

6-Month Report 2006

CENIT AG Systemhaus

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CENIT AT A GLANCE (unaudited)		
At a glance – 1 January to 30 June 2006		
€ million	30 June 2006	30 June 2005
Sales	37.41	34.91
Gross profit	28.99	25.62
EBITDA	5.26	4.25
Operating returns (EBIT)	4.75	3.86
EBT	4.52	4.05
Net income of the Group	3.50	2.49
Result per share (basic) in €	0.84	0.59
Result per share (diluted) in €	0.84	0.59
Number of employees at end of period	544	491
EBIT margin in %	12.7	11.0
Profit margin in %	9.4	7.1
in € million	June 30, 2006	December 31, 2005
Equity in ratio in %	55	58
Equity	19.45	19.57
Liabilities	15.69	14.34
Total assets	35.14	33.91

FOREWORD

Dear shareholders, partners, customers and interested parties,

We are delighted to inform you that CENIT has made unerring progress on its path to success in Q2 2006. This also includes the formation of a new Product Lifecycle Management training centre at the Iasi location in Rumania. The foundation of a training centre in Rumania is combined with a cooperation agreement for application management outsourcing and software development with a Rumanian IT service provider. The cooperation with ILC PROSTEP GmbH for the joint development, implementation and marketing of integration solutions for mySAP PLM is also a part of this.

Thanks to the ongoing and successful development of the Company, CENIT is increasingly attracting the interest of major institutional investors as a promising investment. After just the first six months of the year, we have already arranged investor relations meetings with more than 60 international institutional investors. We will also continue to push ahead with these activities in the second half of the year.

By granting their approval for all the items proposed to the Annual General Meeting, our shareholders have demonstrated the trust they place in us, for which we would like to extend our warmest thanks. By applying to the registration office for the admission of new shares, we are now expecting the 1:1 conversion of our shares following entry in the Commercial Register.

Thank you for your confidence in CENIT.

The Executive Board

MANAGEMENT REPORT

Despite the high price of commodities, the global economy continued its robust growth at the beginning of 2006. In Europe, indications of a moderate yet sustainable recovery began to consolidate, in spite of poor internal demand. As already seen in 2005 as a whole, the emerging markets of this region posted stronger growth than the national economies of Western Europe. In the US, the economy grew throughout the opening months of 2006. Industrial production posted solid growth figures, and Asia also saw its economy improve.

These sustainable trends have also been confirmed on CENIT's relevant markets for Product Lifecycle Management, Application Management Outsourcing and Enterprise Content Management. In June, BITKOM announced that e-Business is becoming increasingly important for German companies. This was the key finding of the e-Business barometer for 2006/2007. The highest values were recorded for the e-business investment climate since these surveys began in 2003. At the same time, BITKOM emphasised that providers of IT and telecommunications products and services are satisfied with the development of the first half of the year and are optimistic about the second half. The sentiment index is based on a quarterly survey of the ITC industry by BITKOM. Based on this, BITKOM confirmed its growth forecast for the German ITC market of 2.4% to €137.4 billion in 2006. "As in the preceding quarters, business is particularly good for providers of software and IT services. They generated sales of around €46 billion. 76% of software providers questioned and almost 80% of IT service providers are anticipating growth in sales this year," added BITKOM.

EARNINGS DEVELOPMENT I

CENIT's earnings for the first half of the year again emphasise the ongoing positive trend of the last few quarters. CENIT increased the share of third-party and own software sales to 26% of total sales. The share of sales of consulting services was 57%, rising by around 9% against 2005. In line with forecasts, the share of hardware business declined further, recording a 22% sales reduction as against the previous year to currently €6.3 million. As a result, the share of hardware in Group sales is now down to 17%. The first half of 2006 closed with strong growth of 41% in consolidated earnings, bringing the figure to €3.5 million.

Sales of CENIT software have now become a significant earnings driver. In addition, there is continuing strong demand for CENIT's high-end consulting services. Expansion in the US in particular is surpassing all expectations. Key PLM orders for the production industry were acquired on this market, as a result of which CENIT North America generated sales of €1.3 million (2005: €0.7 million) and an EBIT of €- 0.2 million (2005: €0.09 million). Developments were also clearly positive at CENIT Switzerland. With non-consolidated sales of €1.5 million (2005: €0.7 million), CENIT Switzerland generated EBIT of €0.5 million (2005: €- 0.06 million).

The software sales cooperation with FileNet for CENIT's own software solution in the monitoring area also continued to enjoy commendable, ongoing success. The success with this solution is not just limited to the US, as the first successful software deals were also concluded in South Africa in the first half of the year.

