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

The receivables portfolio may bear risks with respect to recoverability of the receivables. CENIT is dealing with such risks by ensuring strict receivables management, credit ratings and classification of risks at an early stage. CENIT is not dependent on financing by business banks. The lines of credit of Cenit AG Systemhaus for 2006 came to EUR 2.4 million. There are no lines of credit available to the subsidiaries in the USA, Switzerland and Romania, and none were required.

To secure and strengthen the areas of competence and the commitment of management, CENIT will continue to position itself as an attractive employer and strive to win the loyalty of management to the Group. The main elements of the consistent management development include creating opportunities, support and advice oriented towards specific target groups, early identification and promotion of persons with potential as well as attractive incentive systems for management staff.

CENIT was successful on the IT professionals market in 2006, achieving the employee recruitment target of 10%. CENIT was able to attract specialists with many years of experience at all business units. At the same time, the exceptional position of CENIT is conducive to finding new staff with excellent qualifications.

The expansion of the US business brings with it entrepreneurial risks. Since the expansion of business is achieved through organizational growth, however, the risks are transparent and manageable.

Finally, it should be noted that the Company uses numerous management and control systems that are continually developed further to measure, monitor and control risks. These include a uniform company-wide strategy, planning and budgeting process dealing mainly with opportunities and risks from operations. The risks identified and the risk management measures defined within the strategy, planning and budgeting process are monitored.

Tracking and countering risks pays off, such as in the change request process which affords certainty as regards deadlines and technical risks. With large projects in particular, the certainty that the contract will be continued is checked. Further growth and, in turn, economic success are affected not just by the economic risks in global markets, but to a large extent also by the successful marketing of CENIT solutions and consulting as well as IT services. Among other things, the Company plans to ensure this by expanding its own selling and consulting know-how and by entering into strategic alliances. Two thirds of the customers of the CENIT Group are active in manufacturing. Turns in the business cycle can, in some cases, have an impact on CENIT's business.

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

RISKS RELATING TO FUTURE DEVELOPMENT

We expect sustained global economic growth in 2007. According to several projections, global domestic product will increase by 4.5%, representing a slowdown compared to the prior year. We also expect growth to continue in 2008, albeit at a slightly lower pace. This forecast is based on a number of assumptions. General geopolitical and economic stability is assumed, particularly as regards the development of capital, currency and raw materials markets as well as in the area of international trade.

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

Due to the fact that practically all purchases and sales contracts are denominated in euro and in light of the current financial position, use has only been made to a minor extent of financial derivatives to hedge currency risks. An interest swap was used to improve return. We expect that the forward yield curve, which is flat at present, will become steeper.

An overall analysis of risk reveals that the Group is primarily exposed to market risks. These primarily include price and quantity developments linked to the business cycle as well as the dependence on the development of key accounts or important industries. The processes relating to the rendering of services are, overall, managed very well and therefore have a reduced risk exposure. Overall, the risks at CENIT are limited and manageable, and do not jeopardize the continuation of the Company as a going concern. In addition, there are no apparent risks that could jeopardize the continuation of the Company as a going concern in the future.

CAPITAL EXPENDITURES

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 1.1 million (2005: EUR 1 million). The majority of capital expenditures related to replacement investments in the technical infrastructure and equipment, furniture and fixtures. Depreciation of property, plant and equipment and amortization of intangible assets increased by EUR 0.2 million to EUR 1.0 million (2005: EUR 0.8 million).

GROUP CAPITAL EXPENDITURES (ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT) BREAK DOWN AS FOLLOWS BY REGION.:

Germany	EUR 981 k	(prior year: EUR 957 k)
USA	EUR 75 k	(prior year: EUR 43 k)
Switzerland	EUR 2 k	(prior year: EUR 0 k)
Romania	EUR 0 k	(prior year: EUR 0 k)
Total	EUR 1,058 k	(prior year: EUR 1,000 k)

PROCUREMENT AND PURCHASING POLICY

CENIT adheres to a purchasing policy that is exactly tailored to the specific requirements of each project. Our procurement staff have a wealth of experience in the acquisition of goods and services for our customer projects. Our procurement team works with premium partners that are either market or industry leaders or best in class. Since procurement focuses on the European market, foreign exchange risks are negligible. The cost of purchased merchandise and services came to EUR 24.4 million in 2006. At EUR 0.09 million as at year-end, the inventory value and the amount of capital tied up as a result has been kept at a low level. This enables a flexible response to market requirements. The risk of inventories becoming obsolete is low.

QUALITY ASSURANCE

The ultimate objective of CENIT AG Systemhaus and the group companies is to support customers with premium quality and reliability on each target market. Their expectations are at the core of our activities. All employees of the Company are responsible for maintaining quality.

Together, the members of the management board of CENIT AG Systemhaus are responsible for managing the Company. The head of quality management is appointed by a member of the management board. This ensures that the management board has direct influence and control over the quality management system of the Company, and that any management errors are detected immediately and corrected accordingly. The management board defines the corporate policies, strategy and objectives, while ensuring awareness and implementation at all levels of the Company. Furthermore, the management board determines the organization and areas of competence, and provides the necessary financial resources and manpower.

Each year, management specifies detailed targets for the next year as well as a three-year plan for orientation purposes. The annual targets are broken down by individual employees. Targets concerning monitoring and the continuous improvement of processes and the business as a whole are described in the respective descriptions of processes. The management board examines whether the agreed objectives have been met or whether they have been failed or exceeded, and whether the process descriptions, laws and guidelines have been complied with.

Continuous improvement forms the basis of our quality management system. Each employee is required to make a contribution. The continuous improvement process allows the detection, evaluation and implementation of improvement potential. The progress of the continuous improvement process is determined and documented by the internal audits, which are performed on a regular basis. Measures and competencies for the implementation of the measures are documented in the report.

CENIT AG Systemhaus has documented quality management rules in a management manual. It takes account of the ISO 9001:2000 standard. In addition, CENIT AG Systemhaus has drafted and enforced key process descriptions applicable to the entire company. These process descriptions are supplemented by laws and guidelines that the Company is bound to and complies with.

CENIT AG Systemhaus employees are informed of current company developments at quarterly information events. These events also include mandatory division-wide training in the area of the process-oriented management system. The information required for day-to-day business is either communicated at regular meetings or during individual talks. Open dialog is valued.

In 2005, a system audit was performed by DQS, the German company for the assessment and certification of management systems. The inspection was successful and CENIT AG Systemhaus was awarded a certification according to DIN EN ISO 9001:2000. A follow-up inspection took place in 2006, which was also passed successfully.

Also in 2006, CENIT was successful in obtaining certification according to the internally recognized ISO/IEC 27001:2005 standard. ISO 27001:2005 is a standard of the International Organization for Standardization (ISO) and is thus the internationally valid standard and the recognized successor of the British Standard 7799-2:2002. The standard takes account of all aspects of the company, IT and information security as well as legal regulations.

EMPLOYEES

The Group's total headcount as of December 31, 2006 came to 576 (2005: 523; 10%). The number of employees in Germany increased by 8% in the year under review. As of December 31, 2006, CENIT Germany had 552 employees, an increase of 42 compared to the prior-year cut-off date. The number of employees in the area of hardware decreased, essentially in the course of the ongoing restructuring measures at this low-margin business.

Group personnel expenses came to EUR 34.6 million in the period under review (2005: EUR 31.0 million; 12%). Personnel expenses at CENIT AG Systemhaus rose by 9% compared to the prior year. The average age was 38. Over 75% of employees have third-level qualifications. The employee turnover amounted to 7% (5.5% in 2005). We again recorded a very low number of sick days. Having already increased the number of employees in Germany by about 12% in 2005 and 10% in 2006, we are planning a further expansion of personnel of approximately 10% in 2007. We will primarily strengthen the consulting business and customer-specific software engineering, and expand our US business by recruiting US nationals.

CENIT has been successfully training interns for years. The trainees include students from universities of cooperative education and in the area of IT. We also regularly employ graduates, final-year students and interns. We consider this central to our responsibilities to society. In light of the large number of young unemployed persons, we consider it important to make it easier for young professionals to start their career through qualified training. In Germany, a total of 31 young people took part in trainee programs for different professions at CENIT in 2006. In 2006, we hired 9 students from universities of cooperative education and 11 trainees. A further 8 trainees and students from universities of cooperative education were offered employment contracts after completing their training period.

FUTURE PROSPECTS THROUGH ADVANCED TRAINING

CENIT offers a comprehensive advanced training program to increase the qualifications of its employees and prepare them for the ever increasing requirements brought on by innovation and market competition. A large number of employees took advantage of the various advanced training programs and participated in courses and seminars in the year under review to improve their qualifications.

The focus was on quality management, data and information processing, sales training and management staff training.

REMUNERATION SYSTEM - PROFIT SHARING

Apart from performance-based career opportunities and assumption of responsibility at an early stage, CENIT offers all employees an attractive remuneration policy. Remuneration comprises a fixed salary, which is governed by individual employment contracts, as well as remuneration modules that are partly based on the financial results and the share price. The profit-based remuneration system was expanded to include an additional instrument by issuing share options to selected management staff.

The remuneration system for management staff comprises a profit-based component and a component that is independent of profit. Reference is made to the comments in the notes to the financial statements. Pursuant to the articles of incorporation and bylaws, the supervisory board receives fixed remuneration. Each member of the supervisory board receives a fixed amount of EUR 15,000.00 payable after the end of the fiscal year. The chairman of the supervisory board receives twice that amount, while the deputy chairman receives one and a half times that amount.

RESEARCH AND DEVELOPMENT

CENIT focuses on consulting and implementing standard software from leading manufacturers. Product developments by the Company itself are only made to supplement standard software, e.g. for special customer requirements. Besides adjusting standard software, CENIT develops programs for supplementing and expanding existing standard software as required by its customers.

The software solutions of CENIT are based on IT solutions from SAP, FileNet or CATIA. They supplement this standard software with important functions that afford increased productivity and improved data quality. As a result, some products enable a seamless design of business processes, consistent storage of data and early simulations of the process steps. In total, CENIT offers over 20 solutions in the business segments digital manufacturing, product data management as well as enterprise content and systems management.

DEVELOPMENT OF THE CENIT SHARE

The CENIT share showed a varied development in the past fiscal year 2006. The CENIT share began the trading year 2006 at a price of EUR 11.45 (adjusted) and closed the year at about EUR 13.60. The average trading volume for the past 52 weeks was about 22,000 shares per day. In 2005, it was only 9,000 shares per day. The annual average share price of CENIT in 2006 came to EUR 14.37 (adjusted). The CENIT share price reached an annual peak of EUR 18.75 (adjusted) in April.

Three analysts are currently preparing research reports on CENIT (Concord Effekten Bank, WestLB and SES Research/MM Warburg). DIT Allianz Global Investors and UBS Fund Management have a shareholding in excess of 5% which is subject to mandatory notification.

A total of 127 investor talks and 25 road shows were staged in Germany, Switzerland, Liechtenstein, Austria, England and the USA. Fig. 2

POSITIONING AND STRATEGY OF CENIT

Since 1988, CENIT has been active as a specialist for the optimization of business processes in the areas of enterprise content management, product lifecycle management and application management. Today, CENIT is one of the leading consulting firms worldwide in product lifecycle management (PLM). The range of services extends from the choice of suitable PLM software to process chain consulting, introduction of PLM solutions at customers and comprehensive consulting services. With our own software solutions for a range of manufacturing processes or for product management in the SAP and Dassault environments in particular, we offer our customers decisive added value. CENIT's portfolio of internally developed software is unique compared to the international competition. CENIT is very well positioned in the ECM segment and is ranked third-best partner in the world for the leading enterprise content management solution in the world from the US software provider FileNet. The takeover of FileNet by IBM in 2006 creates new growth opportunities and customer potential for CENIT. Indeed, CENIT has been a business partner of IBM since its establishment in 1988. The marketing and sales power of both partners, FileNet and IBM, will be instrumental in gaining new market shares. This is supplemented by CENIT's own software solutions which, for example, are offered as standard solutions especially for file and process handling. With the software solution FileNet System Monitoring, which was developed by us to monitor complex enterprise content management platforms such as FileNet P8 and thus for inclusion in the sales portfolio of FileNet, one of world's major players in this market, CENIT anticipates above-trend international growth in the FileNet customer portfolio as well as the area of new business development.

CENIT operates critical business applications such as CATIA or FileNet at distinguished clients in the areas of product lifecycle management (PLM) and enterprise content management (ECM) along the CENIT portfolio. BMW, Allianz, Mann+Hummel, VW, VR Kreditwerk and Wüstenrot & Württembergische are just some of the companies that rely on CENIT expertise. But also medium-sized companies including Sidler and Kuhn & Möhrlein have been using application management outsourcing (AMO) from CENIT for years so that they can focus on their core business.

Application management outsourcing is a form of outsourcing in which the license and the infrastructure – and thus control – are retained by the user. The service provider renders predefined services pursuant to SLAs including development, implementation, support, maintenance and mitigation of the application. CENIT expands this definition to include the tasks of infrastructure and/or application operation (outtasking).

MARKET POSITIONING

In 2006, we were able to further expand and fortify our outstanding market position worldwide in product lifecycle management. The market studies included here also illustrate this.

PLM MARKET DEVELOPMENT UNTIL 2010

CIMdata expects a compound annual growth rate (CAGR) of 14% for the services/consulting segment in cPDM as well as growth of 4% for the software area. According to the forecast, the market will reach a volume of USD 26.3 billion over the next four years by 2010 with annual growth of 7.7% on average. Source: CIMdata 2006: Fig. 3

PLM SERVICE PROVIDERS WORLDWIDE 2006

Source: CIMdata 2006 Fig. 4

System integrators and consulting firms continue to expand their PLM business. As a regional and specialized provider, CENIT is experiencing above-average growth.

SHARE OF THE COMPANY IN TOTAL PLM SOFTWARE SALES IN 2006 IN GERMANY, AUSTRIA AND SWITZERLAND

Source: Computer Graphik Markt 2006/2007
Fig. 5

MARKET DEVELOPMENT, ENTERPRISE CONTENT MANAGEMENT

The German ECM Market by Software & Tools, Project Services and Outsourcing in 2005 and 2008. Source: PAC 2005 Fig. 6

DEVELOPMENT OF THE GERMAN OUTSOURCING MARKET BY TYPE OF OUTSOURCING

Source: PAC 2005 Fig. 7

FORECAST REPORT 2007/2008

BUSINESS STRATEGY

The objective of CENIT is to increase the share of its own software in total sales revenue to between 20% and 30% over the next two to three years. This requires the further expansion of an international sales channel. A fundamental element of this strategic focus is the software engineering cooperation in place with Dassault Systèmes, SAP, FileNet and IBM.

Through the strategic orientation on the attractive markets for product lifecycle management, enterprise content management and application management outsourcing as well as the concentration on our core areas of competence, CENIT will invest in the consulting and software markets again in 2007 and 2008. This further development of innovative software technology and the targeted investment in key growth segments will also be necessary in the future if we are to secure our leadership position and expand our strong market position. Our industry competence plays a central role here. We therefore intend to consistently take advantage of our success and market reputation on the aerospace market in particular to continue our growth in that area.

