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# PREFACE OF THE MANAGEMENT BOARD

# PREFACE BY THE MANAGING BOARD

## LADIES AND GENTLEMEN,

2011 saw a continuation of the positive trends of late 2010, in terms of the economy as a whole and also regarding demand on the part of our customers. For these reasons, CENIT was able to complete the 2011 business year with good results.

Our development reflects the overall situation in Germany. In 2011 the German economy managed to exceed the forecasts made by the major economic institutes. However, due to the situation of the global economy and in particular the incalculable developments in Europe, it is exceedingly difficult to venture projections for 2012. At CENIT, we depend on how customers assess their current economic situation. Thanks to the positive developments in 2011 and the stable trend in Germany, we too were able to ramp up our sales, achieving particularly high growth rates in the field of third-party software. However, we also posted on-year growth in sales of CENIT's proprietary software, and we see further potential for growth in this field.

2011 also saw a further broadening of our position, especially on the international markets. This began during the second Quarter with the acquisition of Transcat PLM AG in Switzerland. The establishment of a subsidiary company in Japan followed in summer – as our first presence in Asia, it is a further contribution to CENIT's increasingly international orientation.

In setting our targets for the future, we focus on continued organic growth. Here an ever more important role attaches to the training of young talent, and this is reflected in both our training quota and the number of trainees that join us upon completing their training. In 2012, we plan to take on more trainees than ever before.

To support our target attainment, we may also make further company acquisitions. In assessing potential candidates, we focus on two main criteria: either the acquisition enables us to secure new technologies or know-how for our enterprise and thus expand our business scope, or it allows us to increase market shares in our traditional fields of business. But the crucial aspect is that acquisitions must always be manageable and successful, so that they pose no threat to our core business.

Our solid and well-considered enterprise policy, coupled with the necessary financial flexibility, enables us to act quickly and independently. We intend to preserve these advantages so that we can continue to seize market opportunities as they arise.

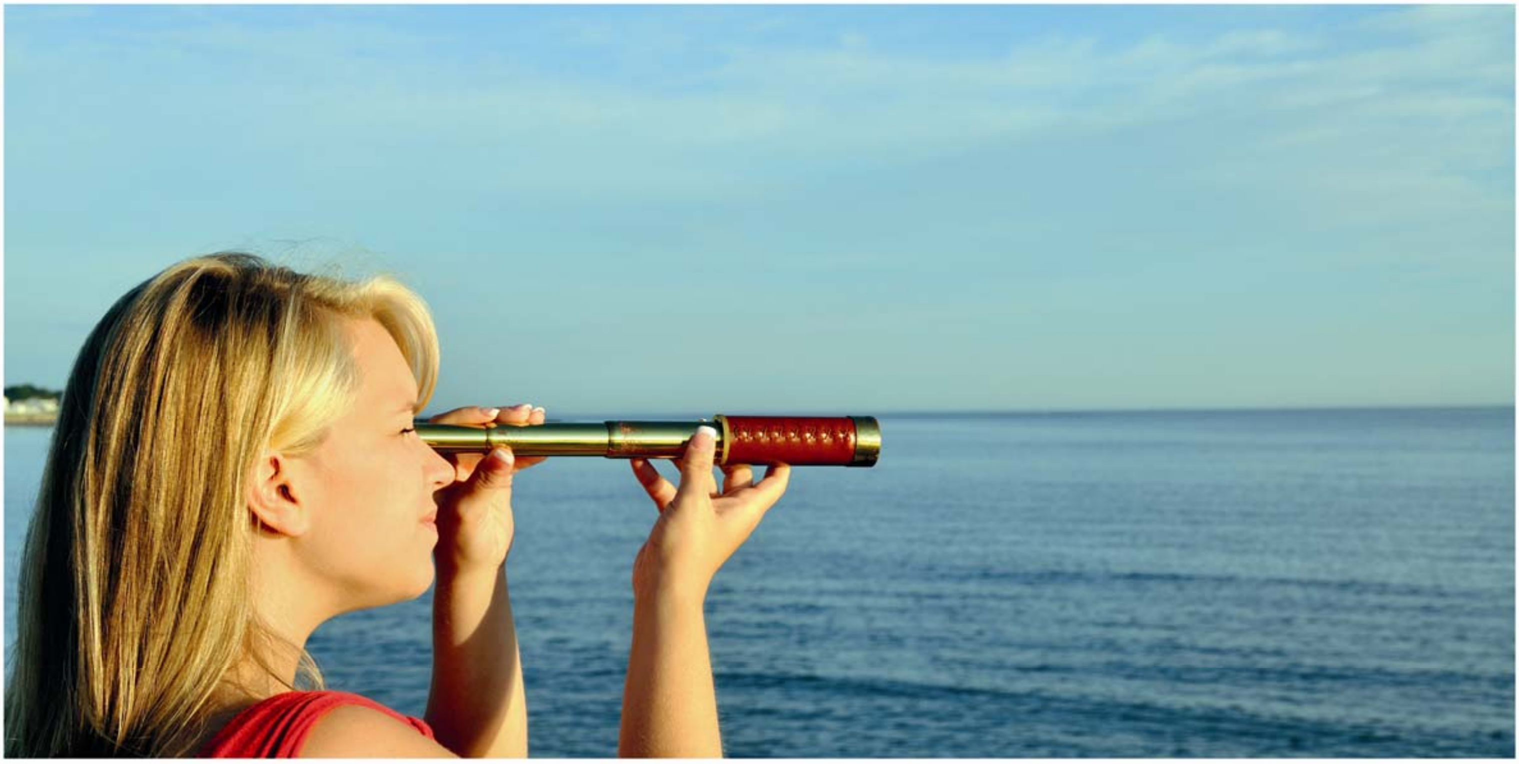
Provided that the economic situation in Germany remains stable, we expect continued growth for CENIT both in 2012 and in the years to come. Thanks to our products and the know-how of our staff we are very well positioned, and we will continue to invest in the development of new products and upgrades of our existing portfolio.

In closing, we wish to thank you – our shareholders, customers and business partners – for the trust you have shown us during the past business year. Our thanks and our recognition also go to our committed staff for their excellent performance.

Your
Managing Board of CENIT AG

Christian Pusch  Kurt Bengel

# REPORT OF THE SUPERVISORY BOARD



# REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS,

The present Report provides information on the activities of the Supervisory Board during the course of the 2011 business year, in accordance with § 171 Para. 2 AktG [Stock Corporation Act]. During the 2011 business year, the Supervisory Board performed the duties to which it is obligated by law and the Articles of Association. We monitored the Association's conduct of business and advised the Managing Board in its guidance of the enterprise. We were involved in all decisions which were of fundamental importance to the enterprise and required participation by the Supervisory Board. Within the ambit of our supervisory and advisory capacity, we regularly requested and received timely and comprehensive reports, in both written and oral form, from the Managing Board. The Managing Board informed us as to the course of business and the economic and financial development of CENIT. Further key reporting matters were the risk situation, risk management, compliance topics, as well as fundamental aspects of enterprise strategy. On the basis of reporting by the Managing Board, our Supervisory Board sessions conducted detailed discussions on the development of business and on decisions and events of significance to the enterprise. Additionally, we considered the Managing Board's planning for the 2012 business year, its medium-term plans, as well as instances in which the actual course of business deviated from prior planning. During inter-sessional periods, the Managing Board kept the Supervisory Board informed of the most important business indicators by providing monthly reports, and duly presented for our consideration such matters as required Supervisory Board approval. The reports by the Managing Board on the business situation and presentations on special matters of interest were supported by written presentations and documents; these were duly dispatched to each Supervisory Board member to permit sufficient pre-session preparation.

Over the past year, the Supervisory Board held five regular sessions and a number of telephone conferences for detailed discussions on the business situation, the strategic development and the long-term positioning of CENIT Group. All members of the Supervisory Board participated in each of these events. In its own estimation, the Supervisory Board possesses an appropriate number of members, who maintain no business or personal relations with the Association or members of the Managing Board such as could give rise to a conflict of interests. In Mr. Hubert Leypoldt, we have an independent financial expert as a member of the Supervisory Board. As during the previous year, the Supervisory Board did not consider it necessary to form committees in view of the low number of Supervisory Board members. During the reporting period, no conflicts of interest arose on the part of Supervisory Board members.

## MATTERS ADDRESSED BY THE SESSIONS OF THE SUPERVISORY BOARD

The Managing Board provided information on the development of sales and results within CENIT Group to all Supervisory Board sessions held during the reporting year 2011. Additionally, it elucidated the course of business in the individual business segments and reported on the asset, financial and earnings situation. In this context, we placed particular emphasis on potential consequences for risk and liquidity management.

## FINANCIAL REPORTS / AUDITS

During its balance sheet session of 4 March 2011, and in the presence of the statutory auditor/ Group statutory auditor, the Supervisory Board considered the annual financial statements of CENIT. The annual financial statement of CENIT Aktiengesellschaft and the consolidated annual financial statement for the 2010 business year, both prepared by the Managing Board, were reviewed, also taking into consideration accountancy reports as well as the Situation Report and Consolidated Situation Report prepared by BDO AG Wirtschaftsprüfungsgesellschaft [Auditing Company], Stuttgart, which was selected as annual auditor by the regular General Meeting of Shareholders on 28 May 2010. In particular, and in detailed discussions with the Managing Board and the annual auditor, the Supervisory Board reviewed the submitted annual financial statement and consolidated annual financial statement as well as the respective Situation Reports, also taking the underlying accounting policy into consideration. On the basis of the audit reports and in individual discussions, the Supervisory Board further considered the results of the audit of the annual financial statements. The Supervisory Board was satisfied that the audit and the audit reports fulfilled the requirements of §§ 317, 321 HGB [Commercial Code]. The annual financial statements for 2010, prepared by the Managing Board and awarded with unqualified audit certificates by the auditor, were conclusively reviewed during the balance sheet session. On 11 March 2011, the Supervisory Board approved the 2010 annual financial statement of CENIT AG and noted the 2010 consolidated financial statement with approval. Upon review, the Supervisory Board endorsed the Managing Board's proposal for the appropriation of balance-sheet profits.

During the session of 4 March 2011, special attention was also accorded to matters of strategy within CENIT Group, also and particularly with respect to activities relating to company acquisitions. On the basis of a comprehensive presentation by the Managing Board, we addressed the strategic orientation of CENIT as well as its various business segments. The Managing Board additionally reported on the implementation status of recommendations by BDO Wirtschaftsprüfungsgesellschaft regarding the internal control system. Part of this session was also dedicated to preparations for the General Meeting of Shareholders on 26 May 2011.