Group sales in the first six months rose by 7% to €37.41 million (2005: €34.91 million). Consolidated gross profit climbed by 13% to €28.99 million (2005: €25.62 million). EBITDA for the Group was up by around 24% to €5.26 million (2005: €4.25 million). Group EBIT improved to €4.75 million (2005: €3.86 million/23%), while Group EBT amounted to €4.52 million (2005: €4.05 million/12%) and consolidated earnings to €3.50 million (2005: €2.49 million/41%). Basic earnings per share (EPS) were calculated at €0.84 (2005: €0.59/42%). The Group's operating cash flow was €5.12 million (2005: €4.47 million/15%). Total assets amounted to €35.14 million (31 December 2005: €33.91 million). The equity ratio was 55%, while equity itself amounted to €19.45 million (31 December 2005: €19.57 million) as of the end of the period under review. At the balance sheet date, cash and cash equivalents including securities were down to €15.21 million (31 December 2005: €20.81 million/-27%). This decline was due to the fact that CENIT paid in the second quarter a shareholder dividend of €3.8 million. Incoming orders in the Group remained constant at €46 million (2005: €46 million).

EARNINGS DEVELOPMENT II

ADDITIONAL NOTES

With effect from the start of this year, income from services is recognised using the POC (percentage of completion) method for the first time, based on the stage of completion in accordance with IAS 18.22 ff. This relates to the periodic recognition of expenses and income during the production period of the service project.

Using the POC method, comparative figures for the first half of 2005 would have been: sales of €35.12 million; EBITDA of €4.46 million; EBIT of €4.07 million; EBT of €4.26 million; EPS of €0.64.

DEVELOPMENT OF COSTS

Other operating expenses developed in line with planning and rose by 11% as against 2005.

INVESTMENTS

Investments in the first six months amounted to €0.6 million (30 June 2005: €0.5 million). These investments were for the standard expansion and replacements in the context of computer and software investments and office equipment.

BREAKDOWN OF EARNINGS

CENIT operates in two business segments. The Company generated around 73% of total sales in the e-engineering business unit and around 27% in the e-business business unit.

CHANGES TO THE EXECUTIVE AND SUPERVISORY BOARDS

None

EVENTS OF PARTICULAR SIGNIFICANCE THAT COULD AFFECT BUSINESS ACTIVITIES

None

INTERIM DIVIDENDS

No interim dividends were distributed.

AMOUNT DISTRIBUTED OR PROPOSED FOR DISTRIBUTION

It was resolved at this year's Annual General Meeting to distribute a dividend of 60 cents (2004: 30 cents per share) and a special dividend of 30 cents per share to shareholders.

EARNINGS DEVELOPMENT III

NEW ORDERS

Incoming orders in the Group amounted to €46 million (2005: €46 million) in the first six months. As of 30 June 2006, booked business amounted to €25 million (2005: €25 million).

ORDERS OF PARTICULAR SIGNIFICANCE

None

EQUITY INVESTMENTS

With non-consolidated sales of €1.5 million, CENIT Switzerland generated EBIT of €0.5 million. CENIT North America generated sales of €1.3 million and an EBIT of €- 0,2 million.

CASH, CASH EQUIVALENTS AND SECURITIES

At the balance sheet date, cash and cash equivalents including securities were down to €15.21 million (31 December 2005: €20.81 million/). This decline in cash was due to the fact that CENIT paid income taxes of around €2 million in the second quarter in addition to the dividend of €3.8 million.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Total assets amounted to €35.1 million. Trade receivables and other assets amounted to €12 million, while. CENIT's operating cash flow was €5.1 million.

EMPLOYEES

The number of employees in the Group as of 30 June 2006 was 544 (30 June 2005: 491). The headcount therefore increased by around 10%.

OUTLOOK

The Executive Board of CENIT is pursuing the long-term expansion of the Company's market position and a sustainable increase in market share. The Executive Board is forecasting that business with CENIT software will see strong growth again in the second half of the year. The increasing significance of CENIT software in conjunction with its highly qualified consulting services in the three IT growth markets - Product Lifecycle Management, Enterprise Content Management and Application Management Outsourcing – should continue to improve the Company's position in the coming years.