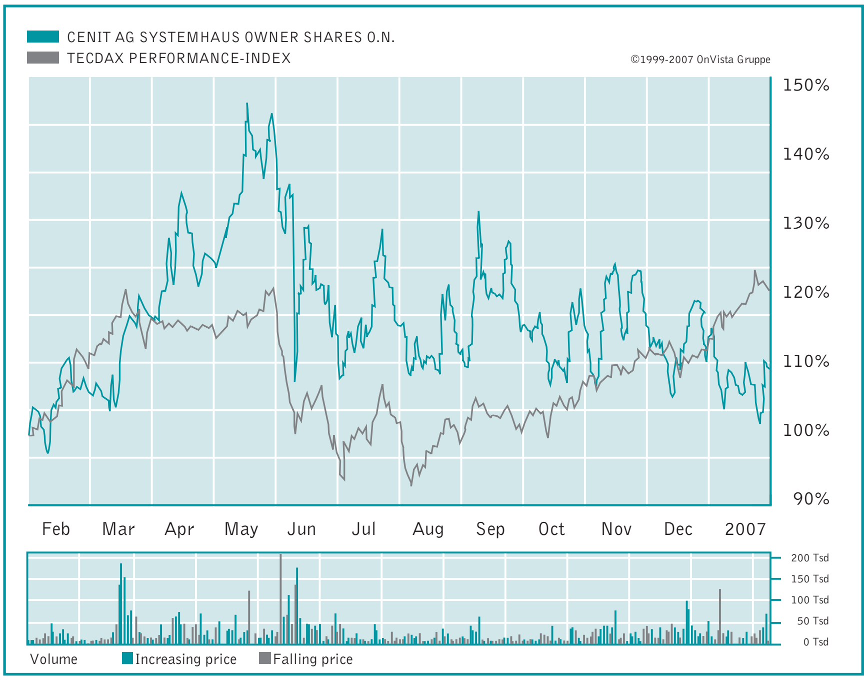
FINANCIAL STRATEGY

The financial position and net assets have improved again in the year under review. The cash flow statement and the balance sheet structure reflect the increase of the business value. Through the central

SHARE PRICE DEVELOPMENT 2006

Fig. 2

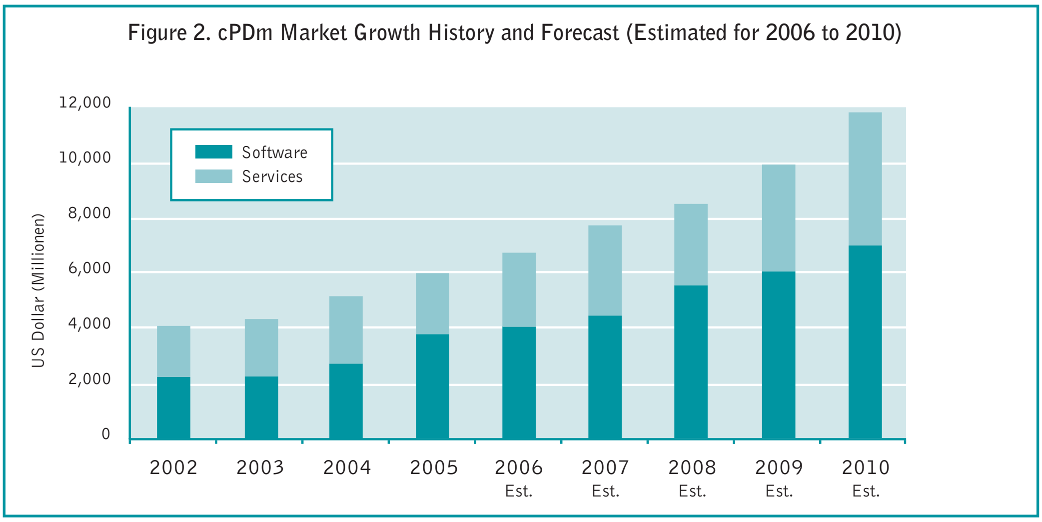
Source: wallstreet online



PLM MARKET DEVELOPMENT UNTIL 2010

Fig. 3

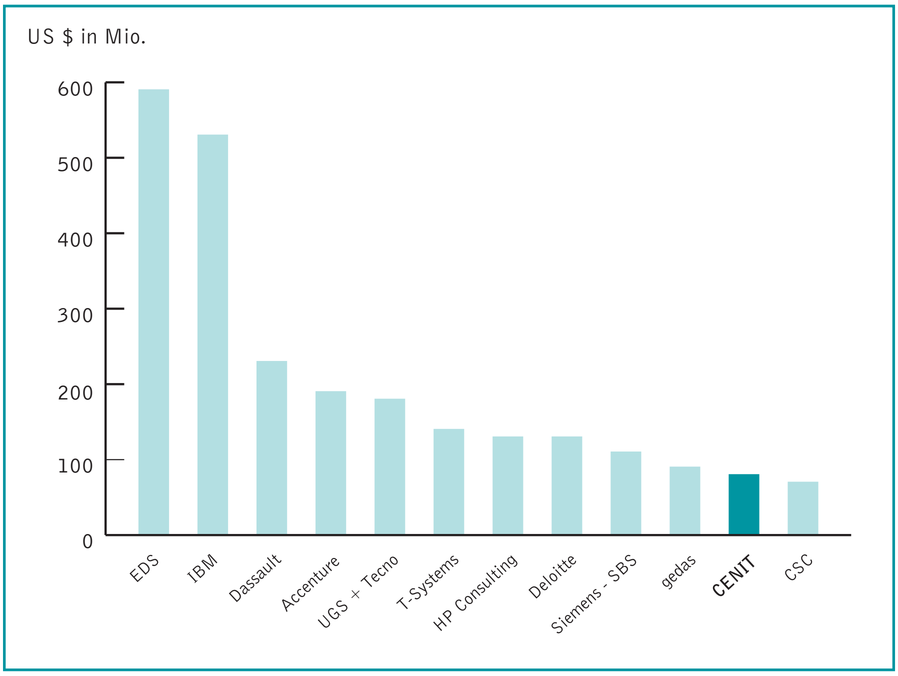
Source: CIMdata 2006



CIMdata expects a compound annual growth rate (CAGR) of 14% for the services/consulting segment in cPDM as well as growth of 4% for the software area. According to the forecast, the market will reach a volume of USD 26.3 billion over the next four years by 2010 with annual growth of 7.7% on average.

PLM SERVICE PROVIDERS WORLDWIDE 2006

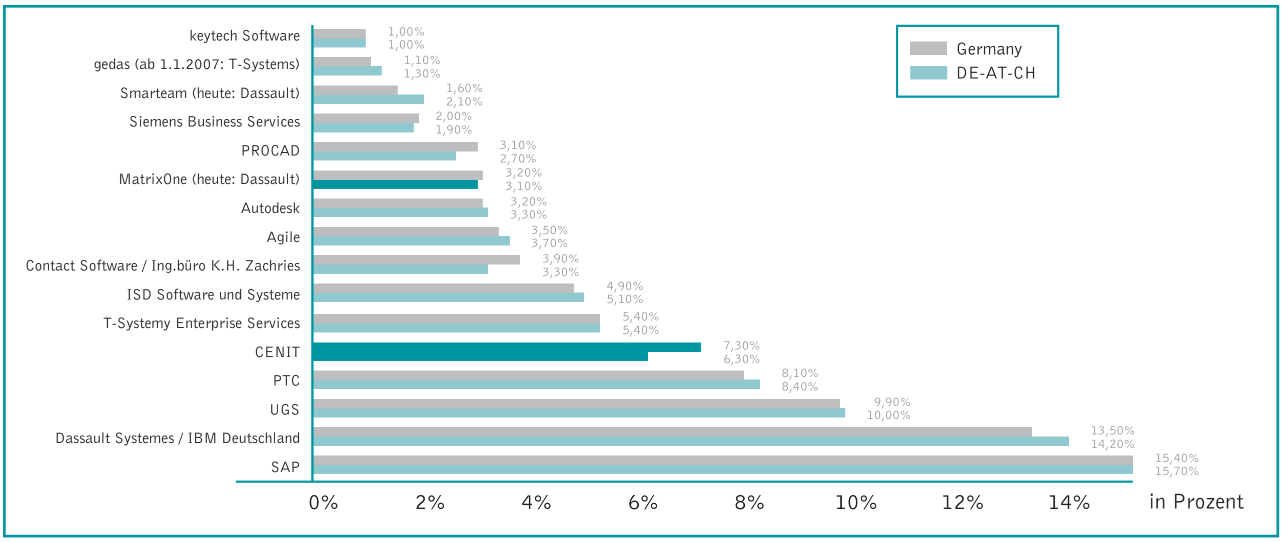
Source: CIMdata 2006 **Fig. 4**



SHARE OF THE COMPANY IN TOTAL PLM SOFTWARE SALES IN 2006

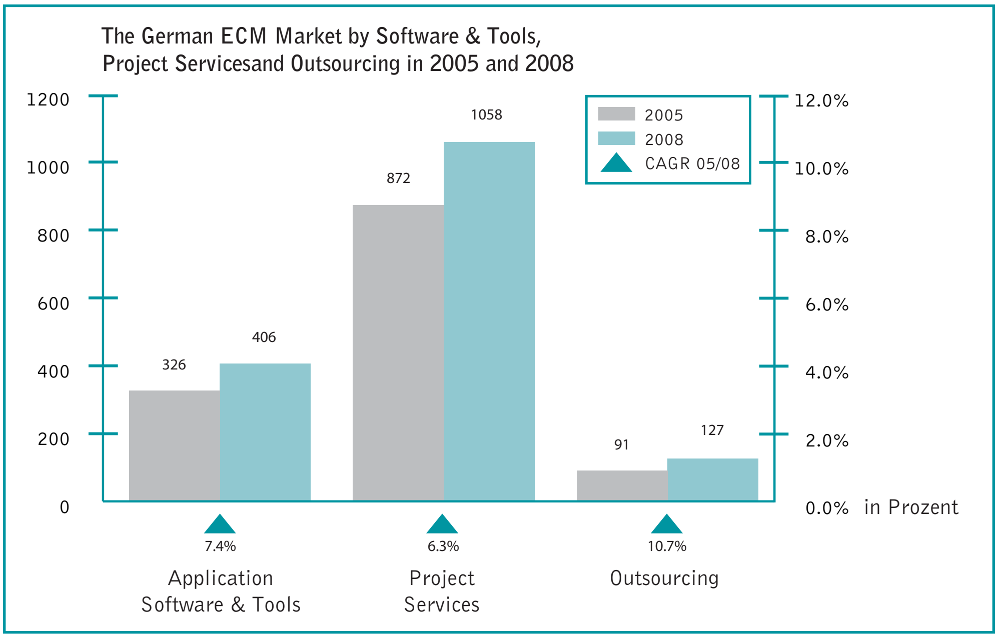
in Germany, Austria and Switzerland

Source: Computer Graphik Markt 2006/2007 **Fig. 5**



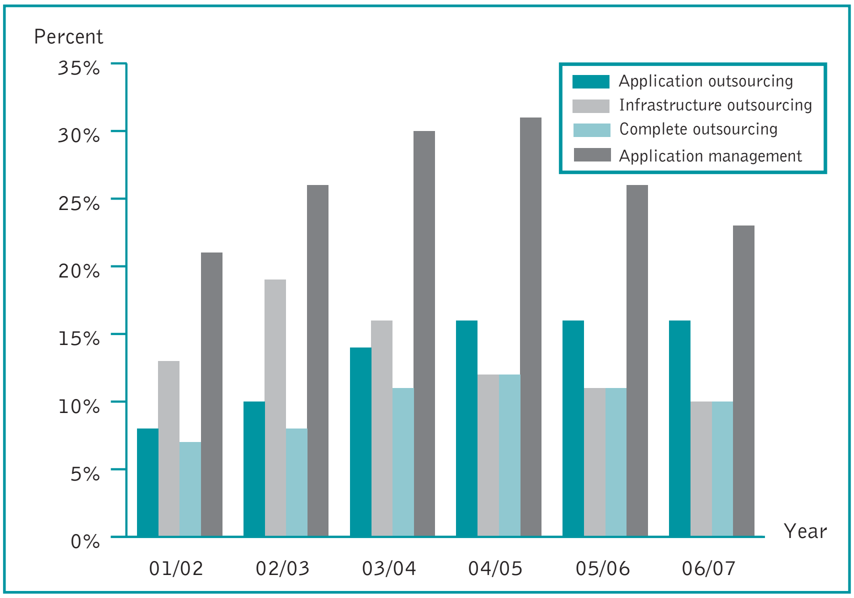
DEVELOPMENT OF THE ENTERPRISE CONTENT MANAGEMENT MARKET

Source: PAC 2005 (Figures in EUR million and %) Fig. 6



DEVELOPMENT OF THE GERMAN OUTSOURCING MARKET - by Type of Outsourcing in %

Fig. 7 Source: PAC 2005



financing, capital procurements and investment will also be optimized in the future.

Primary objectives of finance management are the short- and medium-term provision of sufficient liquidity, a financial policy that is largely conservative and an effective risk management. The situation on the international financial markets that are of relevance to CENIT was characterized by stable to sharp increases in the past year. We do not anticipate any change in the short term.

In light of this, our financial strategy continues to be oriented towards maintaining a good credit rating in the long term.

EARNINGS AND SALES DEVELOPMENT

We expect that all business segments will make a considerable contribution to further improving the operating performance of the Group in 2007 and 2008. Our market and customer contacts in all segments are a solid basis indicating that we can continue offering our business partners supplementary products and services. This is complemented by a consistent orientation towards the global market and the expansion of our activities in the USA, particularly in the area of software in cooperation with SAP and Dassault Systèmes. The expansion of our subsidiary for software engineering and application management outsourcing services in Romania in line with market demand represents a further important step towards improving the future competitiveness of CENIT.

As regards group sales, we anticipate growth in 2007 and 2008 in line with the market trend. Increasing sales of internally generated CENIT software and the global sales cooperation for the FileNet system monitoring solution in particular will contribute to this development in the future.

We also expect the favorable market conditions to continue on the markets of relevance to us. Our intention is to use these opportunities to gain further market shares. Consequently, CENIT plans to increase its headcount again in 2007 by 10%. Should the trend remain unabated, a further increase in the number of employees can also be expected in 2008.

The expansion of the US business which began in 2006, was associated with a sharp increase in marketing and selling expenses. The same will hold true in 2007, since the market opportunities in the USA outweigh potential risks.

SUBSEQUENT EVENTS

By resolution of the supervisory board dated December 17, 2006, Dipl. Ing. Kurt Bengel, Waiblingen, was appointed to the management board effective January 1, 2007. Entry in the commercial register was made on February 5, 2007.

Stuttgart, March 6, 2007

CENIT Aktiengesellschaft Systemhaus

The Management Board

Andreas Schmidt *(CEO / Spokesman of the Management Board)*

Christian Pusch

Kurt Bengel


Select

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

The 2006 financial year was again very successful and exceeded the demanding targets it set for itself. Sales and value added in the group increased in double digits with profitability at a steady and high level. To be particularly highlighted is the great success with proprietary software. This underlines the correct market assessment on the part of the management, justifying investments over recent years.

The Supervisory Board reports on its duties in financial year 2006. The focus was ongoing consultation with the Executive Board, with the key topics of discussion in the Supervisory Board being corporate governance of the Company as well as the annual and group accounting planning.

During the 2006 reporting year, the Supervisory Board undertook the tasks assigned under law and the Articles of Association, advising the Executive Board on the running of the company on a regular basis and monitoring the company management. The Supervisory Board was directly involved in essential company decisions. The Executive Board reported to the Supervisory Board both in writing and verbally promptly and with comprehensive information. These reports dealt primarily with business development and situation of the group, risk management and transactions of particular importance for the company. Any business deviating from the plans and objectives were explained to us in detail and then examined. Individual current issues and decisions were regularly discussed by the Spokesman of the Executive Board and the Chairman of the Supervisory Board.

MEETINGS OF THE SUPERVISORY BOARD

In four joint meetings, a large number of telephone conferences and on the basis of written and verbal reports from the Executive Board, the Supervisory Board received prompt and comprehensive information. In addition, members of the Supervisory Board had regular personal contact with the Executive Board. The Supervisory Board was available at short notice for any urgent matters.

In addition to the ongoing areas of discussion such as the current business situation, deviations from annual planning, the liquidity situation, risk situation, business processes, human resources issues and the implementation of the German Corporate Governance Code, the following topics were the main areas of focus in the 2006 financial year 2006:

The March meeting focussed on the 2005 annual financial statements, preparation for the shareholders' meeting, dividend policy and the capital measures planned, the determination of operating targets for the financial year 2006 and adaptation of the variable remuneration system for the Executive Board. In this meeting, the development of results and earnings as well as the financial situation and the current development of employment levels were discussed in detail. In preparation for the CENIT AG shareholders' meeting on June 13, 2006, there was discussion on the proposal of the management to increase the share capital of the company of EUR 4,183,879 in line with the regulations of the Corporate Act via a capital increase from company funds by EUR 4,183,879 to EUR 8,367,758 and to propose for resolution to the shareholders' meeting.

The longer term business alignment and the international development of the company, particularly in Eastern Europe and the USA, were the key discussion points in the summer. Here the opportunity and risk situation in respect to expanding the US business was discussed in detail. But this meeting also included discussion on founding a subsidiary in Romania. The Executive Board substantiated its decision in an extensive presentation in respect of improving the competitive advantage, particularly in the Application Management Outsourcing area.

In the last months of 2006, human resources matters in the Executive Board were the key topic. If the contracts for the Executive Board members Andreas Schmidt and Hubertus Manthey were not renewed, the Supervisory Board preferred succession to come internally. On December 18, 2006 the public was informed that Mr. Schmidt and Mr. Manthey would leave in the course of the 2007 financial year and that Mr. Kurt Bengel would be appointed as successor to the Executive Board.

The focus of the meeting in December 2006 was general financial planning for 2007, which the Supervisory Board approved in February 2007. Here the analysis concentrated on development in individual business areas, the expansion of the international business, the potential of CENIT proprietary software solution shown and the future personnel development explained together with the general financial conditions.

ANNUAL AND CONSOLIDATED ACCOUNTS

In financial year 2006, the accounting of Cenit AG was again audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart. The audit company was elected as auditor by the shareholders' meeting in June 2006 and subsequently mandated by the Supervisory Board. The present annual financial statements, the consolidated financial statements and the company management and group management report for the 2006 financial year were audited, also taking into account the focal points determined by the Supervisory Board.

Ernst & Young audited the consolidated financial statements and the annual financial statements as well as the management report and the group management report, taking the accounting into account and issued an unqualified audit statement.