## FURTHER MATTERS ADDRESSED BY SESSIONS AND TELEPHONE CONFERENCES

During the course of the year, the Supervisory Board was continually kept informed of periodic financial results and undertook detailed discussions with the Managing Board on the 2011 semi-annual financial statement as well as the interim reports for the individual Quarters. A consistent focus of these discussions was on the review of developments in results and sales during 2011.

In a telephone conference on 8 February 2011, the Supervisory Board approved the establishment of a subsidiary company in Japan, in the form of a 100 percent subsidiary of CENIT AG. We also discussed further potential company acquisitions. In addition to the annual and consolidated annual financial statements, a telephone conference on 11 March 2011 also addressed in detail the acquisition of Transcat PLM (Switzerland) AG. The Supervisory Board approved this company acquisition during the same session.

Matters addressed by the regular Supervisory Board session of 26 May 2011 were the course of business of CENIT AG as well as risks and opportunities for individual business segments. Additionally, we received reports on activities in the field of company acquisitions, focal points being the status of the acquisition of Transcat PLM (Switzerland) AG as well as the current status regarding the establishment of the subsidiary company in Japan.

In a telephone conference on 10 June 2011, the Supervisory Board approved the new 10-year lease of the central enterprise administration located in Stuttgart, Industriestrasse.

During the following regular Supervisory Board session on 29 July 2011, the Managing Board reported on developments regarding the lease contract in Stuttgart. Additional discussions addressed the levels of variable salary components for CENIT staff members and the underlying remuneration system. With respect to ongoing business, the session primarily considered the 2011 semi-annual financial statement as well as risks and opportunities for individual business segments.

During the Supervisory Board session of 29 August 2011, conducted by way of circular communication, the Supervisory Board approved the new lease contract for the premises in Düsseldorf/Ratingen.

The session of 4 November 2011 focused on the course of business within CENIT, with particular attention on the analysis of the risks related to planning for 2011. Opportunities for further company acquisitions were also discussed.

The last regular session of the year on 9 December 2011 focused primarily on CENIT's planning for the 2012 business year. Intensive discussions were also held on economic prospects for the coming years.

## RISK MANAGEMENT

An important topic addressed by several sessions was risk management within CENIT Group. The Managing Board reported on the chief risks for the enterprise and the risk monitoring system put in place to address them. In a series of discussions with the Managing Board and several meetings with the annual auditor, the Supervisory Board satisfied itself of the effectiveness of the risk monitoring systems.

## CORPORATE GOVERNANCE

On an ongoing basis, we reviewed particulars of corporate governance matters within CENIT Group, including the amendments of the German Corporate Governance Code adopted by the Government Commission. The Supervisory Board is convinced that good corporate governance constitutes a significant foundation for the success, reputation and self-image of an enterprise. For this reason, the Supervisory Board has continually monitored and considered the ongoing development of corporate governance standards and their implementation within CENIT. This also included regular verification of the efficiency of our own activities. Particular attention – also in our discussions with the annual auditor – was accorded to the continual lawfulness of business management and the efficiency of enterprise organization. A culture of continually responsible and lawful conduct, and an awareness of its existential significance to the enterprise, are well entrenched within CENIT and its acting bodies. In accordance with Article 3.10 of the German Corporate Governance Code, the Managing and Supervisory Boards report on corporate governance at CENIT in their Corporate Governance Report. In its session of 29 July 2011, the Supervisory Board issued its 2011 Declaration of Conformity with the German Corporate Governance Code in its version of 26 May 2010, in accordance with § 161 AktG, and has made this declaration available to the Association's shareholders on the Association's website.

## BALANCE SHEET SESSION 2012 ON THE ANNUAL AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2011

Accounting reports, the annual financial statement including the Situation Report for the 2011 business year, as well as the consolidated financial statement including commentary and Group Situation Report for the 2011 business year were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Leonberg, which was selected as annual auditor and consolidated annual auditor by the General Meeting of Shareholders on 26 May 2011. In accordance with its duties, the Supervisory Board reviewed the qualification, independence and efficiency of the auditor.

The auditor has issued unconditional audit certificates for the annual and consolidated annual financial statements of CENIT as prepared by the Managing Board, including the Situation Report and Group Situation Report. The annual financial statement of CENIT Aktiengesellschaft was prepared in accordance with the principles of commercial law. The consolidated annual financial statement follows the International Financial Reporting Standards (IFRS). All members of the Supervisory Board had full and complete access to the financial statement documents and audit reports. The Supervisory Board has discussed the annual auditor's report intensively with both the Managing Board and the auditor, in order to satisfy itself as to its legality and propriety. The Supervisory Board is confident that the annual auditor's reports for 2011 were in full compliance with statutory requirements.

Prior to the sessions, the Supervisory Board was supplied with comprehensive reports by the Managing Board and excerpts from documents of the Association, particularly accountancy documentation. On the basis of this and other information requested by the Supervisory Board during and between sessions, the Supervisory Board was able to fulfill its supervisory duties duly and properly.

During the balance sheet session on 23 March 2012, the annual auditor reported on the essential results of the audit of the financial statement of CENIT Aktiengesellschaft and was available to provide additional information and respond to queries. On this occasion, all members of the Supervisory Board were able to satisfy themselves that the audit has been conducted in compliance with statutory requirements and in an adequate manner.

As a conclusive result of its own review in accordance with § 171 Aktiengesetz, the Supervisory Board noted that no objections were to be raised.

In its session of 23. March 2012, the Supervisory Board endorsed the annual financial statement for the 2011 business year as prepared by the Managing Board, and thus issued its approval in accordance with § 172 Aktiengesetz. Likewise in its session of 23. March 2012, the Supervisory Board endorsed the consolidated financial statement for the 2011 business year.

Upon review, the Supervisory Board endorsed the proposal of the Managing Board for the appropriation of balance-sheet profits.

The Supervisory Board wishes to thank the Managing Board and all staff members of CENIT for their work in 2011. The good results achieved during this business year are owed to praiseworthy commitment by all parties.

Stuttgart, March 2012

For the Supervisory Board

A. Schmidt

Dipl.-Ing. Andreas Schmidt
Chairman, Supervisory Board

# MANAGEMENT REPORT

# REPORT ON THE SITUATION OF THE COMPANY AND THE GROUP FOR THE BUSINESS YEAR JANUARY 1, 2011 TO DECEMBER 31, 2011

CENIT AG group is globally managed by the parent company CENIT AG as an operating company. The group's economic situation is characterized by the economic situation of the AG. Thus, the Board of Directors of CENIT AG combines the management reports of the group and the AG in a single report.

## OVERALL ECONOMIC FRAMEWORK

### GERMANY

The year 2011 was characterized by the European debt crisis and the earthquake catastrophe in Japan. The German economy held its ground in the partially uncertain environment of 2011 and was able to exceed the 2011 forecasts. In accordance with the Federal Statistical Office, for instance, Germany's gross domestic product (GDP) showed 3% growth in 2011 after 3.7% in 2010. In December 2010, the ifo institute only expected 2.4% growth in 2011.

However, the institutes are not as optimistic when it comes to 2012. The ifo institute merely expects a .4% growth of the GDP, the IWF forecasts 1.3% growth for Germany. Both ifo and IWF state a decreasing global economy and the European debt crisis as the main reasons for the imminent downturn. Although this puts Germany slightly ahead of the estimated growth in the Euro zone, the forecasts imply that the country will fall behind other Euro countries.

The growth in 2011 was primarily driven by domestic demand. The economic institutes expect that, in 2012, exports will be burdened and the overall economic capacity utilization will decrease. Unemployment will further decrease in Germany although slower than in 2011. The ifo institute forecasts an unemployment rate of 6.7%.

The insecurity regarding the further developments in Europe, especially Italy, and possible political reactions has a strong influence on the forecasts. We believe that the probability of occurrence of the estimations is slimmer than in usual forecast situations.

### EUROPE

In accordance with Eurostat, the economy in the Euro zone grew by 1.6% growth, while a mere 1.1% is expected for 2012. The institutes believe that the national debt crisis of some countries will continue to have considerable consequences on the European economy in 2012. The extent is difficult to estimate because there are so many uncertainties.

The further developments in Europe will also influence global developments. In accordance with the IWF, especially the European governments have enormous challenges to face. The IWF says the financial market should therefore show more patience, as important things take their time. Germany's future economic development is influenced by the further developments in the Euro zone.

### USA

The earthquake in Japan and the debt crisis in Europe also caused a lot of trouble for the US economy in 2011. In accordance with information provided by the United States Department of Commerce, the GDP increased by 1.7% in 2011. The 2012 forecast was also lowered to now 2.5% to 2.9%. The IWF is even more cautious and expects an increase of economic output by 1.8% in 2012 while stating that the USA is on a balancing act between economic stimulus measures and budget consolidation. The slump in the US stock market in the summer of 2011 put another strain to the consumers' trust – and with this affected consumer spending. At 9.1% and an estimated 8.5% to 8.7% (estimation by the Federal Reserve) in 2012, unemployment is still extremely high in the USA. Overall, the Federal Reserve expects that the situation will improve over the next couple of years, but at a very slow pace.

### JAPAN

After the earthquake catastrophe in 2011, the Japanese government estimates that the Japanese economy will shrink by .1% (tax year April 1, 2011 to March 31, 2012). The economy will further improve and increase by 2.2% in the next tax period 2012/13. These government expectations are based on the assumption that the European debt crisis will ease and the situation of the global economy will show overall improvement. The large reconstruction investments of the government would also add to the growth.

## INDUSTRY SPECIFIC ECONOMIC CONDITIONS

As compared to the overall economy, the ITC industry has a rather positive outlook on the coming months. The BITKOM-index as the industry's barometer ranged at 60 points in the fourth quarter of 2011. The BITKOM-index compares the sales expectations of the industry with those of the same quarter of the prior year. In accordance with BITKOM, demand is driven by the many innovations of the high tech providers. The association expects that the German ITC market will exceed the 150-billion-Euro-threshold for the first time – through estimated sales growth of 2.2% to 151.3 billion Euro.

The European Information Technology Observatory (EITO) says the main reason for the growth of the European IT market is the increasing demand for software. In accordance with the EITO forecast, the European IT market will grow by 2.7% in 2012. Overall, the European IT market suffered a slight decrease by .6% in 2011.

Especially the countries directly affected by the debt crisis suffered a high decrease. The Greek, Italian and Spanish IT market decreased by 12%, 4% and 5%, respectively.