CENIT Aktiengesellschaft Systemhaus CONSOLIDATED BALANCE SHEET (in accordance with IFRS) (unaudited) as of 30 June 2006		
€ thou.	30 June 2006	31 Dec. 2005
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	209	122
Property, plant and equipment	1,370	1,399
	1,579	1,521
DEFERRED TAX ASSETS	87	87
NON-CURRENT ASSETS	1,666	1,608
CURRENT ASSETS		
Inventories	5,419	1,057
Trade receivables	12,021	10,102
Current income tax assets	37	18
Other receivables	366	164
Other financial assets at fair value through profit or loss	10,928	13,021
Cash and cash equivalents	4,284	7,786
Prepaid expenses	416	153
CURRENT ASSETS	33,471	32,301
TOTAL ASSETS	35,137	33,909

CENIT Aktiengesellschaft Systemhaus CONSOLIDATED BALANCE SHEET (in accordance with IFRS) (unaudited) as of 30 June 2006		
€ thou.	30 June 2006	31 Dec. 2005
EQUITY AND LIABILITIES		
EQUITY		
Share capital	4,184	4,184
Capital reserve	703	543
Currency translation reserve	-136	-119
Revenue reserves	7,557	5,039
Net income of the Group allocable to the shareholders of CENIT AG	7,098	9,879
Minority interests	43	43
TOTAL EQUITY	19,449	19,569
NON-CURRENT LIABILITIES		
Deferred tax liabilities	118	97
CURRENT LIABILITIES		
Current liabilities to banks	556	1,321
Trade payables	3,194	2,048
Other liabilities	10,565	8,478
Current income taxes	1,078	2,256
Other provisions	128	122
Deferred income	49	18
	15,570	14,243
TOTAL EQUITY AND LIABILITIES		
	35,137	33,909

CENIT Aktiengesellschaft Systemhaus CONSOLIDATED INCOME STATEMENT (in accordance with IFRS) (unaudited) for the period from 1 January to 30 June 2006			
€ thou.		30 June 30	30 June 2005
1. SALES		37,414	34,911
2. Increase/decrease in inventories of work in process		1,298	845
Total operating performance		38,712	35,756
3. Other operating income		344	356
Operating performance		39,056	36,112
4. Cost of materials	10,070		10,494
5. Staff costs	17,274		15,609
6. Amortisation of intangible assets and depreciation on property, plant and equipment	509		395
7. Other operating expenses	6,448		5,758
		34,302	32,256
NET OPERATING INCOME		4,754	3,856
8. Other interest and similar income	103		123
9. Interest and similar expenses	7		8
10. Result from financial instruments at fair value through profit or loss	-331		77
		-234	193
RESULT FROM ORDINARY ACTIVITIES		4,519	4,049
11. Income taxes		1,018	1,563
12. NET INCOME OF THE GROUP FOR THE YEAR		3,502	2,486
13. of which due to shareholders of CENIT AG		3,484	2,486
14. of which due to minority interests		17	0
Earnings per share in €			
Basic earnings		0.84	0.59
Diluted earnings		0.84	0.59

CENIT Aktiengesellschaft Systemhaus CONSOLIDATED INCOME STATEMENT (in accordance with IFRS) (unaudited) for the period from 1 April to 30 June 2006			
€ thou.	Q2 2006		Q2 2005
1. SALES		18,233	18,798
2. Increase/decrease in inventories of work in process		62	-160
Total operating performance		18,294	18,638
3. Other operating income		186	105
Operating performance		18,481	18,743
4. Cost of materials	4,293		5,299
5. Staff costs	8,488		7,782
6. Amortisation of intangible assets and depreciation on property, plant and equipment	233		223
7. Other operating expenses	3,320		3,187
		16,334	16,490
NET OPERATING INCOME		2,147	2,253
8. Other interest and similar income	46		44
9. Interest and similar expenses	1		6
10. Result from financial instruments at fair value through profit or loss	-111		77
		-66	115
RESULT FROM ORDINARY ACTIVITIES		2,081	2,368
11. Income taxes		553	954
12. NET INCOME OF THE GROUP		1,528	1,414
13. of which due to shareholders of CENIT AG		1,528	1,414
14. of which due to minority interests		0	0
Earnings per share in €			
Basic earnings		0.37	0.34
Diluted earnings		0.37	0.34