The Supervisory Board did not form any committees in financial year 2006. However, in 2006 a member of the Supervisory Board again had a particular focus in respect to all matters relating to the annual financial statements. Any questions which arose were reported and discussed in the meetings on a regular basis.

The auditor participated at the balance sheet meeting of the Supervisory Board on March 9, 2007 and reported on detail on the audit results. There was then a discussion on the audit results with the Supervisory Board, which was able to assure itself that the audit had been properly implemented by Ernst & Young. The Supervisory Board examined the annual financial statements of CENIT AG Systemhaus and ratified them unanimously. The 2006 annual financial statements 2006 are thus approved. The Supervisory Board also ratified the 2006 consolidated financial statements.

The Executive Board and the Supervisory Board discussed in detail the appropriation of net income and retained earnings and will make a joint proposal to the shareholders' meeting.

The Supervisory Board thanks the Executive Board, the management and all employees for the successful work in financial year 2006. At this point, we would like to express our own personal thanks to Hubertus Manthey and Andreas Schmidt. More than 19 years they were connected to this company with enthusiasm and commitment. They accompanied the company through highs and lows. For this the two gentlemen deserve our respect and thanks.

Stuttgart, March 12, 2007

The Supervisory Board

Falk Engelmann/Chairman

Financial Statement

Financial Statement

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

CENIT Aktiengesellschaft Systemhaus, Stuttgart

CONSOLIDATED BALANCE SHEET (in accordance with IFRS)

as of December 31, 2006

in EUR k	Note	Dec. 31, 2006	Dec. 31, 2005
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	F1	248	122
Property, plant and equipment	F2	1,366	1,399
Income tax receivables	F8	699	0
		2,313	1,521
DEFFERED TAX ASSETS	F3	0	87
NON-CURRENTS ASSETS		2,313	1,608
CURRENT ASSETS			
Inventories	F4	668	1,057
Trade receivables	F5	16,243	10,102
Current income tax assets	F8	1,062	18
Other receivables	F6	76	164
Other financial assets at fair value through profit or loss	F7	11,042	13,021
Cash and cash equivalents	F9	7,615	7,786
Prepaid expenses	F10	191	153
CURRENT ASSETS		36,897	32,301
TOTAL ASSETS		39,210	33,909

CENIT Aktiengesellschaft Systemhaus, Stuttgart

CONSOLIDATED BALANCE SHEET (in accordance with IFRS)

as of December 31, 2006

in EUR k	Note	Dec. 31, 2006	Dec. 31, 2005
EQUITY AND LIABILITIES			
EQUITY			
Share capital	F11	8,368	4,184
Capital reserve	F11	863	543
Currency translation reserve	F11	-212	-119
Revenue reserve	F11	418	0
Other revenue reserves	F11	2,899	5,039
Net income of the Group attributable to	F11	11,968	9,879
Equity holders of CENIT AG		24,304	19,526
Minority interests	F11	0	43
TOTAL EQUITY		24,304	19,569
NON-CURRENT LIABILITIES			
Deferred tax liabilities	F3	231	97
CURRENT LIABILITIES			
Current liabilities to banks	F13	1,249	1,321
Trade payables	F14	3,787	2,486
Other liabilities	F15	8,668	8,040
Current income taxes	F12	834	2,256
Other provisions	F12	137	122
Deferred income	F16	0	18
		14,675	14,243
TOTAL EQUITY AND LIABILITIES		39,210	33,909

CENIT Aktiengesellschaft Systemhaus, Stuttgart

CONSOLIDATED INCOME STATEMENT (in accordance with IFRS)

for the period from January 1 to December 31, 2006

	in EUR k	Note		Dec. 31, 2006	Dec. 31, 2005
1.	REVENUE	E1		82,358	74,301
2.	Increase/decrease in inventories of work in process			373	-153
	Total operating performance			82,731	74,148
3.	Other operating income	E2		621	723
	Operating performance			83,352	74,871
4.	Cost of materials	E3	24,364		22,726
5.	Personnel expenses	E4	34,625		31,034
6.	Amortization of intangible assets and depreciation of property, plant and equipment	E5	956		825
7.	Other operating expenses	E6	13,220		10,877
				73,165	65,462
	NET OPERATING INCOME			10,187	9,409
8.	Other interest and similar income	E7	208		226
9.	Interest and similar expenses	E8	67		27
10.	Result from financial instruments at fair value through profit or loss	E9	-294		-529
				-153	-330
	RESULT FROM ORDINARY ACTIVITIES			10,034	9,079
11.	Income taxes	E10		1,632	2,331
12.	NET INCOME OF THE GROUP FOR THE YEAR			8,402	6,748
13.	thereof attributable to equity holders of CENIT AG			8,372	6,742
14.	thereof attributable to minority interests			30	6
	Earnings per share in EUR				
	basic	E11		1,00	*0,81
	diluted	E11		1,00	*0,81

*Adjusted to current number of shares

CENIT Aktiengesellschaft Systemhaus, Stuttgart

CONSOLIDATED STATEMNET OF CASH FLOWS (in accordance with IFRS)

as of December 31, 2006

in EUR k	Note	Dec. 31, 2006	Dec. 31, 2005
CASH FLOW FROM OPERATING ACTIVITIES			
Earnings before tax		10,034	9,079
Adjusted for:			
Amortization of intangible assets and depreciation of property, plant and equipment	E5	956	825
Losses on disposals of non-current assets		2	0
Gains on disposals of non-current assets		0	-3
Other non-cash expenses and income		-508	-710
Interest income	E7	-208	-226
Interest expenses	E8	67	27
Increase/decrease in trade receivables and other current non-monetary assets		-6,044	320
Change in other financial assets that are not allocable to cash and cash equivalents	E7	-10	-2,980
Increase/decrease in inventories		389	538
Increase/decrease in current liabilities and provisions		2,349	674
Interest paid		-67	-27
Interest received		279	208
Income taxes paid		-4,583	-2,325
Change in net cash flow from operating activities		2,656	5,400
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	F1/F2	-1,058	-1,000
Cash received from the disposal of property, plant and equipment		7	3
Net cash paid for investing activities		-1,051	-997
Cash flow from financing activities			
Dividends paid to shareholders	E12	-3,765	-1,255
Net cash paid for financing activities		-3,765	-1,255
Net increase/decrease in cash and cash equivalents		-2,160	3,148
Cash and cash equivalents at the beginning of the reporting period	G	17,827	14,679
Cash and cash equivalents at the end of the reporting period	G	15,667	17,827

CENIT Aktiengesellschaft Systemhaus, Stuttgart

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

as of December 31, 2006

in EUR k	Equity attributable to equity holders of the parent								
	Share capital	Capital reserve	Currency translation reserve	Legal reserve	Other revenue reserves	Net income of the Group attributeable to equity holders of CENIT AG	Total	Minority interests	Total
As of January 1, 2005	4,184	418	-115	0	1,239	8,192	13,918	37	13,955
Currency fluctuation			-4				-4		-4
Net income of the Group for the year						6,742	6,742	6	6,748
Total income recognized for the period			-4			6,742	6,738	6	6,744
Transfer from stock options		125					125		125
Dividend distribution						-1,255	-1,255		-1,255
Allocation to the other revenue reserve					3,800	-3,800	0		0
As of December 31, 2005	4,184	543	-119	0	5,039	9,879	19,526	43	19,569
Currency fluctuation			-93				-93	-7	-100
Net income of the Group for the year						8,372	8,372	30	8,402
Total income recognized for the period			-93			8,372	8,279	23	8,302
Transfer from stock options		320					320		320
Dividend distribution						-3,765	-3,765		-3,765
Allocation to other revenue reserves					2,100	-2,100	0		0
Allocation to the legal revenue reserve				418		-418	0		0
Capital increase from company funds	4,184				-4,184		0		0
Put options, minority interests					-56	0	-56	-66	-122
As of December 31, 2006	8,368	863	-212	418	2,899	11,968	24,304	0	24,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2006

A. Commercial Register and Business Purpose of the Company

The parent company of the Group, 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 purpose of the group entities is to provide all types of services in the field of installing and operating information technology and to sell and market information technology software and systems. With a focus on product life cycle and document management solutions and IT outsourcing, CENIT's two business units PLM (Product Lifecycle Management) and ECM (Enterprise Content Management) offer tailored consulting services from one source. CENIT's focus is on business process optimization and computer-aided design and development technologies.

B. Accounting Policies

The consolidated financial statements of CENIT Aktiengesellschaft Systemhaus, Stuttgart, have been prepared and published in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary commercial law requirements applicable pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code]. The management board released them to the supervisory board on March 6, 2007.

The consolidated financial statements have been prepared in euro. To aid clarity, all figures are presented in thousand euros (EUR k) unless otherwise indicated. The balance sheet date is December 31 of each year.

The financial statements have been prepared on the basis of historical cost apart from financial assets that are held for trading or are classified on initial recognition as financial assets at fair value through profit or loss and are thus reported at fair value.

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

The consolidated financial statements are based on uniform accounting policies.

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have amended or issued the following standards and interpretations, the adoption of which was mandatory as of the fiscal year 2006:

- IFRS 6 "*Exploration for and Evaluation of Mineral Resources*"
- Amendment of IAS 19 "*Actuarial Gains and Losses, Group Plans and Disclosures*"
- Amendment of IAS 21 "*The Effects of Changes in Foreign Exchange Rates*"

- Amendments to IAS 39, "*Financial Instruments: Recognition and Measurement*" and IFRS 4 "*Insurance Contracts*". The amendments concern the accounting treatment of certain cash flow hedges, changes relating to the fair value option as well as the accounting treatment of financial guarantees issued.

- IFRIC 4 "*Determining whether an Arrangement Contains a Lease*"

- IFRIC 5 "*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*"

- IFRIC 6 "*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*"

First-time adoption of the standards and interpretations listed above did not have any significant effects on the consolidated financial statements.

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following new standards, interpretations and amendments which were not mandatory for the fiscal year 2006 and some of which have not yet been recognized by the EU. Early adoption of these new regulations is not planned.

- IFRS 7 "*Financial Instruments: Disclosures*"

IFRS 7 essentially deals with disclosure duties concerning the type and significance of financial instruments in the financial statements as well as the type, extent and management of financial risks. Adoption of IFRS 7 is mandatory for the first time for fiscal years beginning on or after January 1, 2007, and will result in more disclosures concerning financial instruments in the notes to the financial statements

- IFRS 8 "*Operating Segments*"

Adoption of IFRS 8 is mandatory for the first time for fiscal years beginning on or after January 1, 2009, and will result in revised segment reporting. It is currently not possible to estimate reliably the concrete effects from these amendments.

- Amendment of IAS 1 "*Presentation of Financial Statements*"

Adoption of the amendment of IAS 1 is mandatory for the first time for fiscal years beginning on or after January 1, 2007, and will result in more disclosures concerning equity in the notes to the financial statements.

No effects are anticipated on the consolidated financial statements from these new interpretations:

- IFRIC 7 "*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*"

IFRIC 7 is mandatory for the first time for fiscal years beginning on or after March 1, 2006.

- IFRIC 8 "*Scope of IFRS 2*"

IFRIC 8 is mandatory for the first time for fiscal years beginning on or after March 1, 2006.

- IFRIC 9 "*Reassessment of Embedded Derivatives*"

IFRIC 9 is mandatory for the first time for fiscal years beginning on or after June 1, 2006.

- IFRIC 10 "*Interim Financial Reporting and Impairment*"

IFRIC 10 is mandatory for the first time for fiscal years beginning on or after November 1, 2006.

- IFRIC 11 "*IFRS 2 Group and Treasury Share Transactions*"

IFRIC 11 is mandatory for the first time for fiscal years beginning on or after March 1, 2006.

- IFRIC 12 "*Service Concession Arrangements*"

IFRIC 12 is mandatory for the first time for fiscal years beginning on or after January 1, 2008.

Changes in the Presentation of the Consolidated Financial Statements

Outstanding invoices representing trade payables due to their nature are disclosed under trade payables in the consolidated financial statements for the fiscal year 2006. As a result, EUR 438 k was reclassified from other liabilities to trade payables in the comparable prior-year period.

C. Consolidation Principles

1. Consolidated Group

The consolidated financial statements comprise all affiliated entities in which CENIT AG directly or indirectly holds the majority of the voting rights or has control as defined by IAS 27 due to other rights. Purchase accounting is carried out as of the date at which CENIT AG gains direct or indirect control of the subsidiary. Inclusion in the consolidated financial statements ends when such control ceases.

Effective May 22, 2006, CENIT SRL Romania was established by CENIT AG Systemhaus. Cash and cash equivalents of EUR 1 k were contributed in connection with the establishment of the entity.

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

2. Consolidation Methods

The separate financial statements of the entities included in the Group, prepared according to uniform accounting and valuation principles as of December 31, 2006 and audited by public auditors, who rendered an unqualified opinion thereon or performed a review, form the basis for these consolidated financial statements.

Capital held in subsidiaries was consolidated by offsetting the acquisition costs against the fair value of the acquired, identified assets less liabilities and contingent liabilities applicable to the parent company at the date of acquisition. In the past, goodwill resulting from capital consolidation was generally amortized over its useful life – regularly estimated at fifteen years in the past – using the straight-line method. Goodwill was written down to net realizable value whenever the value was impaired. There was no goodwill remaining in the balance sheet as of January 1, 2005.

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

Neither inventories nor fixed assets contain any assets from intercompany trade.

IAS 27 requires minority interests to be reported in the consolidated balance sheet under equity in a separate item from the parent company's equity. The minority interests disclosed correspond to the shares of Cenit (Schweiz) AG that are not held by the parent company. Where there are put options in connection with the minority shareholdings, the difference between liabilities from the put options and the pro rata equity attributable to the minority shareholder is recognized directly in equity.

3. Foreign Currency Translation

The presentation currency is the parent company's functional currency. The functional currency concept is applied to translate the financial statements prepared in foreign currency by the entities included in the consolidated group. The functional currency of the group entities is their respective local currency. Financial statements prepared in functional currency are translated to the Group's presentation currency using the modified closing rate method. Assets and liabilities are translated at the closing rate of the balance sheet date, white equity is translated at the historical rate and income and expenses at the annual average rate.

The resulting difference is offset directly against equity. When subsidiaries are sold, the currency differences recorded under equity relating to these entities are reversed to income.

Foreign currency transactions are generally translated at the current rate of the transaction date. At the end of the fiscal year, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that were measured at their historical cost are translated at the rate of the transaction date, while non-monetary items that were measured at their fair value are translated at the rate which was current at the time the fair value was derived. Differences arising from currency translations at closing rates are recognized in profit or loss.

Fig. 1 EQUITY INVESTMENTS

No.	Company	Currency	Percent %	Held by	Statutory capital in LC k	Date of purchase accounting
1	CENIT AG Systemhaus, Stuttgart/Germany	EUR	-	-	8,368	Parent company
2	Cenit (Schweiz) AG, Frauenfeld/Switzerland	CHF	90	1	500	October 26, 1999
3	CENIT NORTH AMERICA INC., Detroit/USA	USD	100	1	25	November 29, 2001
4	CENIT SRL Iasi/Romania	ROL	100	1	4	May 22, 2006

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

D. Accounting and Valuation Principles

Purchased intangible assets are stated at amortized cost including incidental acquisition cost. They are reduced by scheduled amortization over the expected useful life, usually three years, using the straight-line method. As of the balance sheet date, the balance sheet does not include any intangible assets with an indefinite useful life.

Internally generated intangible assets are not recognized due to non-fulfillment of the criteria in IAS 38.57 (a-f). The expenditure of EUR 3,545 k (prior year: EUR 3,076 k) incurred in the course of optimizing existing products was recorded as an expense.

Property, plant and equipment are recorded at cost less scheduled straight-line depreciation. These costs comprise the costs for replacement parts which are recognized as incurred, provided they meet the recognition criteria. Maintenance costs are recorded directly as expenses. Items of property, plant and equipment items are depreciated on the basis of their useful lives. The **useful life** of other equipment is three to five years and five to ten years for furniture and fixtures. Buildings on third-party land (leasehold improvements) are depreciated over the terms of the lease agreements. No material residual values had to be considered when determining depreciation.

Residual values, depreciation and amortization methods and the useful life of property, plant and equipment and intangible assets are revised annually and adjusted if required. Any changes required are treated as changes in estimates.

An impairment test is performed at the end of the fiscal year for all intangible assets and property, plant and equipment if events or changes in circumstances indicate that the carrying amount of the assets exceeds their recoverable amount. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in profit or loss for items of property, plant and equipment and intangible assets carried at cost. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less costs to sell. The amount obtainable from the sale is determined based on market prices, valuation multipliers or other indicators available. Value in use is the present value of estimated future cash flows

Fig. 2 CURRENCY TRANSLATION IN EUR

	Closing rate		Annual average rate	
	Dec. 31,2006	Dec. 31,2005	2006	2005
CHF	1.6069	1.5556	1.5729	1.5483
USD	1.3170	1.1838	1.2556	1.2451
ROL	3.3835	-	3.5258	-

expected to arise from continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is estimated for each individual asset or, if that is not possible, for the cash-generating unit.

A reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is posted as a gain to the income statement. The increased carrying amount cannot exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

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

Leases

Whether an arrangement is or contains a lease is determined on the basis of the substance of the arrangement and requires an estimate of whether performance of the contractual arrangement is dependent on the use of a certain asset or certain assets and whether a right to use the asset is granted under the arrangement.

A reassessment of whether the arrangement contains a lease is required after the inception of the arrangement, only if any one of the following conditions are met:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependant on a specified asset; or

d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting commences or ceases:

from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and

at the date of renewal or extension period for scenario b).

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. There were no finance leases in the period under review. In addition, the Group does not act as a lessor.

Financial Investments and Other Financial Assets

Financial assets as defined by IAS 39 are broken down into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. Financial assets are initially recognized at fair value. In the case of financial investments which are not at fair value through profit or loss, any directly attributable transaction costs are also included. The Group decides on classification of its financial assets upon initial recognition and reviews allocation at the end of each fiscal year if permissible and appropriate.

The classification of financial assets into measurement categories is determined after initial recognition. Where permissible, any reclassifications deemed necessary are performed at the end of the fiscal year.

Regular way purchases and sales of financial assets are recognized as of the trading date, i.e. the date on which the entity entered into the obligation to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the period generally established by regulation or convention in the marketplace.

Financial Assets at Fair Value Through Profit or Loss

The category of financial assets at fair value through profit or loss includes financial assets held for trading and financial assets classified upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as a hedging instrument and are effective as such. Gains or losses on financial assets held for trading are recognized in profit or loss.

Held-To-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group intends and is able to hold these to maturity.

Investments intended to be held for an undefined period are not included in this category. Other non-current investments that are intended to be held to maturity are measured at amortized cost. Amortized cost is the amount at which a financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount determined using the effective interest method. This calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in net profit or loss for the period when the investments are derecognized or impaired, as well as through the amortization process.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. These assets are measured at amortized cost using the effective interest method. A gain or loss is recognized in the net profit or loss for the period when the loans and receivables are derecognized or impaired as well as through the amortization process.

Available-for-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as one of the three categories above. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss is recognized in a separate item under equity. On derecognition of the investment or identification of impairment, any cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial instruments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. The fair value of investments for which there is no active market is determined by the Company's banks using generally accepted measurement models. Such methods are based on recent regular way transactions or on the current market value of another instrument which is essentially the same instrument or an analysis of the discounted cash flows and option pricing models.

Derecognition of Financial Assets and Financial Liabilities

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

Impairment of Financial Assets

The Group tests financial assets or groups of financial assets for impairment at every balance sheet date.

Financial Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (with the exception of future credit defaults) discounted at the original effective interest rate of the financial asset (i.e. the interest rate determined upon initial recognition). The carrying amount of the asset is reduced either directly or by using an allowance account. The amount of the loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The subsequent reversal of an impairment loss is recognized in profit and loss unless the asset's carrying amount exceeds amortized cost at the date of impairment.

Financial Assets Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-Sale Financial Assets

If an available-for-sale asset is impaired, an amount is recognized in equity for the difference between its cost (net of any principal repayment and amortization) and current fair value less any impairment loss on that asset previously recognized in profit or loss. Reversals of impairment losses on equity instruments classified as available-for-sale are not recognized in the net profit or loss for the period. Reversals of impairment losses on debt instruments are recognized in profit or loss if the increase in the instrument's fair value can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Trade Receivables and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognized at the original invoice amount less an allowance for any uncollectible amounts. A doubtful debt allowance is recognized if there is objective evidence that the Group will not be able to collect the receivable. Receivables are derecognized as soon as they become uncollectible. Credit risks are taken into account through adequate specific bad debt allowances.

Derivative financial instruments are used to increase the return on investment and for hedging purposes. These derivative financial instruments are initially recognized at fair value at the time they are entered into and thereafter measured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

As the derivative financial instruments do not satisfy the criteria for hedge accounting, any gains or losses from changes in fair value are immediately recognized in profit or loss.

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

Finance charges are not capitalized.

Cash and short-term deposits in the balance sheet comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less.

Provisions are reported at the best estimate of the amount required to settle the obligation. They are created for legal or constructive obligations whose origin is in the past when it is probable that the settlement of the obligations will lead to an outflow of resources and the obligations can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Provisions are discounted where the effect of discounting is material. The discount rate chosen is a pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recorded as an interest expense.

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

Liabilities are recorded at amortized cost.

Current Tax Assets and Liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Calculation is based on the tax rates and tax laws applicable as of the balance sheet date.

Deferred taxes are recorded on temporary differences between the tax balance sheet and the consolidated financial statements according to the balance-sheet-oriented liability method laid out in IAS 12.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures if the entity controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred taxes on temporary differences are calculated at the local tax rates that are expected to apply for the individual group entity when the asset is realized or the liability is settled. 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 unused tax losses is only recognized to the extent that it is probable that future taxable income will be available for offsetting. The carrying amount of the deferred tax assets is reviewed for impairment as of every balance sheet date and reduced by the amount for which sufficient tax profits are no longer likely to be available.

Income tax consequences related to the items posted directly to equity are also recorded directly under equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

Value-Added Tax

Revenue, expenses and assets are recognized net of VAT, except:

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable; and

- receivables and payables are stated including VAT.

VAT which will be reimbursed by the tax authorities or must be transferred to them is recorded under receivables or liabilities in the balance sheet accordingly.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. In addition the following conditions must be satisfied in order for revenue to be recognized:

- *Sale of Merchandise and Goods and Rendering of Services*: Revenue is reported net of VAT and after deduction of any rebate or discount granted. Sales are recognized as revenue on the date of delivery to the customer. Revenue from the rendering of services is recognized using the percentage of completion method. The percentage of completion is determined on the basis of the costs incurred until the balance sheet date as a percentage of the total costs estimated for the project in question.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is only recognized to the extent that the expenses already recognized are recoverable.

- *Royalties*: Revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- *Interest Income*: Revenue is recognized as the interest accrues (using the effective interest method, i.e. the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset). Interest paid or received is disclosed as interest income and interest expenses.

- *Dividends*: Revenue is recognized when the Group's right to receive the payment is established.

Key Judgments and Estimates

According to the opinion of the management board, the following judgments had the most significant effect on the amounts recognized in the consolidated financial statements:

- Research costs may not be recognized as assets. Development costs may only be recognized as an asset if all of the conditions for recognition pursuant to IAS 38.57 are satisfied, if the research phase can be clearly distinguished from the development phase and material expenditure can be allocated to the individual project phases without overlap. On account of numerous interdependencies within development projects and uncertainty about whether some products will reach marketability, some of the conditions for recognition pursuant to IAS 38 are currently not satisfied. Development costs are consequently not capitalized.

- Floating rate investments are classified and measured at fair value through profit or loss. Further explanations are contained in note F 7.

Decisions based on estimates mainly relate to provisions for which the best estimate of the amount expected to be required to settle the obligation is recognized, to bad debt allowances and to deferred tax assets recognized on unused tax losses. Further explanations are contained in notes F 5, F 12 and F 3.

Share-Based Payments

Certain employees (including the management board) of the Group are paid share-based compensation under the stock option plan 2002/06. The employees receive equity instruments as compensation for their services ("*equity-settled share-based payments*").

In accordance with IFRS 2 "*Share-based payment*", the total value of the stock options granted to management board members and executives is determined as of the date of issue by applying an option pricing model. The calculated total value of the stock options as of the date of issue is distributed as personnel expenses over the period in which the entity receives the counter-performance from the employees in the form of their services (also referred to as vesting period). This period usually corresponds to the lock-up period agreed. The counter-entry is posted directly to equity.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

E. Income Statement

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

1. Revenue

The breakdown of revenue by business unit and region is presented in the segment reporting in note H. The revenue presented results from ordinary operations.

Revenue is essentially composed of the following income items: Fig. 3

2. Other Operating Income

Fig. 3 REVENUES IN EUR k

	2006	2005
Revenues from services	46,786	42,547
Revenues from goods	20,007	24,409
Royalties	15,565	7,345
Total	82,358	74,301

Fig. 4 OPERATING INCOME IN EUR k

	2006	2005
Income from subleases	190	246
Income from insurance indemnification	92	95
Foreign exchange rate gains	81	93
Income from distribution agreements	0	100
Other income	258	189
Total	621	723

Fig. 5 PERSONNEL EXPENSES IN EUR k

	2006	2005
Wages and salaries	29,513	26,441
Social security, pension and other benefit costs	5,022	4,479
Other personnel expenses	90	114
Total	34,625	31,034

Other operating income comprises the following: Fig. 4

3. Cost of Materials

This item contains the cost of purchased merchandise of EUR 20,051 k (prior year: EUR 18,906 k) and the cost of purchased services of EUR 4,313 k (prior year: EUR 3,820 k).

4. Personnel Expenses

The disclosure essentially relates to salaries, voluntary social benefits, allocations to the provision for vacation, profit participations and management bonuses as well as social expenses and pension costs. Fig. 5

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 82 k (prior year: EUR 67 k) for contributions to the pension scheme of a large German insurance company.

An annual average of 554 (prior year: 501) persons were employed by the Group, 31 thereof were trainees (prior year: 19).

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

Amortization and depreciation is broken down in the statement of changes in non-current assets presented in notes F 1 and F 2.

Fig. 6 OTHER OPERATING EXPENSES IN EUR k

	2006	2005
Motor vehicle costs	1,454	1,399
Travel expenses	2,516	1,975
Advertising costs	1,325	1,301
Telecommunication and office supplies	850	716
Rent and rent incidentals	846	462
Rent and lease expenses	3,134	2,864
Exchange rate losses	167	21
Other	2,928	2,139
Total	13,220	10,877

Fig. 7 OTHER INTEREST AND SIMILAR INCOME IN EUR k

	2006	2005
Interest income from bank balances	185	132
Interest accrued from derivative financial instruments	23	94
Total	208	226

6. Other Operating Expenses

Other Operating Expenses break down as follows: Fig. 6

7. Other Interest and Similar Income

Interest income breaks down as follows: Fig. 7

8. Interest and Similar Expenses

Finance charges break down as follows: Fig. 8

9. Result from Financial Instruments at Fair Value through Profit or Loss see Fig. 9

The Group entered into a short-term securities lending transaction with German banks in 2006. The lending transaction involves the transfer of shares from foreign issuers by the bank to CENIT AG for a period of up to two months. Over the term to maturity, CENIT AG receives dividend income from the securities and has expenses from compensation payments to the contracting party. Dividend income from English shares, usually paid twice a year, is not subject to tax at source or German tax on investment income in Germany pursuant to Sec. 43 EStG ["*Einkommensteuergesetz*": German Income Tax Act]. In accordance with Sec. 8b (1) and (5) KStG ["*Körperschaftsteuergesetz*": German Corporate Income Tax Act] the dividend is 95% exempt from corporate income tax. The compensation payment to the bank, however, is deductible in full for tax purposes. The shares are transferred back to the contracting party upon ma-

Fig. 8 INTEREST AND SIMILAR EXPENSES IN EUR k

	2006	2005
Utilization of credit lines and guarantees	67	27
Total	67	27

Fig. 9 RESULT FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

in EUR k	2006	2005
Dividends from securities lending	5,012	373
Profits from shares	139	1,376
Reversal of impairment losses on investments	108	64
Income from floating rate investments	0	4
Total income	5,259	1,817
Loss from share certificates	0	1,622
Expense from negative market values of derivative financial instruments	57	296
Compensation payments for securities lending	5,012	373
Impairment of securities	0	23
Lending fee for shares	484	32
Total expense	5,553	2,346
Total result	-294	-529

turity. CENIT AG does not bear a price risk from this transaction as the condition for transfer upon maturity only involves shares of the same nature and quality and is not dependent on the price of the share in question. The dividend income of EUR 5,012 k resulting from the transactions is offset by expenses from compensation payments of the same amount and lending rates of EUR 484 k. The securities lending transaction had a positive tax effect of EUR 1,256 k.

10. Income Taxes

Expenses from income taxes break

Fig. 10 INCOME TAXES IN EUR k

	2006	2005
Current tax expense	2,110	2,541
Income from corporate tax moratorium	-699	0
Change in deferred taxes	221	-210
Total	1,632	2,331

Fig. 11 EXPECTED TAX BURDEN IN %

	2006	2005
Trade tax at a levy rate of 437.834% (prior year: 439.685%)	17.96	18.02
Corporate income tax (25.0% of earnings after trade tax; prior year: 25.0%)	20.51	20.49
Solidarity surcharge (5.5% of corporate income tax)	1.13	1.13
Tax rate burden	39.60	39.64

Fig. 12 IMPUTED TAX EXPENSE IN EUR k

	2006	2005
Earnings before tax	10,034	9,079
Theoretical tax expense based on a tax rate of 39.60% (prior year: 39.64%)	3,974	3,599
Non-deductible expenses	158	32
Zero-rated income	-1,354	-666
Tax credits/creditable tax	-771	-18
Effects of different tax rates within the Group and tax rate changes	-368	35
Taxes relating to other periods (reversal of income tax liabilities)	-7	-449
Other	0	-202
Income tax expenses according to the consolidated income statement	1,632	2,331

down as follows: Fig. 10

Previously unrecognized losses of EUR 803 k were utilized.

Apart from the income from the corporate tax moratorium, the current tax expense includes income relating to other periods of EUR 7 k (prior year: income relating to other periods of EUR 449 k).

We refer to note F 3 with respect to the change in deferred taxes. The expected tax burden on the tax result is 39.60% as of the balance sheet date (prior year: 39.64%) and is calculated as follows: Fig. 11

The difference between the current tax expense and the imputed tax expense that would result from a tax rate of 39.60% (prior year: 39.64%) for CENIT AG breaks down as follows: Fig. 12

11. Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

When calculating diluted earnings per share, the net profit for the year attributable to the ordinary equity holders of the parent is divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued after converting all rights to ordinary shares with dilutive effect into ordinary shares.

The following reflects the income and share data used in the total operations basic and diluted

Fig. 13 BASIC AND DILUTED EARNINGS PER SHARE IN EUR k

	2006	2005
Net profit attributable to equity holders of the parent	8,372	6,742
Weighted average number of ordinary shares for calculation of basic earnings per share	8,368	8,368

Fig. 14 DIVIDENDS PAID AND PROPOSED IN EUR k

Equity dividends on ordinary shares:	2006	2005
Final dividend for 2005: 45 cents (2004: 15 cents) 1)	3,765	1,255

1) Adjusted to the share capital following the capital increase from company funds.

Fig. 15 PROPOSED DIVIDENDS IN EUR k

Equity dividends on ordinary shares:	2006	2005
Final dividend for 2006: 50 cents (2005: 30 cents) 1)	4,184	2,510
Special dividend for 2006: 0 cents (2005: 15 cents) 1)	0	1,255

1) Adjusted to the share capital following the capital increase from company funds.

earnings per share computations: Fig. 13

The calculation of earnings per share for the fiscal year was adjusted following the capital increase from company funds performed in 2006.

Since the agreed performance targets had not been met, there was no dilutive effect.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements. Under IAS 33.49, basic and diluted earnings per share total EUR 1.00 (prior year: EUR 0.81).

12. Dividends Paid and Proposed

Declared and paid during the fiscal year:
see Fig. 14

Proposed for approval at AGM (not recognized as a liability as of December 31: Fig. 15

F. Balance Sheet

1. Intangible Assets

Intangible assets developed as follows in 2006:
see Fig. 16

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

2. Property, Plant and Equipment

Property, plant and equipment developed as follows in 2006: Fig. 17

3. Deferred Taxes

The recognition and measurement differences determined between the earnings in the tax balance sheets and the local commercial financial statements as well as the adjustments of the local financial statements of the consolidated entities to IFRS led to deferred tax liabilities of the following amounts: Fig. 18

Except for some immaterial currency translation effects, the changes in deferred tax assets and liabilities were posted to profit or loss in the reporting year and in the prior years.

There were no deferred tax assets in the year under review, since the existing unused tax losses were utilized in full in 2006.

No deferred income tax liabilities were recorded on non-transferred profits of subsidiaries as of December 31, 2006 because management has decided that the profits of subsidiaries not distributed in the past will not be distributed in the foreseeable future. The temporary differences associated with shares in subsidiaries for which no deferred tax liabilities were recognized amount to EUR 15 k (prior year: EUR 9 k).

The payment of dividends by CENIT AG to the shareholders did not have any income tax implications.

4. Inventories

Write-downs to net realizable value of EUR 102 k were made in the fiscal year 2006 (prior year: EUR 38 k). Fig. 19

5. Trade Receivables

All trade receivables were due within one year. Specific bad debt allowances recorded on receivables came to EUR 42 k in the year under review (prior year: EUR 0 k).