In accordance with BITKOM, the European debt crisis did not yet have any significant consequences on the high tech market. In addition to apps and security solutions, the industry association considers cloud computing as the most important market trend in 2012.

Cloud computing remains one of the main topics on a global scale, too. The International Data Corporation (IDC) expects a lot of movement in cloud service competition. In accordance with IDC, 2012 will be the year of the rise of mobile technologies. Overall, IDC forecasts a global increase in IT spending by 6.9% to US$ 1.8 trillion. In-memory databases and business-intelligence-tools will also play a central role in 2012. The IDC says that digital contents will increase by 48% to 2.7 Zettabyte as compared to 2011 – more than 90% of this information will be unstructured data.

The German BITKOM-industry is confident for 2012. The further course depends on the overall economic development.

## CENIT'S POSITIONING

CENIT is active in Product Lifecycle Management (PLM) and offers solutions in the Enterprise Information Management (EIM) market.

CENIT is the specialist for its customers' core processes and focuses on the manufacturing and financial services industry. The CENIT's consulting, service and software portfolio is based on standard products of its software partners and CENIT-own solutions based thereon. These partners are leading software providers like Dassault Systèmes, IBM and SAP. The employees of CENIT group have a high level of process and technology know-how of the target industries and are thus able to support the customers upon planning, implementing and optimizing their business and IT processes in an industry-specific manner.

To enable our customers to concentrate on their core competencies, CENIT group also assumes management of the applications and IT infrastructures therewith connected. The primary goal of the company is the increase of efficiency and sustained growth in sales.

## PARTICIPATING INTERESTS/ SUBSIDIARIES

CENIT has its headquarters in Germany (Stuttgart) and is represented in the most important industrial centers in Germany. In addition, the American market is served by a subsidiary near Detroit. CENIT is also represented in Switzerland and Romania. CENIT's subsidiary in Toulouse provides on-site assistance to Airbus SAS, a leading aerospace company. Since 2011, we also have a subsidiary in Japan. The domestic and foreign companies that are included in the consolidated financial statements are consolidated in accordance with the uniform accounting principles of CENIT group. We use the same accounting methods as a basis for the consolidated entities that we apply for the German AG. The subsidiaries specialize in providing services and software services. In addition, CENIT holds a third of the joint venture CenProCS AIRliance GmbH. The joint venture renders services and consulting to the joint major client EADS.

### CENIT (SCHWEIZ) AG, EFFRETIKON/SWITZERLAND

In the second quarter of 2011, CENIT (Schweiz) AG acquired Transcat PLM AG, Switzerland. The company was merged with CENIT (Schweiz) AG within only a few weeks time. In the year under review, the subsidiary generated sales of EUR 9,991k (2010: EUR 3,789k), the EBIT amounting to EUR 883k (2010: EUR 448k). Operations in Switzerland mainly focus on PLM solutions by Dassault Systèmes and EIM solutions by IBM. The takeover of Transcat PLM AG significantly strengthened the PLM segment. At this time, 19 employees work at the branch offices in Effretikon and Yverdon-les-Bains and mainly support customers of the manufacturing and financial services industry. CENIT (Schweiz) is a wholly owned subsidiary of CENIT AG.

### CENIT NORTH AMERICA INC., AUBURN HILLS/USA

CENIT North America Inc. was able to generate sales of EUR 10,094k (2010: EUR 6,739k), the EBIT amounting to EUR 1,612k (2010: EUR 233k). The large increases are due to a non-recurring major project and an overall satisfying order situation. In the USA, the focus is on the distribution of CENIT software products in the PLM field, whereas we primarily address customers of the aerospace and manufacturing industry. 29 employees are assigned to service and distribution units.

### CENIT SRL, IASI/ROMANIA

CENIT SRL generated sales of EUR 1,138k (2010: EUR 549k), the EBIT amounting to EUR 84k (2010: EUR 31k). 24 employees mainly render services and further software development. The distribution of software of the strategic partner Dassault Systèmes in the PLM area is another one of our focal points in Romania.

### CENIT FRANCE SARL, TOULOUSE/FRANCE

CENIT France SARL generated sales of EUR 594k (2010: EUR 674k), the EBIT amounting to EUR 31k (2010: EUR 69k). The 3 employees primarily support the customer EADS Airbus in Toulouse in project consulting and bidding procedures.

### CENIT JAPAN K. K., TOKYO/JAPAN

CENIT Japan K. K., which was newly founded in 2011, generated sales of EUR 50k, the EBIT amounting to EUR -178k. CENIT has successfully distributed own service and consulting products through local partners in Japan for a number of years. The company's own representation – currently with 3 employees – is supposed to highlight the market's importance for the future; especially in the field of offline-programming of robots.

### CENPROCS AIRLIANCE GMBH, STUTTGART/GERMANY

The joint venture of CS Communication & Systèmes, CENIT AG, and PROSTEP AG was founded in 2008 and enables the major customer EADS to access well-established know-how and expert knowledge through a single contract partner. CENIT AG holds a one-third participating interest in the joint venture, which is recognized in the consolidated financial statements at equity. CenProCS AIRliance GmbH prepares independent annual financial statements.

## ANNUAL RESULTS

### SUMMARY OF THE COURSE OF BUSINESS

2011 was a good year for CENIT. The first six months already showed a clearly positive tendency in demand and thus in incoming orders. Especially the increasing demand in the manufacturing and automobile supplier industry made for increased in the PLM area. Due to the promising first quarters, the company adjusted its annual forecast for 2011 after the second quarter and again after the third one.

CENIT AG was able to further expand international operations due to our backup in Switzerland and the new subsidiary in Japan. CENIT is also intensely working on expanding the portfolio even more. The company wants its software solutions to respond to market requirements and adjust them accordingly.

In the reporting year, capacity utilization in the area of services (CENIT services and consulting) of both the AG and the group amounted to some 90% on average.

### TRANSCAT PLM AG, SWITZERLAND

Per May 16, 2011, CENIT took over Transcat PLM AG, domiciled in Switzerland. On June 1, 2011, CENIT (Schweiz) AG was merged with Transcat PLM AG with retroactive effect per January 1, 2011. Assets and liabilities of of Transcat PLM were transferred to CENIT (Schweiz) AG. First-time consolidation of Transcat PLM AG, Switzerland, was effected per June 1, 2011.

# INCOME SITUATION

## INCOME SITUATION CENIT GROUP (IN ACCORDANCE WITH IFRS)

### CLASSIFICATION OF SALES IN ACCORDANCE WITH PRODUCT/INCOME TYPE

| in kEUR | 2011 | 2010 |
|---|---|---|
| CENIT consulting and services | 54,540 | 50,625 |
| CENIT software | 11,676 | 9,901 |
| Third party software | 41,358 | 31,915 |
| Merchandise | 266 | 733 |
| **Total** | **107,840** | **93,174** |

### CLASSIFICATION OF SALES IN ACCORDANCE WITH BUSINESS SEGMENTS

| in kEUR | 2011 | 2010 |
|---|---|---|
| EIM | 28,954 | 27,660 |
| PLM | 78,886 | 65,514 |
| **Total** | **107,840** | **93,174** |

77.9% (2010: 89%), 12.4% (2010: 4%) and 9.7% (2010: 7%) of sales were generated in Germany, European countries and non-European countries, respectively.

CENIT group generated sales of EUR 107,840k (2010: EUR 93,174k) in 2011 and therewith showed a 15.7% increase. Sales of CENIT consulting and services increased by 7.7%. At 29.6%, third party software sales increased considerably. This was based on the value-added-reseller-transaction of the partner Dassault Systèmes. Sales of CENIT-own software increased from EUR 9,901k to EUR 11,676k (17.9%). Especially the software products FASTSUITE and cenitCONNECT in the PLM field and IBM FileNet System Monitor, ECLISO in the EIM-field were distributed successfully.

### KEY DATA REGARDING RESULT DEVELOPMENT

| in kEUR | 2011 | 2010 |
|---|---|---|
| Gross profit | 69,470 | 61,152 |
| EBITDA | 8,736 | 5,741 |
| EBIT | 6,262 | 3,965 |
| Total financial result | 241 | 162 |
| Net income for the year | 4,352 | 3,009 |
| EPS | 0.52 | 0.36 |

The gross profit (operating output less cost of materials) amounted to EUR 69,470k (2010: EUR 61,152k) and thus increased by 13.6%. The gross profit margin, however, slightly decreased from 65.2% to 63.8%. This is due to modifications in the sales mix during the business year. Personnel expenses increased by EUR 4,714k as compared to the prior year and the average number of employees also increased. Especially the performance-based remuneration increased to EUR 4,679k (2010: EUR 2,674k). CENIT achieved an EBITDA of EUR 8,736k (2010: EUR 5,741k/52.2%) and an EBIT of EUR 6,262k (2010: EUR 3,965k/57.9%). The EBITDA margin in relation to the operating output showed a pleasant increase from 6.1% to 8.0%.

As compared to the prior year, earnings per share (EPS) increased from EUR .36/share to EUR .52/share and thus by some 44.4%.

## INCOME SITUATION CENIT INDIVIDUAL FINANCIAL STATEMENTS (IN ACCORDANCE WITH HGB)

### CLASSIFICATION OF SALES IN ACCORDANCE WITH PRODUCT/SALES TYPE

| in kEUR | 2011 | 2010 |
|---|---|---|
| CENIT consulting and services | 47,341 | 48,863 |
| CENIT software | 10,555 | 9,323 |
| Third party software | 34,757 | 29,829 |
| Merchandise | 262 | 730 |
| **Total** | **92,915** | **88,746** |

## CLASSIFICATION OF SALES IN ACCORDANCE WITH BUSINESS SEGMENTS

| in kEUR | 2011 | 2010 |
|---|---|---|
| EIM | 25,667 | 28,000 |
| PLM | 67,248 | 60,746 |
| **Total** | **92,915** | **88,746** |

In 2011, CENIT AG generated sales of EUR 92,915k (2010: EUR 88,746k). At 3.1% in total, the most profitable area consulting and services decreased as compared to the prior year. While sales from external services decreased by EUR 1,966k, consulting through CENIT employees increased by EUR 444k. The proportion of third party software sales amounted to EUR 34,757k (2010: EUR 29,829k) while sales resulting from CENIT-own software increased to EUR 10,555k (2010: EUR 9,323k). In the field of PLM, sales could be considerably increased with regard to both CENIT-own and third party software. Especially the products cenitCONNECT and FASTSUITE in the PLM field as well as products like ECLISO in the EIM business segment were able to convince CENIT's customers.