CENIT Aktiengesellschaft Systemhaus		
CONSOLIDATED STATEMENT OF CASH FLOWS (in accordance with IFRS) (unaudited)		
as of 30 June 2006		
€ thou.	30 June 2006	30 June 2005
Cash flow from operating activities		
Earnings before tax	4,519	4,049
Adjusted for:		
Amortisation of intangible assets and depreciation of of property, plant and equipment	509	395
Losses on disposals of non-current assets	0	2
Gains on disposals of non-current assets	-2	0
Other non-cash expenses and income	193	139
Interest income	-103	-123
Interest expenses	7	8
Net operating income before changes in net working capital	5,123	4,470
Increase/decrease in trade receivables and other current, non-monetary assets	-2,403	3,087
Change in other financial assets that are not allocable to cash and cash equivalents	0	
Increase/decrease in inventories	-4,362	-1,078
Increase/decrease in current liabilities and provisions	1,348	-2,471
Cash flow from ordinary operations	-294	4,007
Interest paid	-7	-8
Interest received	103	86
Income taxes paid	-1,057	0
Net cash flow from ordinary activities	-1,255	4,086
Net cash flow from operating activities	-1,255	4,086
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	-575	-497
Proceeds from the disposal of property, plant and equipment		
Net cash paid for investing activities	-575	-497
Cash flow from financing activities		-497
Repayment of long-term bank	0	
Dividends paid to shareholders	-3,765	-1,255
Change in convertible bond	0	0
Net cash paid for investing activities	-3,765	-1,255
Net increase/decrease in cash and cash equivalents	-5,595	2,334
Cash and cash equivalents at the beginning of the period	17,827	14,684
Cash and cash equivalents at the end of the period	12,232	17,018

CENIT Aktiengesellschaft
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IN ACCORDANCE WITH
(unaudited)**
as of 30 June 2006

€ thou.	Equity allocable to the parent shareholders						Minority interests	Total
	Share capital	Capital reserve	Currency translation reserve	Revenue reserve	Group result per share- holder of CENIT AG			
As of 1 January	4,184	418	-115	1,239	8,192	37		13,955
Transfers to revenue								0
Changes in equity interest convertible								0
Allocation to revenue				3,800	-3,800			0
Currency			-4					-4
Dividend					-1,255			-1,255
Transfer from stock options		125						125
Net income of the for the year					6,742	6		6,748
As of 31 Dec.	4,184	543	-119	5,039	9,879	43		19,569
Transfers to revenue				2,100	-2,100			0
Transfers to revenue				418	-418			0
Transfer from stock options		160						160
Dividend					-3,765			-3,765
Currency			-17					-17
Net income of Group for the					3,502			3,502
As of 30 June 2006	4,184	703	-136	7,557	7,098	43		19,449

CENIT Aktiengesellschaft
**Segment report by segment in accordance with IFRS (unaudited)
for the period 1 January to 30 June 2006**

€ thousand	EB	EE	Not allocated	Group
Sales to third				
H1 2006	10,261	27,153	0	37,414
H1 2005	11,735	23,176	0	34,911
EBIT				
H1 2006	454	4,300	0	4,754
H1 2005	986	2,870	0	3,856
Interest and financial				
H1 2006	0	0	-234	-234
H1 2005	0	0	193	193
Taxes				
H1 2006	0	0	-1,018	-1,018
mid-year	0	0	-1,563	-1,563
Net income/loss for the				
H1 2006	454	4,300	-1,252	3,502
H1 2005	986	2,870	-1,370	2,486
Segment				
30 Jun 2006	5,895	13,906	15,336	35,137
31 Dec 2005	3,760	9,237	20,912	33,909
Segment				
30 Jun 2006	6,947	6,989	1,752	15,688
31 Dec 2005	3,214	7,452	3,674	14,340
Capital				
30 Jun 2006	127	448	0	575
31 Dec 2005	201	799	0	1,000
Amortisation &				
H1 2006	109	400	0	509
H1 2005	79	316	0	395

EB = e-business; EE = e-

CENIT Aktiengesellschaft

**Segment report by region in accordance with IFRS (unaudited)
for the period 1 January to 30 June 2006**

€ thousand	D	CH	USA	Not allocate	Consol dation	Grou
Intercompany sales						
H1 2006	718	591	74	0	-1,383	0
H1 2005	337	252	3	0	-592	0
Sales to third						
H1 2006	35,606	713	1,095	0	0	37,414
H1 2005	33,835	359	717	0	0	34,911
Segment						
30 Jun 2006	19,061	441	959	15,336	-660	35,137
31 Dec 2005	12,629	247	405	20,912	-284	33,909
Capital						
30 Jun 2006	539	2	34	0	0	575
31 Dec 2005	957	0	43	0	0	1,000

**NOTES ON SHARES AND SUBSCRIPTION RIGHTS HELD BY DIRECTORS,
COMPANY OFFICERS AND EMPLOYEES IN ACCORDANCE WITH Article
160 (1) no. 2 AND Article 5 AktG**

**DIRECTORS'
HOLDING**

The Directors of the Company hold 12,000 share option rights.
CENIT employees also hold 91,500 share option rights.

Directors' holding:

Total number of shares: 4,183,879

Shares held by the Executive Board:

Hubertus Manthey	79,608
Christian Pusch	0
Andreas Schmidt	145,896

Shares held by the Supervisory Board:

Falk Engelmann	114,717
Hubert Leypoldt	800
Dr. Dirk Lippold	0

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