6. Other Receivables

Other receivables break down as follows: Fig. 20

7. Other Financial Assets at Fair Value through Profit or Loss

Other financial assets break down as follows: Fig. 21

Fig. 16 INTANGIBLE ASSETS IN EUR k

Software and licenses in such rights and assets	EUR k
As of January 1, 2006	1,084
Currency translation differences	-1
Additions	231
Disposals	-1
As of December 31, 2006	1,313
Accumulated amortization as of January 1, 2006	962
Currency translation differences	-2
Additions	106
Disposals	-1
As of December 31, 2006	1,065
Residual carrying amounts	248
	EUR k
As of January 1, 2005	1,007
Currency translation differences	-1
Additions	78
Disposals	0
As of December 31, 2005	1,084
Accumulated amortization as of January 1, 2005	883
Currency translation differences	1
Additions	78
Disposals	0
As of December 31, 2005	962
Residual carrying amounts	122

Fig. 17 PROPERTY, PLANT AND EQUIPMENT DEVELOPED AS FOLLOWS IN EUR k

	Buildings on third-party land	Technical equipment, machines	Other equipment, furniture and fixtures	Total
	EUR k	EUR k	EUR k	EUR k
Costs as of January 1, 2006	710	6,880	751	8,341
Reclassification	0	63	-63	0
Post reclassification	710	6,943	688	8,341
Currency translation differences	-2	-19	-6	-27
Additions	13	584	243	840
Disposals	0	322	215	537
As of December 31, 2006	721	7,186	710	8,617
Accumulated depreciation as of January 1, 2006	350	6,062	530	6,942
Reclassification	0	19	-19	0
Post reclassification	350	6,081	511	6,942
Currency translation differences	0	-11	-2	-13
Additions	69	526	254	849
Disposals	0	312	215	527
As of December 31, 2006	419	6,284	548	7,251
Residual carrying amounts	302	902	162	1,366
	EUR k	EUR k	EUR k	EUR k
Costs as of January 1, 2005	697	6,419	673	7,789
Currency translation differences	-1	-1	7	5
Additions	14	662	246	922
Disposals	0	200	175	375
As of December 31, 2005	710	6,880	751	8,341
Accumulated depreciation as of January 1, 2005	276	5,810	481	6,567
Currency translation differences	-1	-1	1	-1
Additions	75	449	223	747
Disposals	0	196	175	371
As of December 31, 2005	350	6,062	530	6,942
Residual carrying amounts	360	818	221	1,399

CENIT has invested EUR 1,000 k in floating rate bearer debenture bonds issued by a bank with an excellent credit rating. The interest rate is the 3-month EURIBOR +0.3%. A further EUR 8,052 k was invested in an investment fund (money market fund: OptiCash) and EUR 1,990 k in floating rate securities. All financial instruments were classified as 'at fair value through profit or loss'. Gains or losses were recognized in profit or loss.

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

8. Current Income Tax Receivables

Non-current income tax receivables relate to the capitalized corporate income tax credits.

The current tax reimbursement claims essentially comprise claims from advance payments for corporate income tax and income tax claims from double taxation treaties.

They developed as follows: Fig. 22

9. Cash and Short-Term Deposits

Cash breaks down as follows: Fig. 23

Fig. 18 DEFERRED TAXES IN EUR k

	Deferred tax assets EUR k		Deferred tax liabilities EUR k	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Unused tax losses	0	87	0	0
Depreciation and amortization of non-current assets	0	0	41	0
General bad debt allowances	0	0	53	50
Measurement of receivables denominated in foreign currency	0	0	19	0
Receivables from service contracts	0	0	294	231
Other provisions	101	76	65	10
Derivatives	140	118	0	0
Total	241	281	472	291
Offsetting	-241	-194	-241	-194
Total	0	87	231	97

Fig. 19 INVENTORIES IN EUR k

	Dec. 31, 2006	Dec. 31, 2005
Merchandise	92	854
Services not yet invoiced	576	203
Total	668	1,057

Fig. 20 OTHER RECEIVABLES IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Social security reimbursement claims, Switzerland	0	96
Receivables from staff	5	0
Interest cut-off	29	54
Other	42	14
Total	76	164

Fig. 21 OTHER FINANCIAL ASSETS IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
BW Bank securities	1,000	1,000
Shares in investment funds	8,052	10,041
Bearer bonds	1,990	1,980
Total	11,042	13,021

Fig. 22 CURRENT INCOME TAX ASSETS IN EUR k

	EUR k
January 1, 2006 – tax reimbursement claims –	18
Received	-18
Capitalized	1,062
As of December 31, 2006	1,062

Fig. 23 CASH AND SHORT-TERM DEPOSITS IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Bank balances	7,608	7,780
Cash	7	6
Total	7,615	7,786

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

10. Prepaid Expenses

These mainly include prepaid expenses for licenses and motor vehicle insurance.

11. Equity

Share Capital

By resolution passed at the annual general meeting on June 13, 2006, the share capital of the Company totaling EUR 4,183,879.00 was increased from company funds by EUR 4,183,879.00 to EUR 8,367,758.00 in accordance with the provisions of AktG ["*Aktiengesetz*": German Stock Corporations Act] (Secs. 207 et seq. AktG). To increase the share capital of the Company, a partial amount of EUR 4,183,879.00 was transferred from the other revenue reserves of EUR 4,954,834.48 reported in the balance sheet as of December 31, 2005 prepared for HGB purposes. The capital increase was performed by issuing 4,183,879 new no-par value shares at EUR 1.00 each. The new shares are available to the shareholders at a ratio of 1:1 based on their existing shareholding and entitle the holder to profit participation as of January 1, 2006. This resolution was based on the ratified balance sheet as of December 31, 2005, on which Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart, rendered an unqualified opinion on March 7, 2006.

Since the entry in the commercial register on August 14, 2006, the share capital of the Company amounts to EUR 8,367,758.00 and is fully paid in. It is split into 8,367,758 no-par value shares of EUR 1.00 each (prior year: 4,183,879 no-par value shares of EUR 1.00). The shares are bearer shares and are common stock only.

Art. 5 of the articles of incorporation and bylaws was amended to reflect the capital increase.

Authorized Capital

The management board is authorized, with the consent of the supervisory board, to increase the share capital of the Company once or in several installments by a total amount of up to EUR 2,091,939.00 (authorized capital) up until June 16, 2009, by issuing up to 2,091,939 new no-par value bearer shares in return for contributions in cash or in kind. This authorization was revoked by a resolution passed at the annual general meeting on June 13, 2006.

By another resolution passed at the annual general meeting on June 13, 2006, the management board was authorized, with the consent of the supervisory board, to increase the share capital of the Company once or in several installments by a total amount of up to EUR 4,183,879.00 (authorized capital) up until June 13, 2011, by issuing up to 4,183,879 new no-par value bearer shares in return for contributions in cash or in kind.

The shareholders must be granted subscription rights. The new shares may also be offered to one or several banks as well as one or more enterprises operating pursuant to Sec. 53 (1) Sentence 1 or Sec. 53b (1) Sentence 1 or (7) KWG ["Gesetzes über das Kreditwesen": German Banking Act] with the obligation of offering them for sale to the shareholders (indirect subscription right).

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

- for a part amount totaling up to EUR 1,945,600.00 for capital increases in return for contributions in kind for the purpose of acquiring companies or equity investments in companies; companies or equity investments in companies may only be acquired if the business purpose of the target company essentially lies within the scope of the Company's business purpose pursuant to Art. 2 (1) of the articles of incorporation and bylaws.

- for a part amount totaling up to EUR 836,775.00 for capital increases in return for contributions in cash to issue the new shares at an issue price not significantly lower than the stock market price (Sec. 186 (3) Sentence 4 AktG).

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

After an increase in share capital utilizing the authorized capital in full or in part and, if the authorized capital has not been used or not used in full by the end of June 13, 2011, the supervisory board is authorized to adjust Art. 5 of the articles of incorporation and bylaws accordingly after expiry of the period of authorization.

Conditional Capital

The conditional capital comprises the following as of the balance sheet date: Fig. 24

Stock Option Plan 2002/2006

By a resolution passed at the annual general meeting on June 13, 2006, conditional capital increased pursuant to Art. 218 AktG in proportion to the increase in share capital from company funds, i.e. from EUR 260,000.00 to EUR 520,000.00. In light of the split in share capital by issuing new shares 1:1, the number of issuable shares increased from 260,000 shares of EUR 1.00 each to 520,000 shares of EUR 1.00 each. The share capital has been conditionally increased by a maximum of EUR 520,000.00 (conditional capital II) by the issue of up to 520,000 individual bearer shares (common stock).

The conditional capital increase is for the sole purpose of granting shares to bearers of subscription rights which the management board was authorized to issue on the basis of the resolution by the annual general meeting on June 19, 2002 as passed in the shareholders' resolution of June 13, 2006 ("stock option plan 2002"). The conditional capital increase is only to be carried out to the extent that the bearers of the subscription rights exercise their rights, which were granted on the basis of authorization by the annual general meeting on June 19, 2002 as passed in the shareholders' resolution of June 13, 2006. In each case, the new shares will participate in profits from the beginning of the fiscal year in which they are created by exercising subscription rights. Management is authorized to decide on further details of the conditional capital increase and its implementation

Fig. 24 CONDITIONAL CAPITAL

	Units		EUR	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Stock option plan 2002/2006	520,000	260,000	520,000	260,000

with approval by the supervisory board.

Terms and Conditions of the Stock Option Plan 2002 in the Version Passed in the Shareholders' Resolution on June 13, 2006

The subscription rights may only be offered to certain 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 subscription rights 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 subscription rights may only be exercised in full after expiry of a period of two years from the date of issue and be "converted" into shares in return for payment of a subscription price once one of the performance targets has been reached.

Subscription rights may only be exercised if one of the following criteria is fulfilled:

After expiry of the vesting period, the subscription rights may be exercised and shares purchased through exercise of the subscription rights be sold only on the fourth bank working day and the 14 following bank working days following publication of a quarterly report, interim report or financial statements of the Company:

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

- Adjusted for any dividend payments, subscription rights, and other special rights having occurred in the meantime, the development of the CENIT share between issue of the options and exercise of the options was at least 15% higher than the development of the 'Technology All Share Index' 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) Technology All Share Index on the date of the decision taken by the management or the supervisory board to issue subscription rights shall be the decisive factor for determining the value of the CENIT share on the date the options are issued.

The subscription rights 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 subscription rights have a term to maturity of six years. If subscription rights cannot be exercised before the end of their term, they automatically expire at the end of their term, without further notice such as a corresponding contract of declaration of expiry from the Company.

If capital is increased from company funds (bonus shares) or if the share capital of the Company is split (stock split) or if the capital is reduced, the number of subscription rights granted to the eligible persons, the exercise price and the performance target are adjusted in proportion to the increase of decrease in the number of no-par value shares. The new exercise price is determined immediately after the measure becomes effective and notified to the eligible persons.

In the event of procedures pursuant to Secs. 327a et seq. AktG for subscription rights not exercised under this stock option plan, the provisions of Secs. 327a et seq. AktG apply to the subscription rights subject to the following condition:

The subscription rights are transferred to the majority shareholder upon filing of the transfer resolution with the commercial register. The (previous) eligible persons have a right to compensation in cash. This right is independent of whether the subscription rights were exercisable or not. The value of the right to compensation is measured based on the amount of the shareholders' right to compensation in cash pursuant to Secs. 327b, 327f AktG less the subscription or exercise price.

The following table illustrates the number and weighted average exercise price (WAEP) of the stock options granted. See: Fig. 25

The weighted average remaining term of the contract for the outstanding stock options as of December 31, 2006 comes to five years (2005: six years).

Unchanged from the prior year, the weighted average fair value of the options granted amounted to EUR 640 k and is distributed over the vesting period of two years as an increase in the capital reserve. In fiscal 2006, EUR 320 k (prior year: EUR 125 k) was recognized in the income statement as personnel expenses and in the capital reserve.

The fair value of the equity-settled stock options granted is estimated as of the date of granting using the Black-Scholes option pricing model and taking account of the terms under which the options were granted. The calculation was based on the following parameters: Fig. 26

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options grant were incorporated into the measurement of fair value.

In fiscal 2006, the number of subscription rights granted, the exercise price and the performance target were determined as prescribed by Art. 4 (2) of the stock option agreement, i.e. adjusted in proportion to the increase in share capital through company funds as follows:

The subscription rights increased from 103,500 to 207,000. The weighted average exercise price

Fig. 25 NUMBER AND WEIGHTED AVERAGE EXERCISE PRICE (WAEP) OF STOCK OPTIONS

	2006		2005	
	Units	WAEP	Units	WAEP
Management board	24,000	11,10	12,000	22,20
Employees	183,000	11,10	91,500	22,20
Total	207,000	11,10	103,500	22,20

Fig. 26 BLACK-SCHOLES OPTION PRICING MODEL

Dividend yield (%)	1.35
Expected volatility of the share (%) (=historical volatility (%))	38.16
Risk-free interest rate (%)	2.77
Expected life of option (years)	4
Weighted average share price (EUR) (before capital increase)	22.20

decreased from EUR 22.20 to EUR 11.10.

Notes on the Components of Equity

The capital reserve contains the share premium realized from issuing shares of the parent company in excess of their nominal value. If, pursuant to Sec. 272 (2) No 1 to 3 HGB, the legal reserve and the capital reserve together do not exceed a tenth of the capital stock or any higher amount stipulated in the articles of incorporation and bylaws, they may only be used in accordance with Sec. 150 AktG to offset a net loss for the year that is not covered by a profit brought forward from the prior year, or to offset a loss brought forward from the prior year that is not covered by net income for the year and cannot be offset by releasing other revenue reserves. The capital reserve was increased in the fiscal year 2006 by EUR 320 k by pro rata posting of the stock options granted under the stock option plan 2002/06.

Other revenue reserves and the legal reserve pursuant to Sec. 150 AktG contain the profits transferred to reserves.

The currency translation reserve contains the net differences resulting from translation of the subsidiaries' financial statements that are offset against equity.

The adjustment item for minority interests includes equity attributable to minority interests at Cenit (Schweiz) AG. Due to the obligation value of the put option of the minority shareholder as of December 31, 2006, the Company does not disclose any minority interests. Instead, it recognizes these under other liabilities. The difference between liabilities and the pro rata equity attributable to the minority shareholder is recognized directly in equity.

12. Current Income Tax Liabilities and Other Provisions See: Fig. 27

The current income tax liabilities developed as follows: Fig. 28

The other provisions cover all identifiable obligations to third parties in accordance with IAS 37. They developed as follows: Fig. 29

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

13. Liabilities to Banks

Liabilities to banks break down as follows: Fig. 30

The current bank liabilities all relate to short-term credits by IBM Deutschland Kreditbank GmbH for goods delivered from IBM GmbH.

14. Trade Payables

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

Fig. 27 CURRENT INCOME TAX LIABILITIES AND OTHER PROVISIONS IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Current income tax liabilities	834	2,256
Other provisions	137	122
Total	971	2,378

Fig. 28 CURRENT INCOME TAX LIABILITIES IN EUR k

	EUR k
As of January 1, 2006	2.256
Utilization	-1,904
Allocations	482
As of December 31, 2006	834

Fig. 29 OTHER INCOME TAX LIABILITIES IN EUR k

	Annual general meeting EUR k	Other EUR k	Total EUR k
As of January 1, 2006	108	14	122
Utilization	-108	-14	-122
Allocations	100	37	137
As of December 31, 2006	100	37	137

15. Other Liabilities

Other liabilities comprise: Fig. 31

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.

Accruals developed as follows: Fig. 32

16. Deferred Income

There was no deferred income as of the balance sheet date.

17. Financial Instruments

There are no significant differences between the carrying amount and fair value of receivables and liabilities 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. The group-wide risk policy also provides for the use of derivative financial instruments. The corresponding financial transactions are only concluded with counterparties with excellent credit ratings.

Credit risk

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

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

No credit rating is carried out for contracts won by our contractual partners, since this is 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. There are no identifiable concentrations of credit risk from business relationships with single debtors or groups of debtors.

Currency Risk

The foreign exchange exposure mainly arises where receivables or liabilities exist or will be generated 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.

In addition, there are currency risks from cash denominated in USD. Risks from fluctuation in the USD exchange rate were countered by using derivative financial instruments. Hedging relationships were not created in this respect. No hedging transactions were entered into in 2006.

The nominal and market values of derivative financial instruments are as follows as of the balance sheet date: Fig. 33

Interest Rate Risk

CENIT entered into an interest swap agreement with a bank of excellent credit rating as of May 3, 2005 for a reference amount of EUR 2,000 k. Under the agreement, CENIT pays the respective current 3-months' EURIBOR interest rate and receives 4% in the first six months of the term and thereafter 4% weighted with the bank working days on which the ten-year swap mid rate is at least 0.95% p.a. above the two-year swap mid rate. The contractual relationship ends in May 2010 at the latest. No hedging relationship has been created on an underlying transaction. With this agreement, CENIT is seeking a higher return than it would currently receive from fixed-interest investments. The market value of the agreement as

Fig. 30 LIABILITIES TO BANKS IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Current bank liabilities - Due within one year	1,249	1,321

Fig. 31 OTHER LIABILITIES IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
VAT payables	1,565	1,294
Social security liabilities	0	684
Accruals	4,645	4,720
Other	2,458	1,342
Total	8,668	8,040

Fig. 32 ACCRUALS DEVELOPED IN EUR k

	Employer's liability insurance, Levy in lieu of employing, severely disabled persons EUR k	Vacation and bonuses EUR k	Other TEUR	Total TEUR
As of January 1, 2006	198	3,254	1,268	4,720
Utilization	177	2,852	1,268	4,297
Reversal	21	402	0	423
Allocations	190	3,285	1,170	4,645
As of December 31, 2006	190	3,285	1,170	4,645

of December 31, 2006 was EUR –245 k and is recorded in the balance sheet under other liabilities. Gains and losses from the fluctuation in market value are recognized in profit or loss.