## KEY DATA REGARDING CENIT AG'S RESULT DEVELOPMENT

| in kEUR | 2011 | 2010 |
|---|---|---|
| Gross Profit | 60,603 | 57,889 |
| EBITDA | 5,936 | 5,091 |
| EBIT | 4,378 | 3,860 |
| Total financial result | 264 | 582 |
| Net income for the year | 3,079 | 693 |

The company's gross profit amounted to EUR 60,603k (2010: EUR 57,889k). At 65.2%, the gross profit margin approximately equals that of the prior year.

CENIT AG's EBITDA amounted to EUR 5,936k after EUR 5,091k in 2010 (+16.6%). Thus, the EBITDA margin showed a slight increase from 5.7% in the prior year to 6.4% in 2011. The EBIT amounted to EUR 4,378k after EUR 3,860k in 2010 (+13.4%). Amortization and depreciation of intangible and tangible assets increased by EUR 326k to EUR 1,558k due to the new construction of the in-house computer center and the redesign and new furnishing of the office premises in Stuttgart. The company expects savings in rental payments due to the optimization of the rental spaces.

Personnel expenses increased by EUR 2,250k as compared to the prior year. The average number of employees increased slightly.

Because of the takeover of Transcat PLM AG by CENIT (Schweiz) AG, the company abstained from a dividend distribution of the subsidiary in 2011. The net income for the year in Romania was used for further business establishment. Hence, the financial result is solely generated through the investment of securities and monetary items.

## FINANCIAL STANDING

FINANCIAL STANDING CENIT GROUP (IN ACCORDANCE WITH IFRS)

| in kEUR | 2011 | 2010 |
|---|---|---|
| Noncurrent assets | 10,507 | 10,018 |
| Current assets | 45,910 | 39,711 |
| **Balance sheet total** | **56,418** | **49,729** |
| | | |
| Equity ratio | 57.1% | 58.4% |
| Equity | 32,206 | 29,037 |
| Noncurrent liabilities | 2,345 | 1,534 |
| Current liabilities | 21,867 | 19,157 |
| **Balance sheet total** | **56,418** | **49,729** |

Overall, the noncurrent assets only changed slightly. The increase due to the acquisition of Transcat PLM AG, Switzerland, is offset by increase amortization and depreciation. In addition, an amount of EUR 2,000k was re-invested in bearer bonds after EUR 3,000k were released due to the final maturity of bearer bonds. At balance sheet date, equity amounts to EUR 32,206k (2010: EUR 29,037k). The equity ratio amounts to 57.1% (2010: EUR 13,306k). Sufficient overdraft facilities of EUR 2,327k are available in addition to liquid funds.

Both current assets and current liabilities correspond with the course of business. Cash flow from operations amounted to EUR 8,266k (2010: EUR 1,973k) and was influenced by the payment of the dividend to our shareholders (EUR 1,255k in total), investments in property, plant and equipment (EUR 1,842k) and investments in noncurrent financial assets (EUR 2,000k).

FINANCIAL STANDING CENIT INDIVIDUAL FINANCIAL STATEMENTS (IN ACCORDANCE WITH HGB)

| in kEUR | 2011 | 2010 |
|---|---|---|
| Fixed assets | 5,655 | 5,844 |
| Current assets | 20,983 | 19,001 |
| Liquid funds and securities | 13,994 | 12,377 |
| Prepaid expenses and deferred charges | 2,974 | 2,934 |
| **Balance sheet total** | **43,606** | **40,154** |
| | | |
| Equity ratio | 56.7 % | 57.0 % |
| Equity | 24,728 | 22,904 |
| Provisions | 6,887 | 6,338 |
| Liabilities | 8,661 | 8,967 |
| Deferred income | 3,330 | 1,945 |
| **Balance sheet total** | **43,606** | **40,154** |

Fixed tangible assets increased due to investments while we also invested in intangible assets. Liquid funds of EUR 2,000k were re-invested in bearer bonds after EUR 3,000k were released due to the final maturity of bearer bonds.

Per balance sheet date, equity amounts to EUR 24,728k (2010: EUR 22,904k). The equity ratio amounts to 56.7% (2010: 57.0%). Bank balances and liquid funds amount to EUR 13,028k (2010: EUR 11,410k) at balance sheet date. In addition to liquid funds, sufficient overdraft facilities of EUR 2,327k are available. Both trade receivables at EUR 18,448k (2010: EUR 16,726k) and trade payables at EUR 3,070k (2010: EUR 4,400k) correspond with the course of business. Trade receivables remained virtually the same as compared to the prior year.

This financial independence allows CENIT internal financing that corresponds with the course of business, which presents a competitive advantage for CENIT in the future and offers the company's customers the necessary investment protection.

## FINANCIAL PERFORMANCE

Bank loans and overdrafts do not exist – neither of current nor noncurrent nature. Granted overdraft facilities of EUR 2,327k are not utilized at this time. The liquid funds that are not required for financing operations are invested in the short-term or sometimes medium-term investment field in consideration of an adequate yield/risk relation. In the reporting year, investments in property, plant and equipment and financial assets were self-financed in full. The good financial performance allows long-term internal financing.

KEY DATA ON THE CONSOLIDATED CASH FLOW STATEMENT (IFRS)

| in kEUR | 2011 | 2010 |
|---|---|---|
| Cash flow from operations | 8,266 | 1,973 |
| Capex (investments) | -2,258 | -4,756 |
| Free cash flow* | 6,008 | -2,783 |
| Free cash flow per share/cent | 0.72 | -0.33 |
| Cash flow from financing activities | -1,255 | -2,510 |
| Cash and cash equivalents per balance sheet date | 18,135 | 13,306 |

*cash flow from operations less Capex

Cash flow from operations greatly increased as compared to the prior year. Net payment means used for the investments decreased from EUR 4,756k in 2010 to EUR 2,258k in the reporting year. Cash and cash equivalents at the end of the year thus amounts to EUR 18,135k, which constitutes a EUR 4,828k increase.

FINANCIAL PERFORMANCE OF CENIT AG (HGB)

Reporting-date related liquidity increased from EUR 11,410k in the prior year to EUR 13,028k at reporting date of the year under review. Cash receipts from operations considerably increased to EUR 4,240k (EUR +2,154k as compared to the prior year). Investment-related cash payments were characterized by payments for furnishing the Stuttgart office premises and the further expansion of the data processing center. The acquisition and disposal of securities released a netted total of EUR 1,000k in liquid funds. The dividend of EUR .15 per share resolved upon at last year's shareholders' meeting resulted in cash payments of EUR 1,255k.

## DIVIDEND SUGGESTION

The Board of Directors and Supervisory Board will suggest to the shareholders' meeting on June 6, 2012, to use the unappropriated retained earnings of EUR 2,613k for distributing a dividend of EUR .30 per share. The company still assumes that the economic development will be stable in the next months. Experience has shown that long-term protection of liquidity and the maintaining of financial independence are sensible in times of crisis. Ultimately, CENIT's good financial situation is a decisive competitive advantage in the scope of bidding procedures, which provides the customers' investment projects – amongst other things with regard to CENIT group's services and software products – with the necessary security. Other existing liquid funds are supposed to enable CENIT the continued participation in the growth of the markets we address to the reasonable extent, both in the interest of the group and that of its shareholders. This, for instance, includes the expansion of service and software activities. Interesting acquisitions are thus constantly inspected and assessed. However, further technology expansion with respect to new topics and software development also require capital.

Against this background, the financial strategy is still aligned with maintaining a good and sustained financial standing, which however also takes the shareholders' interest in receiving a dividend into account.

## ORDER DEVELOPMENT

Incoming orders of the group amounted to EUR 122,900k (2010: EUR 103,393k) in 2011. At December 31, 2011, the order backlog amounted to EUR 48,177k (2010: EUR 38,249k).

In Germany, incoming orders ranged at EUR 101,242k (2010: EUR 97,944k) in 2011. Per December 31 2011, CENIT AG's order backlog amounted to EUR 44,032k (2010: EUR 34,091k). CENIT AG is well established on the market and was able to conclude some framework agreements with terms beyond 2012.

## LIQUIDITY PROTECTION

In addition to financial planning, CENIT uses monthly liquidity planning. Excess liquidity is used for financing projects, software development, investments and the expansion of the individual (foreign) entities.

In 2011, both CENIT AG and its consolidated companies were able to meet their payment obligations at any time.

## INVESTMENTS

Investments in property, plant and equipment usually play a minor role at CENIT. They mainly concern investments in factory and office equipment of distribution branches and headquarters. The majority of the investments were made as replacement investments in the technical infrastructure. The Stuttgart headquarters, for instance, received a new data processing center while the office premises were redesigned and re-furnished.

### CENIT GROUP (IFRS)

The group's investments in property, plant and equipment and intangible assets amounted to EUR 4,183k (2010: EUR 4,544k) in 2011. Amortization and depreciation of property, plant and equipment and intangible assets amounted to EUR 2,474k (2010: EUR 1,776k).

Investments including first-time consolidation effects (intangible assets and property, plant and equipment) can be attributed to the segments as follows:

INVESTMENTS IN ACCORDANCE WITH GROUP OPERATING SEGMENTS

| in kEUR | 2011 | 2010 |
|---|---|---|
| EIM | 730 | 3,814 |
| PLM | 3,453 | 730 |
| **Total** | **4,183** | **4,544** |

CENIT AG, GERMANY (HGB)

In 2011, investments in tangible and intangible assets amounted to EUR 2,074k (2010: EUR 1,081k). Amortization and depreciation of tangible and intangible assets amounted to EUR 1,558k (2010: EUR 1,232k).

The investments (intangible and tangible assets) concern the individual segments as follows:

| in kEUR | 2011 | 2010 |
|---|---|---|
| EIM | 724 | 411 |
| PLM | 1,350 | 670 |
| **Total** | **2,074** | **1,081** |

All investments were financed from the operating cash flow.

## CURRENCY MANAGEMENT

The high volatility on the currency markets and the uncertainty regarding the development of the exchange rate resulting therefrom only have marginal influence on CENIT. Amongst others, CENIT Group's operations generate means of payment in US dollar (USD), Swiss franc (CHF) and yen (JPY). Thus, CENIT is subject to a certain currency risk although only relatively small proportions of the group's proceeds and sales come up in these currencies. Risk management observes and assesses the respective currency fluctuations and provides timely protection if the need arises. However, our main currency is the euro (EUR).

## INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT WITH REGARD TO THE ACCOUNTING AND GROUP ACCOUNTING PROCESS, § 315 PARA. 2 NO. 5 HGB (CENIT AG: § 289 PARA. 5 HGB)

The material characteristics of CENIT's in-house control system and risk management with regard to the accounting and group accounting process can be described as follows:

A clear management and corporate structure exists for the company as well as the other consolidated companies. The functions of the departments substantially involved in the accounting and group accounting process, namely accounting and tax, consolidation and controlling as well as investor relations, are clearly separated.

The financial systems used are protected from unauthorized access through respective equipment in the EDP field. As far as possible, we use standard software for all areas finance. Adequate and continuously updated policies ensure the uniform treatment within the company/group.

Departments and segments that are involved in the accounting and group accounting processes are adequately furnished both with regard to quality and quantity. Received or forwarded accounting data is constantly assessed for completeness and accuracy, e.g. through sample testing. The utilized software performs programmed plausibility checks.

The "second set of eyes" principle is applied to all accounting relevant processes. Respective supervisory committees (Supervisory Board) are implemented with regard to truth and fairness of internal and external accounting.

The internal control and risk management system with regard to the accounting and group accounting process, the material characteristics of which are described above, ensures that financial recognition, processing and assessment of business matters as well as adoption for accounting or group accounting is carried out accurately. Appropriate personnel resources, use of adequate software and clear statutory and in-house requirements form the basis for a proper, uniform and consistent accounting and group accounting process. The clear definition of areas of responsibility and different control and supervisory mechanisms guarantee precise and responsible accounting. In detail, we thereby achieve that business transactions are recorded, processed and documented in compliance with the statutory requirements, the articles of association and internal guidelines and are entered in the books both timely and accurately. At the same time, this ensures that assets and liabilities are accurately assessed, recognized and measured in the financial statements and consolidated financial statements and that reliable and relevant information is provided in a complete and timely manner.

## DISCLOSURES IN ACCORANCE WITH THE TAKEOVER BIDS DIRECTIVE IMPLEMENTATION ACT

### Referring to § 315 para 4 no 1 HGB (CENIT AG: § 289 para 4 no 1 HGB)

Since its entry in the commercial register on August 14, 2006, the company's nominal capital amounts to EUR 8,367,758.00 and is fully paid in. It is divided into 8,367,758 non-par value shares of EUR 1.00 each. All shares are ordinary non-par bearer shares. The rights and obligations connected with the ownership of shares can be taken from the German Corporation Act.

### Referring to § 315 para 4 no 6 HGB (CENIT AG: § 289 para 4 no 6 HGB)

The appointment and dismissal of members of the Board of Directors is governed by § 84 AktG. In addition, § 7 no 1 and 2 of the articles of association govern that the Supervisory Board appoints the members of the Board of Directors as well as their number. The Board of Directors consists of at least two members (§ 7 no 1 of the articles of association).

The provisions for amending the articles of association are governed by §§ 133, 179 AktG. § 21 no 1 of the articles of association includes the supplementary provision that resolutions of the shareholders' meeting are made with simple majority and, unless a majority of capital is required, with simple majority of capital unless the laws and provisions or the articles of association provide otherwise. § 16 of the articles of association authorizes the Supervisory Board to amend the wording of the articles of association.

### Referring to § 315 para 4 no 7 HGB (CENIT AG: § 289 para 4 no 7 HGB)

#### Authorization to purchase treasury shares and re-sell treasury shares

Suspending the authorization to acquire treasury shares of May 29, 2009, the Board of Directors was authorized to – upon approval of the Supervisory Board – acquire non-par value treasury shares (ordinary shares) for the purpose of redeeming them for the company once or more than once until May 27, 2015. The redemption does not require an additional resolution of the shareholders' meeting.

The Board of Directors was also authorized to – upon approval of the Supervisory Board – acquire non-par value treasury shares (ordinary shares) for the purpose of reselling them on behalf of the company once or more than once until May 27, 2015. In the event of a re-sale, which requires the approval of the Supervisory Board, the Board of Directors is authorized to do the following:

- Re-sale on the stock exchange whereas § 71 para 1 no 8 clause 2 AktG remains unaffected;

- Consideration in return for the acquisition of companies or participating interests in companies if the purpose of the target company essentially corresponds with the scope of that of the company in accordance with § 2 para 1 of the articles of association; in the process, the Board of Directors can bar any statutory subscription rights of the shareholders upon approval of the Supervisory Board.

The unit price (excluding incidental disposal costs) at which the treasury shares are sold may not fall significantly short of the average market price for the company's ordinary shares at the Frankfurt stock exchange during the last five trading days preceding the conclusion of the contract regarding the acquisition of a company or participating interest in a company, determined on the basis of the arithmetic mean of the XETRA-trade closing prices of the ordinary shares of the company (or a functionally comparable follow-up system that took the place of the XETRA-system).

Due to the authorization described above, a maximum of treasury shares amounting to – arithmetically speaking - 10% of the company's nominal capital may be acquired by the company including those shares that were already acquired and are still owned by the company. The equivalent for one share (excluding incidental acquisition costs) may not exceed or fall below the market price by more than 10%. The decisive market price is the average market price for the company's ordinary share at the Frankfurt stock exchange during the last five trading days preceding the acquisition of the shares, determined on the basis of the arithmetic mean of the XETRA-trade closing prices of the ordinary shares of the company (or a functionally comparable follow-up system that took the place of the XETRA-system). In the event of a redemption of shares, the Supervisory Board is authorized to amend the wording of the articles of association according to the extent of the capital reduction.

### Authorized capital

Suspending the authorization to increase the nominal capital of June 13, 2006, the Board of Directors is authorized to increase – upon approval of the Supervisory Board – the nominal capital once or more than once by up to a total of EUR 4,183,879.00 by issuing new non-par bearer shares in exchange for either cash contribution or contribution in kind until midnight of May 25, 2016 (authorized capital 2011) whereas the number of shares must increase at the same ratio as the nominal capital. The shareholders are entitled to subscription rights. The new shares can also be assumed by one or multiple bank(s), which thereby also assume(s) the responsibility to offer the shares to the company's shareholders for subscription.

Upon approval of the Supervisory Board, however, the Board of Directors is authorized to exclude the statutory subscription rights of the shareholders in the following cases:

a) The Board of Directors is– upon approval of the Supervisory Board – authorized to exclude the shareholders' subscription rights for fractional amounts.

b) The Board of Directors is – upon approval of the Supervisory Board – authorized to exclude the shareholders' subscription rights in the event of a capital increase in exchange for a contribution in kind if the contribution in kind was conducted for the purpose of acquiring companies, business units and/or participating interests in companies or in the scope of business combinations.

c) The Board of Directors is – upon approval of the Supervisory Board – authorized to exclude the shareholders' subscription rights in the event of a capital increase by cash contribution if the capital increases resolved upon on the basis of this authorization do not, in total, exceed 10% of the nominal capital existing at the time of the shareholders' meeting's resolution or, if this amount is lower, at the time of the respective exercise of the authorization and if the issue amount does not fall significantly short of the exchange price. The ceiling of 10% of the nominal capital is reduced by the proportional amount of the nominal capital assigned to those treasury shares of the company that are disposed of during the term of the authorized capital under exclusion of the shareholders' subscription rights in accordance with §§ 71 para 1 no. 8 clause 5, 186 para 3 clause 4 AktG.

   The total of the shares issued in accordance with this authorization under exclusion of the subscription right in exchange for cash contributions and contributions in kind cannot exceed a proportional amount of the nominal capital of EUR 1,673,551 (20 per cent of the current nominal capital). The Board of Directors is authorized to determine the further details of the capital increase and share issue requirements upon approval of the Supervisory Board.

The Supervisory Board is authorized to adjust the wording of § 5 of the articles of association subsequent to partial or full conduct of the nominal capital increase in accordance with the respective utilization of the authorized capital.

### § 289a HGB – Corporate governance statement

The Board of Directors and the Supervisory Board of the company issued the corporate governance statement for 2011 required by § 289a HGB and made it permanently accessible on the Internet homepage at: http://www.cenit.de/de/corporate/investor-relations/corporate-governance.html.

## RISK REPORT

Using the group-wide opportunity and risk management system, the company is able to identify possible risks early on to assess them correctly and limit them to the best possible extent. By continuously considering the risks, CENIT AG is able to estimate the presumed overall status both systematically and timely and is in a better position to assess the effectiveness of corresponding counter measures. The company includes operating risks as well as financial, economic and market-related ones in the process.

Opportunities result from the complementary view of the operating and functional risk structure in all risk areas.

CENIT AG sets up adequate risk provisioning for identifiable and accountable risks. Currency and default risks are systematically monitored on the basis of guidelines that determine the basic strategy, provisions for set-up and process organization and responsibilities.

CENIT AG's Board of Directors installed a systematic risk management system. Operating risk management includes early-on detection, communication and sustainability of risk steering. Risk reporting includes that the person responsible for each business segment constantly inform the Board of Directors about the current risk situation. Moreover, in urgent cases, risks arising on short notice and risks that concern the entire group are directly communicated to the competent risk manager of CENIT AG irrespective of the normal reporting channels. In correspondence with the statutory regulations, the business segments' risk situation is presented to the Board of Directors and the Supervisory Board of CENIT AG in detail. These reports are supplemented by current notifications as soon as risks change or cease to exist or if new ones arise. This guarantees the continuous information of the Board of Directors and the Supervisory Board. Internal quality assessments review whether the consolidated entities and their risk management measures comply with the risk management system. Insights gained in the process are used to further improve early-on detection and risk management.

CENIT is well positioned in its target markets and has a strong market position with its medium-sized and large customers in the fields of Product Lifecycle Management (PLM) and Enterprise Information Management (EIM). The risk policy is aimed at exploiting existing opportunities to the best possible extent and taking operation-related risks only if the chances to establish a corresponding added value outweigh the risks. CENIT accounts for these maxims by periodically and consistently identifying, assessing and monitoring risks in all material business transactions and processes within the consolidated entity. Risk management is part of corporate management and reports directly to the Board of Directors. The existing risk management system forms the basis for observing and assessing the risks and taking corrective measures if the need arises. We examine the functionality of the system periodically whereas we do not check whether the identified risks were accurately assessed but much rather whether the system is capable of identifying risks in due time. In addition, we conduct risk stocktaking on a regular basis. Our semi-annual or annual risk reporting documents and assesses the risks that arose. A risk ad-hoc report is also possible for swift and unbureaucratic responses. A detailed report on the status of the material risks that require monitoring includes the assessment, existing and planned measures as well as the responsible persons.

The Board of Directors checks the classified risks together with the business unit managers and the heads of the individual segments. The Supervisory Board is also informed about the risk situation on a regular basis.

The inventory of receivables can hold risks regarding the collectability of such receivables (default risk). CENIT counters this risk by strict claims management, credit assessments, the requirement of advance invoices and early-on risk categorizing.

The company does not depend on financing by banks. Thus, the Board of Directors does not believe that liquidity risks exist. Credit facilities did not exist for the subsidiaries in the USA, Switzerland, France, Romania and Japan and were not required.

To protect and strengthen the skills and commitment of the executive employees, CENIT will keep positioning itself as an attractive employer and strive to keep executives with the company for the long-term. Components of consistent management development especially include the provision of perspective, target-oriented support and consulting, early-on identification and promotion of high-potential candidates and attractive incentive programs. CENIT has specialists with many years of professional experience in all areas of operation.

Expansion and maintenance of operations holds entrepreneurial risks. However, these risks are manageable, as the expansion of operations is based on organic growth.

## RISK MONITORING

Risk monitoring is the responsibility of local and central risk management. The local risk manager defines early-warning indicators for the critical success factors whereas central risk management is responsible for monitoring the defined early-warning indicators. As soon as the defined thresholds are reached, the local risk manager prepares a risk report, i.e. a forecast of the consequences to be expected from the occurrence of the risk for CENIT. These forecasts are ideally completed by scenario analyses that take different data constellations into account. On the basis of this information and the proposed measures of the local risk managers and central risk management, the Board of Directors then decides whether and to what extent measures for handling the risk are to be taken or if an adjustment of the corporate objectives is necessary. Local risk management is responsible for following-up on early-warning indicators, monitoring of the corresponding thresholds and conducting the scenario analyses.

To conclude: The company uses a vast number of management and control systems for measuring, monitoring and managing risks, which are all subject to continuous development and updating. Amongst others, this includes a group-wide uniform strategy, planning and budgeting process that basically concerns opportunities and risks of operations. The identified risks as well as the measures for risk assessment determined in the scope of the strategy, planning and budgeting process are monitored.

Following up on and managing risks shows positive outcome as for instance in the scope of the change-request-process for meeting security and technical risks. Contract certainty is examined especially with regard to major projects.

In addition to economic risks on the global markets, further growth and thus sustained economic success significantly depend on the successful marketing of CENIT's solution and consulting portfolio and the IT services. This is supposed to be handled through the expansion our own distribution- and consulting-know-how as well as through strategic partnerships. Two thirds of our customers come from the manufacturing industry. Economic fluctuations in the manufacturing industry could possibly affect the business situation. The company bought insurance policies for possible damages and liability risks. These insurances ensure that financial consequences of possibly occurring risks are kept within limits. The scope of cover is constantly under review and adjusted if the need arises. CENIT also has comprehensive risk provisioning at hand with regard to required IT security and keeps developing it constantly.

## RISKS OF FUTURE DEVELOPMENT

The assessment of the current risk situation revealed that risks affecting the going concern did not exist in the reporting period and no such risks are identifiable for the future. Provisions were set up for all identified risks. At balance sheet date, no further risks exist that are likely to have material influence on the financial positioning and financial standing. Our risk management and early-warning system allow transparent corporate management and early risk detection. Due to the fact that purchase and sales contracts are mostly denominated in euro and due to the existing financing structure we are not currently using derivative financial instruments to hedge currency risks.

The overall consideration of risks shows that CENIT is primarily subject to market risks, which especially include economic pricing and quantity developments and the dependency from developments of important customers or important industries. The company also depends on the general economic situation, the development of which is greatly characterized by events in the finance and banking sector at this time. In addition, the specialization regarding technology partners and the dependency on their business development therewith connected poses a risk.

## PROCUREMENT AND PURCHASE POLICIES

CENIT AG places trust in its partners and suppliers and expects fair and long-term cooperation. Services, consideration and risks thereby keep the balance. The company expects of the partners and suppliers that they cooperate in identifying cost cut potentials. CENIT therefore pursues a purchase policy that is tailored to meet the exact requirements of each project.

CENIT AG's purchasers have comprehensive experience in the provision of goods and services for all customer projects. When it comes to procurement, the company cooperates with renowned partners who are all market or industry leaders in their product segment. Procurement-related currency risks hardly arise as we mostly buy on the European market. In 2011, CENIT Group's and CENIT AG's cost of goods and purchased services amounted to EUR 39,450k (2010: EUR 32,690k) and EUR 34,334k (2010: EUR 32,389k), respectively. Due to its project-related nature, the inventory value and thus the tied-up capital is kept at a low level in both CENIT Group (EUR 326k; 2010: EUR 634k) and CENIT AG (EUR 1,753k; 2010: EUR 390k). This enables us to respond to market requirements in t a flexible manner. The risk of an obsolescence of inventories is insignificant.

## QUALITY ASSURANCE

In the field of business process consulting, CENIT AG strives to convince its customers with high-quality and profitable solutions. By assuming business activities for the customer or on site, the company wants to increase the efficiency of the assumed processes. This also applies to the company's own software solutions. Our motivation is to exceed our customers' goals. Continuous monitoring and improvement therefore forms the basis of our quality management system. To achieve this objective, CENIT AG designed its processes to meet these requirements. All employees are asked to implement these processes and constantly improve them by following the methodologically fixed approach. Satisfied customers mean a success of the company.

The members of the Board of Directors of CENIT AG are jointly responsible for the management of the group. Quality assurance management is carried out by one of the members of the Board of Directors. This ensures that the Board of Directors has direct influence on and control over the group's quality management and is able to recognize and eliminate any mismanagement immediately. The Board of Directors determines the group policies, strategies and objectives and sees to it that they are known and implemented on all company levels. Moreover, the Board of Directors determines organization and areas of responsibility and provides for the necessary financial and personnel resources. On an annual basis, management prepares the objectives for the next year in detail and those of the next three years for orientation. The annual objects are then transferred to the level of the individual employees. Objectives that serve the supervision of constant improvement of processes and the entire group are defined in the respective process descriptions. The Board of Directors assesses whether the agreed objectives were complied with or exceeded or not met and whether the process descriptions, statutes and provisions are complied with.

Constant improvement is the basis of the quality management system. Each employee is asked to contribute his or her part. Improvement potentials are identified, assessed and implemented by the continuous improvement process. Periodically conducted internal quality assessments record and document the progress of the continuous improvement process. The reporting document includes measures as well as the persons responsible for the implementation of these measures. CENIT established quality management provisions in a management manual, which takes ISO 9001:2000 into account. In addition, CENIT prepared and implemented important process descriptions that apply to the group in its entirety. These process descriptions are supplemented by statutes and provisions that the company is required to comply with and does. The employees are informed about current company developments in quarterly information meetings. Necessary cross-segment training regarding the process-oriented management system also takes place in the scope of these meetings. Information required for day-to-day operations are communicated in periodic or individual meetings. We attach great importance to open, dialogue-oriented communication.

In 2011, Deutsche Gesellschaft zur Zertifizierung von Managementsystemen (DQS) [German Society for Certification of Management Systems] conducted a systems audit. The assessment was a success and CENIT was issued the certificate in accordance with DIN EN ISO 9001:2008. CENIT is certified in accordance with the internationally accepted standard ISO/IEC 27001:2005. ISO 27001:2005 is a standard of the International Organization for Standardization (ISO) and thus the now internationally applicable standard and accepted predecessor of the British standard BS 7799-2:2002. The standard takes all aspects of corporate, IT and information security as well as statutory framework conditions into account.

## EMPLOYEES

### CATEGORIZATION OF THE EMPLOYEES IN ACCORDANCE WITH INTERNATIONAL SUBSIDIARIES

| | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| CENIT DE | 579 | 579 |
| CENIT USA | 29 | 27 |
| CENIT CH | 19 | 5 |
| CENIT F | 3 | 6 |
| CENIT RO | 24 | 17 |
| CENIT J | 3 | 0 |
| **CENIT Group** | **657** | **634** |

The application and continuation of the CENIT skills-model was one of the focal points of HR work in 2011. Part of the implementation of this model is an annual feedback meeting with the respective superior. Another main issue was finding highly qualified employees for CENIT in Germany and internationally.

On December 31, 2011, the group had 657 employees (2010: 634). CENIT AG, Germany, has 579 employees (2010: 579) per December 31, 2011. Personnel expenses of CENIT group and CENIT AG amount to EUR 45,457k (2010: EUR 40,742k) and EUR 40,439k (2010: EUR 38,189k) in the reporting period, respectively. More than 75% of the employees have a university diploma. Fluctuation amounted to some 8.7% (2010: 7.9%). The level of sick leave is still very low. The average period of employment ranged at some 7 years with the average age being 39.6 years.

For years CENIT has been successful in training trainees. The trainees include students of Duale Hochschule Baden-Württemberg (DHBW) [dual university of Baden-Württemberg] and trainees in the area of IT technology. In addition, the company continuously hires university graduates and students who are working on their thesis (diploma, master or bachelor degree) as well as interns. CENIT AG considers this part of our responsibility to society. The company places great importance on making the launch of a professional career easier on young people by enabling them to receive qualified training. At year-end 2011, CENIT had a total of 31 trainees in different jobs.

## FURTHER EDUCATION

To prepare the employees for the constantly increasing requirements through innovations and market competition and to broaden their qualification, CENIT offers a comprehensive further education program. In the reporting year, a great number of employees made use of different further education events and participated in seminars and workshops to expand their professional horizon. The main focus was on topics like quality management, project management, certification for products of the strategic software partners and executive training.

## REMUNERATION SYSTEM / Bonus payments

In addition to performance-related promotion prospects and early assumption of responsibility, CENIT offers attractive remuneration policies to all employees. To some extent, remuneration components aligned with profits and objectives exist in addition to the fixed remuneration agreed in the individual employment agreement.

The remuneration system of the Board of Directors of CENIT AG consists of two parts: fixed remuneration and bonus payments. The bonus payments are oriented to the consolidated operating result. We refer to the statements in the notes.

The share option program issued in 2006 expired in mid-2011. Subscription rights could not be exercised due to non-compliance with the criteria.

In accordance with the articles of association, the Supervisory Board's remuneration is a fixed remuneration. Each member of the Supervisory Board receives a fixed remuneration of EUR 15,000.00, payable after the end of the reporting period. The chairman and vice chairman of the Supervisory Board receive twice and one and a half time the amount, respectively.

## RESEARCH AND DEVELOPMENT

The company's objective is to further strengthen the innovative capacity. Hence, CENIT increased its research and development (R&D) expenses to EUR 5,482k in 2011. CENIT's business segments focus their R&D efforts on the next generation of products and solutions and prepare their successful market launch. Due to close collaboration with the product- and customer-oriented business units and intense communication, CENIT is also able to offer technically customer-oriented solutions.