CENIT entered into an interest swap agreement with a bank of excellent credit rating as of February 3, 2005 for a reference amount of EUR 2,000 k. Under the agreement, CENIT pays the respective current 6-months' EURIBOR interest rate and receives a fixed amount of 4% in the first six months of the term and thereafter the ten-year swap rate less 1.03%. The contractual relationship ends in February 2015 at the latest. No hedging relationship has been created on an underlying transaction. With this agreement, CENIT is seeking a higher return than it would currently receive from fixed-interest investments. The market value of the agreement as of December 31, 2006 was EUR –108 k and is recorded in the balance sheet under other liabilities. Gains and losses from the fluctuation in market value are recognized in profit or loss.

The fair values were measured using a Monte Carlo simulation based on the Heath-Jarrow-Morton model for determining the structure of the yield curve.

Liquidity Risk

Unused credit lines of EUR 2,385 k at the disposition of the Group ensure that it has sufficient funds.

G. Cash Flow Statement

The cash flow statement shows how cash and cash equivalents have increased in the course of the reporting year as a result of cash received and

Fig. 33 NOMINAL AND MARKET VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

		Nominal value		Market value	
		Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Currency options	EUR k	0	615	0	13
	USD k	0	750	0	0

Fig. 34 CASH FLOW STATEMENT IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Other financial assets		
Shares in investment funds	8,052	10,041
Cash		
Bank balances	7,608	7,780
Cash on hand	7	6
Cash and cash equivalents	15,667	17,827

paid. In accordance with IAS 7, a distinction is made between cash flows from operating, investing, and financing activities.

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

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

Dividend income and the compensation payment from securities lending transactions did not affect cash and was therefore not stated separately in accordance with IAS 7.31.

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

Only assets that can be converted into cash without significant deductions and that are subject to minor fluctuations in value are included in cash and cash equivalents.

Cash and cash equivalents comprise the following: Fig. 34

H. Segment Reporting

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

The presentation is based on internal reporting.

The Product Lifecycle Management (PLM; referred to as "e-engineering" in the prior year) 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 Enterprise Content Management (ECM; referred to as "e-business" in the prior year) segment focuses on the customer segment of trade and commerce, banks, insurance firms, utilities and logistics companies. Its range of services covers solutions for imaging, workflow, document and content management with FileNet, Groupware solutions based on Lotus Notes/Domino, effective systems management with TIVOLI and IT outsourcing for IT infrastructures and applications.

In the segmentation by business unit and by region, those financial assets and tax reimbursement rights and liabilities due to banks as well as current and deferred income tax liabilities and other liabilities are disclosed in the "not allocated" column for segment assets and segment liabilities respectively that could not be attributed to the respective business units.

The non-allocated segment assets break down as follows: Fig. 35

The non-allocated segment liabilities break down as follows: Fig. 36

There were no material non-cash expenses in the reporting year or in the prior year except for depreciation and amortization, recording of the stock option plan and allocations to provisions.

I. Other Notes

1. Contingent Liabilities and Other Financial Obligations

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

The Company has other financial obligations in connection with rental and lease agreements. The resulting financial obligations have been taken into account in the table below: Fig. 37

Leases

Other financial obligations principally consist of tenancy obligations of EUR 7,588 k (prior year: EUR 9,500 k) entered into for the office building rented in Germany. The agreements include options to extend the terms and price adjustment provisions as customary in the industry.

Income from sub-letting agreements is expected in future periods as follows: Fig. 38

Fig. 35 NON-ALLOCATED SEGMENT ASSETS IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Deferred tax assets	0	87
Non-current income tax receivables	699	0
Current income tax assets	1,062	18
Other financial assets	11,042	13,021
Cash	7,615	7,786
Total	20,418	20,912

Fig. 36 NON-ALLOCATED SEGMENT LIABILITIES IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Deferred tax liabilities	231	97
Current liabilities due to banks	1,249	1,321
Other liabilities (put option minorities, Switzerland)	121	0
Current income tax liabilities	834	2,256
Total	2,435	3,674

Fig. 37 FINANCIAL OBLIGATIONS IN EUR k

	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Rent and lease obligations		
Due within one year	2,227	2,760
Due in one to five years	6,359	8,131
Due in more than five years	0	0
Total	8,586	10,891

Fig. 38 INCOME FROM SUB-LETTING AGREEMENTS IN EUR k

	2006 EUR k	2005 EUR k
Income from sub-letting agreements		
Within one year	190	190
One to five years	760	712
More than five years	0	0
Total	950	902

Fig. 39 REMUNERATION OF THE MANAGEMENT BOARD MEMBERS IN EUR k

	2006 EUR k	2005 EUR k
Hubertus Manthey		
Fixed remuneration	204	195
Performance-based remuneration	145	143
Andreas Schmidt		
Fixed remuneration	219	215
Performance-based remuneration	187	164
Christian Pusch		
Fixed remuneration	212	190
Performance-based remuneration	145	144
Long-term incentives	37	14
Total	1,149	1,065

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Segment Reporting by Country (in accordance with IFRS) for the period from January 1 to December 31, 2006

in EUR k		Germany	Switzer-land	North America	Romania	Not allocated	Consolida-tion	Group
Internal sales	Q1 - Q4 2006	1,655	1,349	411	0	0	-3,415	0
	Q1 - Q4 2005	760	530	3	0	0	-1,293	0
External sales	Q1 - Q4 2006	76,498	1,466	4,364	30	0	0	82,358
	Q1 - Q4 2005	71,924	716	1,661	0	0	0	74,301
Segment assets	Q1 - Q4 2006	17,637	1,080	1,291	0	20,418	-1,216	39,210
	Q1 - Q4 2005	12,629	247	405	0	20,912	-284	33,909
Investments in property, plant & equipment and intangible assets	Q1 - Q4 2006	981	2	75	0	0	0	1,058
	Q1 - Q4 2005	957	0	43	0	0	0	1,000

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Segment Reporting by Business Segment (in accordance with IFRS) for the period from January 1 to December 31, 2006

in EUR k		ECM	PLM	Not allocated	Group
External sales	Q1 - Q4 2006	28,475	53,883	0	82,358
	Q1 - Q4 2005	25,406	48,895	0	74,301
EBIT	Q1 - Q4 2006	3,288	6,899	0	10,187
	Q1 - Q4 2005	3,016	6,393	0	9,409
Interest and financial result	Q1 - Q4 2006	0	0	-153	-153
	Q1 - Q4 2005	0	0	-330	-330
Income taxes	Q1 - Q4 2006	0	0	1,632	1,632
	Q1 - Q4 2005	0	0	2,331	2,331
Net income of the Group for the year	Q1 - Q4 2006	3,288	6,899	-1,785	8,402
	Q1 - Q4 2005	3,016	6,393	-2,661	6,748
Segment assets	Dec. 31, 2006	5,434	13,358	20,418	39,210
	Dec. 31, 2005	3,760	9,237	20,912	33,909
Segment liabilities	Dec. 31, 2006	4,966	7,505	2,435	14,906
	Dec. 31, 2005	3,214	7,452	3,674	14,340
Investments in property, plant & equipment and intangible assets	Dec. 31, 2006	298	760	0	1,058
	Dec. 31, 2005	201	799	0	1,000
Amortization and depreciation	Q1 - Q4 2006	209	747	0	956
	Q1 - Q4 2005	172	653	0	825

ECM = Enterprise Content Management; PLM = Project Lifecycle Management

2. Related Parties

Related parties of the Cenit Group within the meaning of IAS 24 only concern the members of the management board and supervisory board as well as their dependants.

Transactions with related parties were conducted by CENIT AG Systemhaus with one member of the supervisory board. This gave rise to consulting expenses of EUR 15 k in the fiscal year 2006 (prior year: EUR 23 k). The business was transacted at arm's length conditions.

As of the balance sheet date, there were liabilities to this supervisory board member of EUR 1 k (prior year: EUR 4 k).

The Company's Supervisory Board Members Are:

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

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

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

The Company's Management Board Members Are:

- Andreas Schmidt (Dipl.-Ing.), Ebersbach (Operations) CEO and spokesperson for the management board

- Hubertus Manthey (Dipl.-Ing.), Pliezhausen, (Personnel, Marketing, Investor Relations until February 28, 2007)

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

By resolution of the supervisory board dated December 17, 2006, Dipl. Ing. Kurt Bengel, Waiblingen, was appointed to the management board effective January 1, 2007. The entry in the commercial register was made on February 5, 2007.

In the reporting period, the remuneration of the management board members was as follows: Fig. 39

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

As of the balance sheet date, the management board held 377,540 shares (prior year: 289,004 shares; adjusted for the capital increase: 578,008), i.e. 3.5% (prior year: 6.9%) of the Company's share capital. The supervisory board members hold 188,580 shares (prior year: 145,800; adjusted for the capital increase: 291,600) in the Company's share capital. Mr. Christian Pusch was granted 24,000 (prior year: 12,000; adjusted for the capital increase: 24,000) stock options under the stock option plan. The related expenses came to EUR 37 k (prior year: EUR 14 k) in the reporting year.

No pension obligations or benefits were promised in the event of termination of service.

In accordance with Art. 14 of the articles of incorporation and bylaws, the remuneration of the supervisory board was as follows in 2006: Fig. 40

The following board members hold more than 1% of the Company's shares as of December 31, 2006: Fig. 41

3. Changes at Shareholder Level

The Company received notification in accordance with Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. from dit Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH in the course of the fiscal year. In its most recent letter dated March 6, 2006, Deutsche Investment-Trust Gesellschaft für Wertpapieranlagen mbH announced the following:

"Dear Mr. Rau,

I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of our voting rights in CENIT AG exceeded the threshold of 5% on March 2, 2006 and now amounts to 6.02% (this corresponds to 251,669 of the voting rights in the mutual fund).

With our very best regards,
Ulrich Lind Dirk Martin"

The Company received notification in accordance with Sec. 21 (1) WpHG from Merrill Lynch Investment Managers in the course of the fiscal year. In the letter dated March 9, 2006, Merrill Lynch Investment Managers announced the following:

Fig. 40 REMUNERATION OF THE SUPERVISORY BOARD IN EUR k

	Fixed remuneration 2006 EUR k	Performance-based remuneration 2006 EUR k	Fixed remuneration 2006 EUR k	Performance-based remuneration 2005 EUR k
Falk Engelmann	30	0	30	0
Hubert Leypoldt	23	0	23	0
Dr. Dirk Lippold	15	0	15	0
Total	68	0	68	0

Fig. 41 THE FOLLOWING BOARD MEMBERS HOLD MORE THAN 1% OF THE COMPANY'S SHARES AS OF DECEMBER 31, 2006:

1. Management Board		
Dipl.-Ing. Hubertus Manthey	85,748	(prior year: 118,108; adjusted for the capital increase: 236,216)
Dipl.-Ing. Andreas Schmidt	291,792	(prior year: 170,896; adjusted for the capital increase: 341,792)
2. Supervisory Board		
Dipl.-Ing. Falk Engelmann	186,980	(prior year: 145,000; adjusted for the capital increase 290,000)

"Dear Sir,

In accordance with Section 21 paragraph 1 WpHG, we hereby notify that our voting interest in CENIT AG Systemhaus, held on behalf of discretionary investment clients, fell below the 5% threshold on 8th March, 2006.

100% of these voting rights are attributable to us in accordance with section 22 para. 1 sent. 1No. 6 WpHG.

Date:	8th March 2006
Type of Shares:	NPV
No. of Shares:	204,937
% of Shares:	4,89%
Shares In Issue:	4,183,879

Yours faithfully,
For MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

Andrea Rowe — Thomas Hone
Associate — Associate"

The Company received a notification in accordance with Sec. 21 (1) WpHG from Baden-Württembergische Kapitalanlagegesellschaft mbH in the course of the fiscal year. In its most recent letter dated April 25, 2006, Baden-Württembergische Kapitalanlagegesellschaft announced the following:

"Ladies and Gentlemen,

In accordance with Sec. 21 (1) WpHG, we hereby notify you of the fact that our voting rights, including those for our separate trust assets, in CENIT AG Systemhaus, Industriestrasse 52-54, D-70565 Stuttgart, Germany, fell below the threshold of 5% on April 25, 2006 and now amount to 4.96%. Of these voting rights, 2.71% are allocable to us pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

Yours sincerely,
Baden-Württembergische
Kapitalanlagegesellschaft mbH"

In a letter dated November 16, 2006, UBS Fund Management (Switzerland) AG announced that its share of voting rights exceeded the threshold of 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

"Ladies and gentlemen

We hereby notify you in accordance with Sec. 21 (1) WpHG that the share of voting rights of our mutual fund in your Company exceeded the threshold of 5% on November 14, 2006 and now amounts to 5.07%. We are sending a letter to the same effect on today's date to the German Federal Financial Supervisory Authority (BaFin) in Frankfurt a.M.

Yours sincerely,
UBS Fund Management (Switzerland) AG
Thomas Zimmerli — Urs Rohner"

In a letter dated December 7, 2006, UBS AG announced that its share of voting rights exceeded the threshold of 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

"Ladies and gentlemen,

We refer to notification dated November 16, 2006 in which UBS Fund Management (Switzerland) AG, a wholly owned subsidiary of UBS AG, Zurich and Ba-

Fig. 42 AUDIT AND CONSULTING FEES OF THE AUDITOR IN EUR k

	2006 EUR k	2005 EUR k
Fee for the audit of the financial statements and consolidated financial statements	90.5	77.5
Fee for other attestation or valuation services	0.0	0.0
Fee for tax advisory services	0.0	0.0
Fee for other services	5.0	0.0
Total	95.5	77.5

sel informed you that it had exceeded a voting rights threshold. We hereby notify you in accordance with Sec. 21 (1) WpHG that our share of the voting rights in CENIT AG Systemhaus (ISIN DE0005407100) exceeded the threshold of 5% on November 14, 2006 and now amounts to 5.07%. Of those, 5.07% are allocable to UBS AG pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. We are sending a letter to the same effect on today's date to the German Federal Financial Supervisory Authority (BaFin) in Frankfurt a.M.

Yours Sincerely,
UBS AG

Tobias Amiet
Authorized Signatory

René Frenn
Authorized Signatory"

5. Audit and Consulting Fees of the Auditor

See Fig. 42

6. Corporate Governance

The management board and supervisory board of the Company have issued the declaration for 2005 and 2006 required by Sec. 161 AktG and made it permanently available to the shareholders.

Stuttgart, March 6, 2007

CENIT Aktiengesellschaft Systemhaus

The Management Board

Andreas Schmidt
(CEO/Spokesman of the management board)

Christian Pusch

Kurt Bengel

Translation of the German audit opinion concerning the audit of the consolidated financial statements and group management report prepared in German

J. AUDIT OPINION

We have audited the consolidated financial statements prepared by CENIT Aktiengesellschaft Systemhaus, Stuttgart, comprising the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which has been combined with the management report of the Company, for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report, which has been combined with the management report of the Company, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 consolidated financial statements and the group management report, which has been combined with the management report of the Company, are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report, which has been combined with the management report of the Company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report, which has been combined with the management report of the Company, is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 6, 2007

Ernst & Young AG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

CENIT Aktiengesellschaft Systemhaus, Stuttgart
Balance Sheet as of December 31, 2006

ASSETS		Dec. 31, 2006	Dec. 31, 2005
	EUR	EUR	EUR k
A. Fixed assets			
I. Intangible assets			
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets		246,895.57	121
II. Property, plant and equipment			
1. Buildings on third-party land	291,208.00		360
2. Technical equipment and machines	815,517.19		814
3. Other equipment, furniture and fixtures	120,638.96		135
		1,227,364.15	
III. Financial assets			
Shares in affiliated companies		310,947.00	28
B. Current Assets			
I. Inventories			
1. Work in process	868,905.39		574
2. Merchandise	58,308.92		892
		927,214.31	
II. Receivables and other assets			
1. Trade receivables	13,737,300.07		8,619
2. Receivables from affiliated companies	334,884.94		195
3. Other assets	1,834,659.88		84
		15,906,844.89	
III. Securities			
Other securities		10,887,482.93	12,974
IV. Cash on hand, bank balances		6,487,577.06	6,985
C. PREPAID EXPENSES			
		170,438.79	88
		36,164,764.70	31,869

Equity and Liabilities	EUR	Dec. 31, 2006 EUR	Dec. 31, 2005 EUR k
A. Equity			
I. Subscribed capital		8,367,758.00	4,184
Contingent capital EUR 520,000.00 (prior year: EUR 260 k)			
II. Capital reserve		862,575.40	543
III. Revenue reserves			
Legal reserve		418,387.90	0
Other revenue reserves		2,870,955.48	4,955
IV. Retained earnings		7,813,374.27	6,314
		20,333,051.05	15,996
B. Accruals			
1. Tax accruals	831,700.30		2,204
2. Other accruals	6,624,372.92		7,271
		7,456,073.22	
C. Liabilities			
1. Liabilities to banks	1,249,133.26		1,321
2. Payments received on account of orders	1,757,432.00		674
3. Trade payables	2,888,955.24		1,985
4. Liabilities to affiliated companies	645,656.09		61
5. Other liabilities	1,834,463.84		2,338
thereof for social security: EUR 0.00 (prior year: EUR 684 k)			
thereof from taxes: EUR 1,565,267.60 (prior year: EUR 1,569 k)			
		8,375,640.43	
D. Deferred Income			
		0.00	19
		36,164,764.70	31,869

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Income Statement for Fiscal Year 2006

			2006	2005
		EUR	EUR	EUR k
1.	Sales		78,247,525.15	72,075
2.	Increase in inventories of unbilled services		294,514.82	27
3.	Other operating income		2,018,891.43	2,108
			80,560,931.40	74,210
4.	Cost of materials			
a.	Cost of raw materials, consumables and supplies and of purchased merchandise	20,740,342.62		18,519
b.	Cost of purchased services	3,573,310.40		3,841
			24,313,653.02	
5.	Personnel expenses			
a.	Salaries	28,579,660.85		26,344
b.	Social security contributions	4,975,881.12		4,411
			33,555,541.97	
6.	Amortization, depreciation and write-downs on intangible assets and property, plant and equipment		926,819.79	793
7.	Other operating expenses		12,711,243.10	11,413
			9,053,673.52	8,889
8.	Income from equity investments including write-ups thereof from affiliated companies: EUR 281,865.58 (prior year: EUR 0 k)		281,865.58	0
9.	Other interest and similar income including write-ups on securities classifies as current assets thereof from affiliated companies: EUR 0.00 (prior year: EUR 0 k)		5,335,936.36	1,975
10.	Write-down of securities classified as current assets		0,00	23
11.	Interest and similar expenses thereof to affiliated companies: EUR 4,743.42 (prior year: EUR 0 k)		5,568,533.25	2,054
12.	Result from ordinary activities		9,102,942.21	8,787
13.	Income taxes	1,272,500.82		2,468
14.	Other taxes	47,628.00		24
			1,320,128.82	
15.	Net income for the year		7,782,813.39	6,295

CENIT Aktiengesellschaft Systemhaus, Stuttgart

Statement of Changes in Fixed Assets for Fiscal Year 2006

	Acquisition and production cost				Accumulated write-down					Net book values	
	Jan. 1, 2006 EUR	Additions EUR	Disposals EUR	Dec. 31, 2006 EUR	Jan. 1, 2006 EUR	Additions EUR	Write-up EUR	Disposals EUR	Dec. 31, 2006 EUR	Dec. 31, 2006 EUR	Dec. 31, 2005 EUR
I. Intangible assets											
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	1,054,689.29	230,593.19	1,495.00	1,283,787.48	933,563.13	104,823.27	0.00	1,494.49	1,036,891.91	246,895.57	121,126.16
II. Property, plant and equipment											
1. Buildings on third-party land	692,933.23	0.00	0.00	692,933.23	332,835.30	68,889.93	0.00	0.00	401,725.23	291,208.00	360,097.93
2. Technical equipment and machines	6,694,634.69	520,246.47	321,731.93	6,893,149.23	5,880,841.71	508,644.99	0.00	311,854.66	6,077,632.04	815,517.19	813,792.98
3. Other equipment, furniture and fixtures	607,124.67	230,365.95	215,411.59	622,079.03	472,389.04	244,461.60	0.00	215,410.57	501,440.07	120,638.96	134,735.63
	7,994,692.59	750,612.42	537,143.52	8,208,161.49	6,686,066.05	821,996.52	0.00	527,265.23	6,980,797.34	1,227,364.15	1,308,626.54
III. Financial assets											
Shares in affiliated companies	4,348,050.60	1,000.00	0.00	4,349,050.60	4,319,969.18	0.00	281,865.58	0.00	4,038,103.60	310,947.00	28,081.42
	13,397,432.48	982,205.61	538,638.52	13,840,999.57	11,939,598.36	926,819.79	281,865.58	528,759.72	12,055,792.85	1,785,206.72	1,457,834.12

CENIT AKTIENGESELLSCHAFT SYSTEMHAUS, STUTTGART

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR 2006

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 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 reduced by amortization on a straight-line basis in accordance with their useful lives. Additions are amortized on a pro rata temporis basis.

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

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

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

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

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

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

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

Securities are valued at the lower of cost or market as of the balance sheet date.

The portfolio of **derivative financial instruments** as of December 31, 2006 and their valuation is as follows: Fig. 43

Accruals account for all foreseeable risks and contingent liabilities and are recorded at the amounts required according to prudent business judgment. The accrual for general warranties was recorded in the reporting year at 0.5% (prior year: 0.5%) of sales. Accruals of EUR 41 k (prior year: EUR 214 k) have been recognized to cover individual warranty cases.

Liabilities are recorded at the amount repayable.

Currency Translation

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

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

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 statement of changes in fixed assets.

2. Financial Assets

The information on shareholdings is shown in the attachment to the notes: Fig. 44

Fig. 43 DERIVATIVE FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2006

Type/category	Nominal amount	Fair value	Book value (where available)	Balance sheet item (if recognized)
Interest-related transactions:		EUR k	EUR k	EUR k
Interest rate swap BW Bank	EUR 2,000 k	-108	-108	Accrual for potential losses
Interest rate swap DB	EUR 2,000 k	-245	-245	Accrual for potential losses

The valuation was based on market values stated in the bank confirmations.

The interest rate swap with Deutsche Bank was valued using a Monte Carlo simulation based on the Heath-Jarrow-Morton model for determining the structure of the yield curve.

Fig. 44 FINANCIAL ASSETS

No.	Name and location of registered offices	Currency	Share in capital in %	Share capital in thousands	Equity in thousands	Earnings in thousands
1	CENIT AG Systemhaus, Stuttgart/Germany	EUR		8,368		
2	Cenit (Schweiz) AG, Frauenfeld/Switzerland	CHF	90	500	2,439	1,780
3	CENIT NORTH AMERICA INC., Rochester Hills/USA	USD	100	25	673	313
4	Cenit SRL, Iasi/Romania	ROL	100	4	42	38

In accordance with Sec. 280 (1) HGB, a write-up of EUR 281 k to the original acquisition cost was recognized on the equity investment in Cenit (Schweiz) AG.

3. Inventories

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

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

4. Receivables and Other Assets

Trade receivables and receivables from affiliated companies are due within one year.

EUR 1,760 k of other assets relate to tax refund claims. This includes EUR 1,061 k in tax refund claims from the double taxation treaty, corporate income tax and solidarity surcharge as well as the credit balance of EUR 699 k from the moratorium. The tax asset from the moratorium arises in December 31, 2006. It is not subject to interest and is discounted at 4% to its present value. The payment is due between 2008 and 2017 in ten equal annual amounts.

5. Prepaid Expenses

This mainly concerns prepaid expenses for licenses and motor vehicle insurance.

6. Equity

Share Capital

By resolution passed at the annual general meeting on June 13, 2006, the share capital of the Company totaling EUR 4,183,879.00 was increased from company funds by EUR 4,183,879.00 to EUR 8,367,758.00 in accordance with the provisions of AktG ["*Aktiengesetz*": German Stock Corporation Act] (Secs. 207 et seq. AktG). To increase the share capital of the Company, a partial amount of EUR 4,183,879.00 was transferred from the other revenue reserves of EUR 4,954,834.48 reported in the balance sheet as of December 31, 2005 prepared for HGB purposes. The capital increase was performed by issuing 4,183,879 new no-par value shares at EUR 1.00 each. The new shares are available to the shareholders at a ratio of 1:1 based on their existing shareholding and entitle the holder to profit participation as of January 1, 2006. This resolution was based on the ratified balance sheet as of December 31, 2005, on which Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart, rendered an unqualified opinion on March 7, 2006.

Since the entry in the commercial register on August 14, 2006, the share capital of the Company amounts to EUR 8,367,758.00 and is divided into 8,367,758 no-par value shares of EUR 1.00 each (prior year: 4,183,879 no-par value shares of EUR 1.00 each). The shares are made out to the bearer and are all no-par value common shares.

Art. 5 of the articles of incorporation and bylaws was amended to reflect the capital increase.

Authorized Capital

By resolution of the annual general meeting on June 17, 2004, the management board was authorized, with the consent of the supervisory board, to increase the share capital of the Company once or in several installments by a total amount of up to EUR 2,091,939 (authorized capital) up until June 16, 2009, by issuing up to 2,091,939 new no-par value bearer shares in return for contributions in cash or in kind. This authorization was revoked by a resolution passed at the annual general meeting on June 13, 2006.

By resolution passed at the annual general meeting on June 13, 2006, the management board was authorized, with the consent of the supervisory board, to increase the share capital of the Company once or in several installments by a total amount of up to EUR 4,183,879 (authorized capital) up until June 13, 2011, by issuing up to 4,183,879 new no-par value bearer shares in return for contributions in cash or in kind.

The shareholders must be granted subscription rights. The new shares may also be offered to one or several banks as well as one or more enterprises operating pursuant to Sec. 53 (1) Sentence 1 or Sec. 53b (1) Sentence 1 or (7) KWG ["*Gesetzes über das Kreditwesen*": German Banking Act] with the obligation of offering them for sale to the shareholders (indirect subscription right).

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

- for a part amount totaling up to EUR 1,945,600 for capital increases in return for contributions in kind for the purpose of acquiring companies or equity investments in companies. Companies or equity investments in companies may only be acquired if the business purpose of the target company essentially lies within the scope of the Company's business purpose pursuant to Art. 2 (1) of the articles of incorporation and bylaws;

- for a part amount totaling up to EUR 836,775 for capital increases in return for contributions in cash to issue the new shares at an issue price not significantly lower than the stock market price (Sec. 186 (3) Sentence 4 AktG).

If the management board does not make any use of the above authorizations to preclude subscription rights, the shareholders' subscription rights may only be precluded for fractional amounts. The management board is authorized, with the approval of the supervisory board, to determine the other details concerning performance of capital

Fig. 45 CONDITIONAL CAPITAL

	Dec. 31, 2006 Units	Dec. 31, 2005 Units	Dec. 31, 2006 EUR	Dec. 31, 2005 EUR
Stock option plan 2002/2006	520,000	260,000	520,000	260,000
	520,000	260,000	520,000	260,000

increases from authorized capital, including the further content and terms and conditions of the issue of shares.

After an increase in share capital utilizing the authorized capital in full or in part and, if the authorized capital has not been used or not used in full by the end of June 13, 2011, the supervisory board is authorized to adjust Art. 5 of the articles of incorporation and bylaws accordingly after expiry of the period of authorization.

Conditional Capital

The conditional capital comprises the following as of the balance sheet date: Fig. 45

Stock Option Plan 2002/2006

By a resolution passed at the annual general meeting on June 13, 2006, conditional capital increased pursuant to Art. 218 AktG in proportion to the increase in share capital from company funds, i.e. from EUR 260,000 to EUR 520,000. In light of the split in share capital by issuing new shares 1:1, the number of issuable shares increased from 260,000 shares of EUR 1.00 each to 520,000 shares of EUR 1.00 each.

The share capital has been conditionally increased by a maximum of EUR 520,000.00 (conditional capital II) by the issue of up to 520,000 individual bearer shares (common stock). The conditional capital increase is for granting shares to bearers of subscription rights which the management board was authorized to issue on the basis of the resolution by the annual general meeting on June 19, 2002 as passed in the shareholders' resolution of June 13, 2006. The conditional capital increase is only to be carried out to the extent that the bearers of the subscription rights exercise their rights, which were granted on the basis of authorization by the annual general meeting on June 19, 2002 as passed in the shareholders' resolution of June 13, 2006. In each case, the new shares will participate in profits from the beginning of the fiscal year in which they are created by exercising subscription rights. The management board is authorized to decide on further details of the conditional capital increase and its implementation with the approval of the supervisory board.

Terms and Conditions of the Stock Option Plan 2002 in the Version Passed in the Shareholders' Resolution on June 13, 2006

The subscription rights may only be offered to certain 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 subscription rights 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 subscription rights may only be exercised in full after expiry of a period of two years from the date of issue and be "*converted*" into shares in return for payment of a subscription price once one of the performance targets has been reached.

Subscription rights may only be exercised if one of the following criteria is fulfilled:

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

- Adjusted for any dividend payments, subscription rights, and other special rights having occurred in the meantime, the development of the CENIT share between issue of the subscription rights and exercise of the subscription rights was at least 15% higher than the development of the 'Technology All Share Index' over the same period of time.

After expiry of the vesting period, the subscription rights may only be exercised and shares which are purchased by exercise of the subscription rights may only be sold on the fourth bank working day and the 14 following bank working days following publication of a quarterly report, interim report or financial statements of the Company.

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) Technology All Share Index on the date of the decision taken by the management or the supervisory board to issue subscription rights shall be the decisive factor for determining the value of the CENIT share on the date the subscription rights are issued.

The subscription rights 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 subscription rights.

The subscription rights have a term to maturity of six years. If the subscription rights cannot be exercised before the end of their term, they automatically expire at the end of their term, without further notice such as a corresponding contract of declaration of expiry from the Company.

If capital is increased from company funds (bonus shares) or if the share capital of the Company is split (stock split) or if the capital is reduced, the number of subscription rights granted to the eligible persons, the exercise price and the performance target are adjusted in proportion to the increase of decrease in the number of no-par value shares. The new exercise price is determined immediately after the measure becomes effective and notified to the eligible persons.

In the event of procedures pursuant to Secs. 327a et seq. AktG for subscription rights not exercised under this stock option plan, the provisions of Secs. 327a et seq. AktG apply to the subscription rights subject to the following condition:

The subscription rights are transferred to the majority shareholder upon filing of the transfer resolution with the commercial register. The (previous) eligible persons have a right to compensation in cash. This right is independent of whether the subscription rights were exercisable or not. The value of the right to compensation is measured based on the amount of the shareholders' right to compensation in cash pursuant to Secs. 327b, 327f AktG less the subscription or exercise price.

The following table illustrates the number and weighted average exercise price (WAEP) of the share options granted:

	2006 NUMBER	2006 WAEP	2005 NUMBER	2005 WAEP
Management Board	24,000	11.10	12,000	22.20
Employees	183,000	11.10	91,500	22.20
Total	207,000	11.10	103,500	22.20

Fig. 46 LEGAL RESERVES IN EUR

	EUR
January 1, 2006	0.00
Transfer from retained earnings 2006 by the annual general meeting	418,387.90
December 31, 2006	418,387.90

Fig. 47 OTHER REVENUE RESERVES IN EUR

	EUR
January 1, 2006	4,954,834.48
Transfer from retained earnings 2005 by the annual general meeting	2,100,000.00
Withdrawal to increase share capital for the issue of new shares	-4,183,879.00
December 31, 2006	2,870,955.48

Fig. 48 RETAINED EARNINGS IN EUR

	EUR
1. Profit carryforward as of January 1, 2006	6,314,439.88
2. Distributions	
a) Dividend of EUR 0.60 per share	-2,510,327.40
b) Additional dividend of EUR 0.30 per share	-1,255,163.70
3. Withdrawls from the capital reserve	0.00
4. Transfers from the revenue reserves	0.00
5. Transfers to the revenue reserves	
a) to the legal reserve	-418,387.90
b) to other revenue reserves	-2,100,000.00
6. Net income/loss for the year 2006	7,782,813.39
7. Retained earnings as of December 31, 2006	7,813,374.27

The weighted average remaining term of the contract for the outstanding stock options as of December 31, 2006 comes to five years (2005: six years).

Unchanged from the prior year, the weighted average fair value of the options granted amounted to EUR 640 k and is recognized over the vesting period of two years as an increase in the capital reserve.