In addition to the distribution of standard software, CENIT Group develops own programs for supplementing and expanding standard software. The group's software solutions are based on products by Dassault Systèmes, like the PLM software CATIA, ENOVIA or DELMIA or on IT solutions by IBM and SAP. CENIT solutions supplement this standard software with important functions that enable the company's customers to achieve higher productivity and improved data quality. Some products enable the continuous design of business processes, consistent data management and early-on simulation of process steps. Overall, CENIT Group's business segments offer more than 20 solutions.

Innovation is progress. Thus, research and development are of central importance for the company's future development and achievement of the objectives. CENIT AG is continuously expanding the activities in this area, which also strengthens the company's positioning as regards co-competitors. The company expects a slight increase in innovation expenses in 2012.

## EVENTS OF SPECIAL IMPORTANCE AFTER THE REPORTING PERIOD

At the time of preparation of this report we were not aware of any special events that could have had material influence on the financial performance and financial standing of either the company or group.

## FORECAST 2012

The German economy showed positive developments in 2011. Due to the debt crisis in Europe and the uncertainties on the financial market, the economic institutes expect the German economy to suffer a slump especially in the first six months of 2012.

Overall, growth is supposed to slow down in 2012. In accordance with BITKOM, the ITC industry has a positive outlook for 2012 and 2013 and expects increasing sales.

The economic institutes are cautious when it comes to the accuracy of their forecasts due to the many uncertainties. On the basis of these expectations, we can draw up the following picture for CENIT:

## EXPECTED INCOME SITUATION

CENIT AG has a solid basis. The independent rating agency Hoppenstedt Kreditinformation confirmed this in 2011 by awarding the credit rating 1. This outstanding credit rating helps the company on the market. CENIT AG needs its good balance sheet structure to be able to appear as a strong and reliable partner for the customers.

Although the general economic situation in Germany is currently good, the international developments – especially in the Euro zone – are difficult to predict. The company therefore maintains its corporate structure, which is aimed at sustainability. If the situation so permits, the company will, however, also invest in inorganic growth.

Our objective is to have profitable growth in all segments. The prerequisites are at hand. After a steady 2011, we again expect growth for CENIT in 2012. From today's point of view, CENIT AG assumes that overall it will achieve sales growth of 4 to 5% and an increase in earnings (in EBIT) of about 10% in the group in 2012. The individual segments will perform proportional to the overall development. CENIT AG expects growth rates of similar dimensions for the following business year 2013 whereas the company would like to expressly point out that the predicted growth largely depends on the further economic developments in Germany and the global target markets as well as on the customers' willingness to invest.

For CENIT AG, the expected growth in sales amounts to 10% and the increase in earnings to some 15% in 2012. Similar growth rates are expected for the following business year 2013.

Own products and solutions of the company cover a currently important market. Developments need to be implemented ever more quickly, processes are supposed to be continuously optimized. This is where CENIT AG supports its customers. The company's products are competitive and are constantly subject to even further development. CENIT employees are skilled both as regards the content of our business and in the different industries. Their know-how and customer-oriented work makes them essential for CENIT's success.

The following factors are supposed to contribute to sales and earnings objectives: CENIT AG will continue its operations in Europe as well as in the USA and in Asia. In addition to attracting new customers, CENIT AG's priority is growth in the relevant market segments. In 2012, the company places a special focus on the further alignment of software development. To remain competitive on the market in the long run, innovations and involvement of new technologies in the development process is inevitable. The company plans on increasing the sales proportion of own software in the long term. CENIT AG will continue to cooperate with the partners Dassault Systèmes, IBM and SAP to position the company as a constant strategic partner. Not only do these partnerships enable CENIT AG to keep its position on the PLM market but to further expand it. In the EIM segment, the partnerships lead to opportunities in the growing public area and administration as well as with financial service providers.

## EMPLOYEES

Personnel expenses are adjusted in accordance with our growth. In 2012, the company will increasingly look for professionals for the different areas of operations, as demand is at hand. CENIT has been successfully training trainees for many years and the training of young adults is still very important to the company. One of the developments resulting therefrom is that more than 20 new trainees and DH-students will be hired in 2012 alone – more than ever before. Education and training are components of the company's long-term personnel policy and of the social responsibility to the country's youth. The company is somewhat concerned about the job situation in Germany especially as regards computer scientists and engineers. Recruiting very well educated people is getting harder and harder.

## EXPECTED FINANCIAL POSITION AND LIQUIDITY SITUATION

The liquidity situation of CENIT is excellent both with regard to the individual and the consolidated financial statements. The group's financial position constitutes a competitive advantage in the scope of bidding procedures and business projects. It provides CENIT AG's customers with the security necessary to make their investment decisions.

Financing of CENIT Group stands on a secure foundation. The financial policy, which has been on the conservative side for years, is expressed in maintaining a good and sustained credit rating and providing sufficient liquidity for positive company development in the short- and medium-term. As compared to 2011, the investments in 2012 will range on a similar, probably slightly decreasing level and are financed from the cash flow from operating activities. CENIT AG expects a corresponding development for 2013.

The outflow of liquid funds due to the dividend distribution can be financed from our existing cash and cash equivalents or the expected cash flow from operating activities 2012.

Stuttgart, February 28, 2012

CENIT Aktiengesellschaft

Board of Directors

Christian Pusch

Kurt Bengel

# GROUP FINANCIAL STATEMENT

**CENIT Aktiengesellschaft, Stuttgart**
**CONSOLIDATED BALANCE SHEET (in accordance with IFRS)**
**for the annual period January 1 to December 31, 2011**

| in kEUR | | Dec 31,2011 | Dec 31,2010 |
|---|---|---|---|
| ASSETS | | | |
| **NONCURRENT ASSETS** | | | |
| Intangible assets | F1 | 5.550 | 4.320 |
| Property, plant and equipment | F2 | 2.451 | 1.953 |
| Investments in associates | F3 | 54 | 54 |
| Income tax asset | | 403 | 478 |
| Other financial assets measured at fair value through profit or loss | F8 | 2.000 | 3.000 |
| Trade receivables | F6 | 0 | 194 |
| Deferred tax assets | F4 | 49 | 19 |
| **NONCURRENT ASSETS** | | **10.507** | **10.018** |
| | | | |
| **CURRENT ASSETS** | | | |
| Inventories | F5 | 326 | 634 |
| Trade receivables | F6 | 17.496 | 15.291 |
| Receivables from associate | F6 | 3.946 | 4.865 |
| Current income tax assets | F9 | 452 | 699 |
| Other receivables | F7 | 147 | 159 |
| Other financial assets measured at fair value through profit or loss | F8 | 966 | 966 |
| Cash and cash equivalents | F10 | 18.135 | 13.306 |
| Prepaid expenses and deferred charges | F11 | 4.443 | 3.790 |
| **CURRENT ASSETS** | | **45.911** | **39.710** |
| | | | |
| **BALANCE SHEET TOTAL** | | **56.418** | **49.728** |

**CENIT Aktiengesellschaft, Stuttgart**
**CONSOLIDATED BALANCE SHEET** (in accordance with IFRS)
for the annual period January 1 to December 31, 2011

| in kEUR | | Dec 31,2011 | Dec 31,2010 |
|---|---|---|---|
| SHAREHOLDERS' EQUITY AND LIABILTIES | | | |
| **EQUITY** | | | |
| Subscribed capital | F12 | 8,368 | 8,368 |
| Captial reserves | F12 | 1,058 | 1,058 |
| Foreign currency translation reserve | F12 | 321 | 154 |
| Statutory earnings reserve | F12 | 418 | 418 |
| Other earnings reserves | F12 | 12,245 | 11,740 |
| Unappropriated retained earnings | F12 | 9,796 | 7,299 |
| TOTAL EQUITY | | 32,206 | 29,037 |
| **NONCURRENT LIABILITIES** | | | |
| Other liabilities | F15 | 759 | 267 |
| Deferred tax liabilities | F4 | 1,586 | 1,267 |
| | | 2,345 | 1,534 |
| **CURRENT LIABILITIES** | | | |
| Trade liabilities | F14 | 3,624 | 4,684 |
| Liabilities to associates | F14 | 217 | 0 |
| Other liabiltiies | F15 | 13,301 | 12,198 |
| Current income tax liabilities | F13 | 706 | 64 |
| Other provisions | F13 | 245 | 177 |
| Deferred income | | 3,774 | 2,034 |
| | | 21,867 | 19,157 |
| **UNAPPROPRIATED RETAINED EARNINGS** | | 56,418 | 49,728 |

**CENIT Aktiengesellschaft, Stuttgart**
**CONSOLIDATED INCOME STATEMENT (in accordance with IFRS)**
**for the period from January 1, 2011 to December 31, 2011**

| in kEUR | | | Jan 1,2011–Dec 31,2011 | Jan 1,2010–Dec 31,2010 |
|---|---|---|---|---|
| | | | | |
| **1. REVENUE** | E1 | | 107,840 | 93,174 |
| 2. Increase/decrease of work in process | | | -82 | -15 |
| Total performance | | | 107,758 | 93,159 |
| 3. Other operating income | E3 | | 1,162 | 683 |
| Operating performance | | | 108,920 | 93,842 |
| 4. Cost of materials | E4 | 39,450 | | 32,690 |
| 5. Personnel expenses | E5 | 45,457 | | 40,742 |
| 6. Amortization and dpreciation of intangible assets and property, plant and equipment | F1+F2 | 2,474 | | 1,776 |
| 7. Other operating expenses | E7 | 15,277 | | 14,669 |
| | | | 102,658 | 89,877 |
| **OPERATING RESULT** | | | 6,262 | 3,965 |
| 8. Other interest and similar income | E8 | 254 | | 176 |
| 9. Other interest and similar expenses | E8 | 13 | | 74 |
| 10. Income from financial instruments measured at fair value through profit or loss | E9 | 0 | | 56 |
| 11. Share in the profit or loss of associates | | 0 | | 4 |
| | | | 241 | 162 |
| **NET OPERATING INCOME** | | | 6,503 | 4,127 |
| 12. Taxes on income | E10 | | 2,151 | 1,118 |
| | | | | |
| **13. CONSOLIDATED NET PROFIT FOR THE YEAR** | | | 4,352 | 3,009 |
| 14. Of which allocable to shareholders of CENIT AG | | | 4,352 | 3,009 |
| Earning per share in EUR | | | | |
| basic | E11 | | 0.52 | 0.36 |
| diluted | E11 | | 0.52 | 0.36 |