The fair value of the equity-settled stock options granted is estimated as of the date of granting using the Black-Scholes option pricing model and taking account of the terms under which the options were granted. The calculation was based on the following parameters:

Black-Scholes Option Pricing Model

Dividend yield (%)	1.35
Expected volatility of the share (%) (=historical volatility (%))	38.16
Risk-free interest rate (%)	2.77

Fig. 49 LIABILITIES TO BANKS IN EUR		
	2006 EUR	2005 EUR
Due within 1 year	1,249,133.26	1,321,275.06

Fig. 50 OTHER LIABILITIES IN EUR k		
	Dec. 31, 2006 EUR k	Dec. 31, 2005 EUR k
Liabilities from taxes	1,565	1,569
Liabilities related to social security	0	684
Sundry other liabilities	269	85
Total	1,834	2,338

Fig. 51 INCOME STATEMENT IN EUR k			
	2006 EUR k	2005 EUR k	Change EUR k
Services	44,827	41,860	2,967
Merchandise	14,877	14,517	360
Software	9,207	7,514	1,693
License fees	6,416	5,793	622
Commission	2,921	2,390	531
Total	78,248	72,075	6,173

Anticipated term of the option (years)	4
Weighted average Share price (EUR) – prior to capital increase -	22,20

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options grant were incorporated into the measurement of fair value.

In fiscal 2006, the number of subscription rights granted, the exercise price and the performance target were determined as prescribed by Art. 4 (2) of the stock option agreement, i.e. adjusted in proportion to the increase in share capital through company funds as follows:

The increase in share capital from company funds increased subscription rights from 103,500 to 207,000 and reduced the average exercise price from EUR 22.20 to EUR 11.10.

7. Capital Reserve

The capital reserve was increased by EUR 319,815 to EUR 862,575.40 in the fiscal year by adding the

Fig. 52 FINANCIAL AND INTEREST RESULT IN EUR k

Write-ups of financial assets:	2006 EUR k	2005 EUR k
Write-up of investment in Cenit (Schweiz) AG	282	0
Total	282	0

Other interest and similar income:	2006 EUR k	2005 EUR k
Bank interest	174	227
Dividends from securities lending	5,013	373
Profits from shares	139	1,376
Write-up of securities classified as current assets	10	0
Total	5,336	1,976

	2006 EUR k	2005 EUR k
Write-down of securities classified as current assets	0	-23
Total	0	-23

Interest and similar expenses:	2006 EUR k	2005 EUR k
Bank interest	0	3
Losses from share certificates	0	1,622
Compensation payments for securities lending	5,013	373
Lending fee for securities	485	32
Other interest expenses	60	0
Interest expenses due to other affiliated companies	5	0
Interest from taxes	0	16
Guarantee commission	6	8
Total	5,569	2,054

Fig. 53 INCOME TAXES IN EUR k

Tax Expense	2006 EUR k	2005 EUR k
Current corporate income tax expenses	453	1,464
Current solidarity surcharge expenses	25	80
Current trade tax expense	1,500	1,372
Change short-term tax accruals	-6	-448
Tax reimbursement from corporate tax moratorium	-699	0
Total	1,273	2,468

Fig. 54 PROPOSAL FOR THE APPROPRIATION OF PROFITS IN EUR

	EUR
Retained earnings	7,813,374.27
Dividend distribution (50 cents per 8,367,758 participating shares)	4,183,879.00
Addition to the reserves	
a) Legal reserves	0.00
b) Other revenue reserves	3,500,000.00
Profit carryforward	129,495.27

expense from the stock option plan 2002/2006.

8. Legal Reserves

The legal reserves developed as follows: Fig. 46

9. Other Revenue Reserves

Other revenue reserves changed as follows: Fig. 47

10. Retained Earnings See: Fig. 48

11. Accruals

Other accruals essentially comprise accruals for personnel expenses of EUR 3,425 k, rent for unused office and storage space of EUR 780 k, general and specific warranties of EUR 431 k, outstanding supplier invoices of EUR 715 k and potential losses from derivatives of EUR 354 k.

12. Liabilities

The **remaining terms of liabilities due to banks** are as follows: Fig. 49

The current bank liabilities all relate to short-term credits by IBM Deutschland Kreditbank GmbH, Stuttgart for goods delivered from IBM GmbH, Stuttgart.

All other liabilities are due within one year.

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

Other liabilities break down as follows: Fig. 50

II. Income Statement

1. 1. Sales See: Fig. 51

91% of the sales were effected within Germany, 6% in other EU countries and 3% in other countries.

2. Other Operating Income

Other operating income includes income from insurance premium refunds, rental income from subletting and income from the reversal of accruals (EUR 948 k).

3. Other Operating Expenses

Total other operating expenses rose by 11% compared to the prior year to EUR 12,711 k. Other operating expenses are mainly composed of rent and rent incidentals, vehicle costs, travel expenses, commission and marketing expenses.

There were no major income or expenses from other periods within the meaning of Sec. 277 IV HGB.

4. Financial and Interest Result

The financial and interest result breaks down as follows: Fig. 52

5. Income Taxes See Fig. 53

6. Proposal for the Appropriation of Profits The management board and supervisory board of the Company propose the following appropriation of profits to the annual general meeting: Fig. 54

7. Audit and Consulting Fees of the Auditor
See Fig. 55

D. Other Notes

1. Personnel

An average of 533 (prior year: 488) members of staff were employed during the fiscal year, of which 31 (prior year: 19) were trainees.

2. Contingent Liabilities and Other Financial Obligations

There are **obligations** from **rent and lease agreements** amounting to EUR 7.5 million (prior year: EUR 11 million).

3. Company Boards

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

- Andreas Schmidt (Dipl.-Ing.), Ebersbach,
Spokesman of the Management Board (Operations)

Fig. 55 AUDIT AND CONSULTING FEES OF THE AUDITOR IN EUR k

	2006 EUR k	2005 EUR k
Fees for the audit of the financial statements and consolidated financial statements	90.5	77.5
Fees for other attestation and valuation services	0.0	0.0
Fees for tax advisory services	0.0	0.0
Fees for other services	5.0	0.0
Total	95.5	77.5

- Hubertus Manthey (Dipl.-Ing.), Pliezhausen, (Personnel, Marketing, Investor Relations), Deputy Spokesman of the Management Board (until February 28, 2007)

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

- By resolution of the supervisory board dated December 17, 2006, Dipl. Ing. Kurt Bengel, Waiblingen was appointed to the management board effective January 1, 2007. Entry in the commercial register was made on February 5, 2007.

The **supervisory board** members are:

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

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

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

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

The members of the supervisory are not appointed to any other supervisory boards.

In the reporting period, the remuneration of the management board members was as follows:

Fig. 56

Mr. Christian Pusch was granted 24,000 stock options under the stock option plan (prior year: 12,000 stock options; prior-year number adjusted for the capital increase 24,000 stock options). In the reporting year, the expense came to EUR 37 k (prior year: EUR 14 k).

No pension obligations or benefits were promised in the event of termination of service.

In accordance with Art. 14 of the articles of incorporation and bylaws, the remuneration of the supervisory board was as follows in 2006: Fig. 57

The D & O insurance was continued in fiscal 2006 for management board members, supervisory board members as well as other executives. The premiums of EUR 21,750 were borne by the Company (prior year: EUR 21,750).

As of the balance sheet date, the management board held 377,540 shares, i.e. 3.5% of the Company's share capital. Supervisory board members hold 188,580 shares (2.3%).

4. Changes at Shareholder Level

The Company received notification in accordance with Sec. 21 (1) WpHG ["*Wertpapierhandelsgesetz*": Securities Trading Act] from dit Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH in the course of the fiscal year. In its most recent letter dated March 6, 2006, Deutsche Investment-Trust Gesellschaft für Wertpapieranlagen mbH announced the following:

"Dear Mr. Rau,

I am writing to notify you in accordance with Sec. 21 (1) WpHG that the share of our voting rights in CENIT AG exceeded the threshold of 5% on March 2, 2006 and now amounts to 6.02% (this corresponds to 251,669 of the voting rights in the mutual fund).

Yours sincerely,

Ulrich Lind   Dirk Martin"

The Company received notification in accordance with Sec. 21 (1) WpHG from Merrill Lynch Investment Managers in the course of the fiscal year. In the letter dated March 9, 2006, Merrill Lynch Investment Managers announced the following:

"Dear Sir,

In accordance with Section 21 paragraph 1 WpHG, we hereby notify that our voting interest in CENIT AG Systemhaus, held on behalf of discretionary investment clients, fell below the 5 % threshold on 8th March, 2006.

100 % of these voting rights are attributable to us in accordance with section 22 para. 1 sent. 1 No. 6 WpHG.

Date:	8th March 2006
Type of Shares:	NPV
No. of Shares:	204,937
% of Shares:	4.89 %
Shares In Issue:	4,183,879

Yours faithfully,

For MERRILL LYNCH INVESTMENT MANAGERS GROUP LIMITED

Andrea Rowe   Thomas Hone
Associate   Associate"

The Company received a notification in accordance with Sec. 21 (1) WpHG from Baden-Württembergische Kapitalanlagegesellschaft mbH in the course of the fiscal year. In its most recent letter dated April 25, 2006, Baden-Württembergische

Fig. 56 REMUNERATION OF THE MANAGEMENT BOARD MEMBERS IN EUR k		
	2006 EUR k	2005 EUR k
Hubertus Manthey		
Fixed remuneration	204	195
Performance-based remuneration	145	143
Andreas Schmidt		
Fixed remuneration	219	215
Performance-based remuneration	187	164
Christian Pusch		
Fixed remuneration	212	190
Performance-based remuneration	145	144
Long-term incentive	37	14
Total	1,149	1,065

Fig. 57 REMUNERATION OF THE SUPERVISORY BOARD IN EUR k				
	Fixed remuneration	Fixed remuneration	Performance-based remuneration	Performance-based remuneration
	2006 EUR k	2006 EUR k	2005 EUR k	2005 EUR k
Falk Engelmann	30	0	30	0
Hubert Leypoldt	23	0	23	0
Dr. Dirk Lippold	15	0	15	0
Total	68	0	68	0

Kapitalanlagegesellschaft announced the following:

„Ladies and gentlemen,

In accordance with Sec. 21 (1) WpHG, we hereby notify you of the fact that our voting rights, including those for our separate trust assets, in CENIT AG Systemhaus, Industriestrasse 52-54, D-70565 Stuttgart, Germany, fell below the threshold of 5% of on April 25, 2006 and now amount to 4.96%. Of these voting rights, 2.71% are allocable to us pursuant to Sec. 22 (1) Sentence 1 No 6 WpHG.

Yours sincerely,

Baden-Württembergische
Kapitalanlagegesellschaft mbH"

In a letter dated November 16, 2006, UBS Fund Management (Switzerland) AG announced that its share of voting rights exceeded the threshold of 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

„Ladies and gentlemen,

We hereby notify you in accordance with Sec. 21 (1) WpHG that the share of voting rights of our mutual fund in your Company exceeded the threshold of 5% on November 14, 2006 and now amounts to 5.07%. We are sending a letter to the same effect on today's date to the German Federal Financial Supervisory Authority (BaFin) in Frankfurt a.M.

Yours sincerely,

UBS Fund Management (Switzerland) AG
Thomas Zimmerli Urs Rohner“

In a letter dated December 7, 2006, UBS AG announced that its share of voting rights exceeded the threshold of 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

„Ladies and gentlemen,

We refer to notification dated November 16, 2006 in which UBS Fund Management (Switzerland) AG, a wholly owned subsidiary of UBS AG, Zurich and Basel, informed you that it had exceeded a voting rights threshold. We hereby notify you in accordance with Sec. 21 (1) WpHG that our share of the voting rights in CENIT AG Systemhaus (ISIN DE0005407100) exceeded the threshold of 5% on November 14, 2006 and now amounts to 5.07%. Of those, 5.07% are allocable to UBS AG pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. We are sending a letter to the same effect on today's date to the German Federal Financial Supervisory Authority (BaFin) in Frankfurt a.M.

Yours sincerely,

UBS AG
Tobias Amiet René Frenn
Authorized Signatory Authorized Signatory“

E. Group Relationships

In compliance with Sec. 315a (1) HGB, the Company prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

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

The management board and supervisory board of the Company have issued the declaration for 2006 and 2005 required by Sec. 161 AktG and made it permanently available to the shareholders.

Stuttgart, 6. März 2007

CENIT Aktiengesellschaft Systemhaus

Der Vorstand

Andreas Schmidt *Christian Pusch* *Kurt Bengel*

(CEO / spokesman of the management board)

Translation of the German audit opinion concerning the audit of the consolidated financial statements and group management report prepared in German

G. AUDIT OPINION

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which was combined with the group management report, of CENIT Aktiengesellschaft Systemhaus, Stuttgart, for the fiscal year from January 1 to December 31, 2006. The maintenance of the books and records and the preparation of the annual financial statements and 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 German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 expectations as to 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, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and bylaws and 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. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 6, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

CORPORATE GOVERNANCE CODE

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, valueoriented 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 JUNE 2ND 2005

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 web site, together with the agenda.

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

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

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

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

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

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

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

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

REPORT ON THE REMUNERATION OF THE SUPERVISORY BOARD (FIGURE 5.4 7. SENTENCE 6)		
Member	Fixed remuneration in accordance with the Articles of Association	Total
Falk Engelmann, Chairman	2 x 15,000 EUR	30,000 EUR
Hubert Leypoldt, Deputy Chairman	1.5 x 15,000 EUR	22,500 EUR
Dr. Dirk Lippold	1 x 15,000 EUR	15,000 EUR
Total remuneration 2005		67,500 EUR

REPORT ON THE OWNERSHIP, ACQUISITION OR SALE OF SHARES BY MEMBERS OF THE EXECUTIVE AND SUPERVISORY BOARDS OR PERSONS IN MANAGEMENT POSITIONS WHO HAVE REGULAR ACCESS TO INSIDER INFORMATION (FIGURE 6.6)

Acquisition or sales of shares by members of the Executive and Supervisory Boards in 2006

Name	Date	Trans-action	Place	Number	Price	Volume
Falk Engelmann	Mar. 1st., 2006	Sale	Stock-exchange	15,000	28.01	420,150
Hubertus Manthey	Mar. 21, 2006	Sale	Stock-exchange	25,000	31.50	787,500
Andreas Schmidt	Mar. 21, 2006	Sale	Off-floor	25,000	30.00	750,000
Falk Engelmann	May 1st., 2006	Sale	Stock-exchange	2,119	34.85	73,841.78
Falk Engelmann	May 17, 2006	Sale	Stock-exchange	13,164	32.01	421,333
Hubertus Manthey	June 2, 2006	Sale	Stock-exchange	8,000	29.90	239,200
Hubertus Manthey	June 6, 2006	Sale	Stock-exchange	5,000	29.90	149,500
Hubertus Manthey	June 8, 2006	Sale	XETRA	500	29.90	14,950
Falk Engelmann	Aug. 21, 2006	Sale	XETRA	8,227	31.03	255,297
Hubertus Manthey	Sep. 20, 2006	Sale	Off-floor	30,714	14.40	422,281.60
Falk Engelmann	Nov. 9, 2006	Sale	XETRA	6,000	15.27	91,620.00
Hubertus Manthey	Nov. 9, 2006	Sale	Off-floor	4854	15.15	75,309.81
Hubertus Manthey	Nov. 17, 2006	Sale	Off-floor	27,900	13.98	390,042.00
Falk Engelmann	Nov. 17, 2006	Sale	XETRA	20,000	14.00	280,000.00
Hubertus Manthey	Dez. 5, 2006	Sale	Off-floor	10,000	14.546	14,546.00

SHARES OF OVER 1% HELD BY MEMBERS OF THE EXECUTIVE BOARD AS AT 31.12.2006		
Name	Number of shares	Percent
Hubertus Manthey	85,748	1.02
Andreas Schmidt	291,792	3.49

SHARES OF OVER 1% HELD BY MEMBERS OF THE SUPERVISORY BOARD AS AT 31.12.2006		
Name	Number of shares	Percent
Falk Engelmann	186,900	2.23

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 web site 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 on the web site. There are no stock options.

6. 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.

7. 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.

8. 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 performancerelated 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.

9. 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.

REPORT ON THE SHARE OPTION PROGRAM AND SECURITIES-ORIENTED INCENTIVE SYSTEMS (FIGURE 7.1.3)

The CENIT AG option program 2002/2005 grants the right to subscribe to CENIT shares at a fixed subscription price. The subscription is linked to a waiting period that must be adhered to, stipulated exercise periods and performance criteria regarding the development of the value of the CENIT share.

The waiting period is 2 years. The option can be exercised on a quarterly basis at contractually fixed times. The performance criteria are defined as follows:

*(*adjusted to actual number of shares)*

The value of the CENIT share must be at least EUR 14.98* at the time or exercise (absolute hurdle)

OR

The development of the share value between the time of granting and the time of exercising the option rights must exceed the value development of the Technology All Share Index by at least 15% (relative hurdle)

The subscription price was set at the share price amount at the time of granting the option rights (EUR 22.20 per share according to valuation reports). The duration of the option program is 6 years, the waiting period to be adhered to is 2 years.

We also refer to the detailed information on the share option program in the notes to the Annual Report.

The Executive Board and Supervisory Board of CENIT AG Systemhaus

Stuttgart, December 2006

Andreas Schmidt, Chairman of the Executive Board
Hubertus Manthey, Member of the Executive Board
Christian Pusch, Member of the Executive Board
Kurt Bengel, 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