## CENIT Aktiengesellschaft, Stuttgart
## STATEMENT OF COMPREHENSIVE INCOME (in accordance with IFRS)

| in kEUR | | Jan 1,2011–Dec 31,2011 | Jan 1,2010–Dec 31,2010 |
|---|---|---|---|
| **Annual result** | | **4,352** | **3,009** |
| Components of net result not affecting profit or loss | | | |
| Balancing item from currency translation of foreign subsidiaries | 167 | | 463 |
| Actuarial gains/losses from defined benefit obligations | -128 | | 0 |
| Deferred taxes on components of net result not affecting profit or loss | 33 | | 0 |
| **Components of net result not affecting profit or loss after taxes** | | 72 | 463 |
| Net result | | 4,424 | 3,472 |
| Of which allocable to shareholders of CENIT AG | | 4,424 | 3,472 |

## CENIT Aktiengesellschaft, Stuttgart
## CHANGES IN EQUITY STATEMENT (in accordance with IFRS)
## per December 31, 2011

| in kEUR | Subscribed capital | Capital reserves | Foreign currency translation reserves | Earnings reserves | | Unap-propria-ted retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | | | | Statutory reserve | Other reserves | | |
| **As per Dec 31, 2009** | **8,368** | **1,058** | **-309** | **418** | **11,040** | **7,500** | **28,075** |
| Total result of the period | | | 463 | | | 3,009 | 3,472 |
| Addition in other earnings reserves | | | | | 1,300 | -1,300 | 0 |
| Withdrawals from other reserves | | | | | -600 | 600 | 0 |
| Dividend distribution | | | | | | -2,510 | -2,510 |
| **As per Dec 31, 2010** | **8,368** | **1,058** | **154** | **418** | **11,740** | **7,299** | **29,037** |
| Total result of the period | | | 167 | | -95 | 4,352 | 4,424 |
| Addition to other reserves | | | | | 600 | -600 | 0 |
| Dividend distribution | | | | | | -1,255 | -1,255 |
| **As per Dec 31, 2011** | **8,368** | **1,058** | **321** | **418** | **12,245** | **9,796** | **32,206** |

| CENIT Aktiengesellschaft, Stuttgart<br>CONSOLIDATED CASH FLOW STATEMENT<br>(in accordance with IFRS)<br>for the period January 1 to December 31, 2011 | | |
|---|---|---|
| in kEUR | Dec 31,2011 | Dec 31,2010 |
| **Cash flow from operating activities** | | |
| Earnings before income tax and net interest | 6,262 | 4,025 |
| Adjustments for: | | |
| Amortization and depreciation intangible assets and property, plant and equipment | 2,474 | 1,776 |
| Gains(-)/losses(+) from asset retirements | 3 | -2 |
| Result from associate | 0 | -4 |
| Incidental acquisition costs of investments in fully consolidated entities | 50 | 45 |
| Other non-cash expenses and income | 0 | -9 |
| Additions to other financial assets | 0 | -56 |
| Increase/decrease of other noncurrent assets and liabilities or provisions | -1,088 | 115 |
| Interest paid | -13 | -74 |
| Interest received | 254 | 176 |
| Income taxes paid | -1,152 | -1,832 |
| **Operating result before changes ton et current assets** | **6,790** | **4,160** |
| Increase/decrease of trade receivables and other current non-monetary assets | -695 | -7,313 |
| Increase/decrease ininventories | 308 | 291 |
| Increase/decrease of current liabilities and provisions | 1,863 | 4,835 |
| **Net cash from operating activities** | **8,266** | **1,973** |
| **Cash flow from investing activities** | | |
| Acquisition of property, plant and equipment and intangible fixed assets | -2,229 | -1,088 |
| Acquisition of investments in fully consolidated entities (net outflow) | -1,035 | -2,682 |
| Income from the disposal of property, plant and equipment | 6 | 14 |
| Change in other financial assets that are not allocable to cash and cash equivalents | 1,000 | -1,000 |
| Net cash used for investments | -2,258 | -4,756 |
| **Cash flow from financing activities** | | |
| Payments to shareholders | -1,255 | -2,510 |
| Net cash utilized for financing activities | -1,255 | -2,510 |
| Net increase/decrease of cash and cash equivalents | 4,.753 | -5,293 |
| Currency-related change of cash and cash equivalents | 76 | |
| Cash and cash equivalents at the beginning of the reporting period | 13,306 | 18,599 |
| Cash and cash equivalents at the end of the reporting period | 18,135 | 13,306 |

# CONSOLIDATED FINANCIAL STATEMENTS FOR 2011

## A. Commercial register and purpose of the entity

The group parent entity, CENIT Aktiengesellschaft, is domiciled at Industriestraße 52 - 54, 70565 Stuttgart, Germany, and is entered in the commercial register of the Stuttgart county court, section B, under No. 19117. CENIT AG's shares are publicly traded.

The nature and purpose of operations of the consolidated entities is any type of services in the area of introduction and operation of information technologies as well as the distribution and trade of software and information technology facilities. With its focus on Product Lifecycle and Document Management solutions as well as IT outsourcing, CENIT's two business units, PLM (Product Lifecycle Management) and EIM (Enterprise Information Management) offer tailored consulting services in a one stop shop. CENIT's primary focus is on the optimization of business processes and computer-assisted construction and development technologies.

## B. Accounting principles

The consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, is prepared and disclosed in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the supplementary provisions of the German Commercial Code [Handelsgesetzbuch – HGB] applicable in accordance with § 315a para 1 HGB. The Board of Directors forwards the consolidated financial statements to the Supervisory Board for approval. The consolidated financial statements are then released for disclosure.

The consolidated financial statements are prepared in euro. For the sake of clarity, the presentation is in thousands of euro (kEUR) unless noted otherwise. Reporting date is December 31 of each year.

Balance sheet recognition differentiates between noncurrent and current assets and liabilities that are, in part, shown in detail in the notes in accordance with maturities. The income statement is categorized in accordance with the cost categories oriented format.

Preparation of the consolidated financial statements was conducted in accordance to the nature of expense method with the exception of financial assets held for trading and financial assets that were classified as financial assets measured at fair value upon first-time recognition and were therefore measured at cost.

The annual financial statements of the entities included in the consolidated financial statements are prepared in application of uniform accounting methods at reporting date of the parent company's financial statements.

## Amended or new IFRS as issued by the EU and changes in presentation, recognition or measurement resulting there from

As compared to the consolidated financial statements per December 31, 2010, the application of the following standards and interpretations was mandatory for the first time but did not have material relevance for CENIT Group from today's point of view:

- IFRS 1 Fist-time adoption of international financial reporting standards (amendment)
- IFRS 1 First-time adoption of international financial reporting standards through improvements to IFRS (AIP 2010)
- IFRS 3 Business Combinations through improvements to IFRS (AIP 2010)
- IFRS 7 Financial instruments: disclosures through improvements to IFRS (AIP 2010)
- IAS 24 Related Party Disclosures (revision)
- Consequential amendment because of IAS 27 Consolidated financial statements and Accounting for investments in subsidiaries to IAS 21, IAS 28 and IAS 31
- IAS 32 Financial instruments - presentation (amendment)
- IAS 34 Interim financial reporting through improvements to IFRS (AIP 2010)
- IFRIC 13 Customer Loyalty Programmes through improvements to IFRS (AIP 2010)
- IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The following standards whose first-time adoption is mandatory are relevant for CENIT Group and were applied accordingly. With respect to possible consequences we refer to the respective section of the notes.

IAS 1 Presentation of Financial Statements through improvements to IFRS (AIP 2010)

The amendment of IAS 1 concerns the presentation of changes in equity. The amendment was adopted into EU law on February 18, 2011, and is applicable for annual periods beginning on or after January 1, 2011. IAS 1.106d requires reconciliation for all components of other comprehensive income between the carrying amount at the beginning and the end of the period within the change of equity statement. It is clarified that this may now also be conducted in the notes. CENIT exercises this option and presents the changes in the notes.

## Outlook IFRS amendments in 2012

The following IFRS adopted in EU law were issued prior to our reporting date but are not mandatory until later annual periods. With regard to those standards and interpretations that do not have to be adopted until later annual periods, CENIT Group decided to waive the option to apply them early. The group currently examines possible consequences of the amendments.

| Amendment / standard | Date of announcement | Date of adoption in EU law | First time application |
|---|---|---|---|
| IFRS 7 Financial instruments: Disclosures | Oct 7, 10 | Nov 22, 11 | Annual periods beginning after June 30, 2011 |

The following standards and interpretations and amendments to existing standards that were also issued by the IASB do not have to be applied to the consolidated financial statements per December 31, 2011. Their application requires that they are adopted in the scope of the EU Endorsement.

| Amendment / standard | Date of announcement | Date of adoption in EU law | First time application |
|---|---|---|---|
| IFRS 9 Financial Instruments (issued November 12, 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued December 16, 2011) | Nov 15, 09/ Dec 16, 11 | postponed | Annual periods beginning on or after Jan 1, 2015 |
| IFRS 10 Consolidated Financial Statements | May 12, 11 | expected Q3/2012 | Annual periods beginning on or after Jan 1, 2013 |
| IFRS 11 Joint Arrangements | May 12, 11 | expected Q3/2012 | Annual periods beginning on or after Jan 1, 2013 |
| IFRS 12 Disclosures of Interests in Other Entities | May 12, 11 | expected Q3/2012 | Annual periods beginning on or after Jan 1, 2013 |
| IFRS 13 Fair Value Measurement | May 12, 11 | expected Q3/2012 | Annual periods beginning on or after Jan 1, 2013 |
| IAS 27 Separate Financial Statements | May 12, 11 | expected Q3/2012 | Annual periods beginning on or after Jan 1, 2013 |
| IAS 28 Investments in Associates and Joint Ventures | May 12, 11 | expected Q3/2012 | Annual periods beginning on or after Jan 1, 2013 |
| Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12) | Dec 20, 10 | expected Q2/2012 | Annual periods beginning on or after Jan 1, 2012 |
| Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendments to IFRS 1) | Dec 20, 10 | expected Q2/2012 | Annual periods beginning on or after Jul 1, 2011 |
| Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) | Jun 16, 11 | expected Q1/2012 | Annual periods beginning on or after Jan 1, 2013 |
| Amendments to IAS 19 Employee Benefits | Jun 16, 11 | expected Q1/2012 | Annual periods beginning on or after Jan 1, 2013 |
| IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine | Oct 19, 11 | expected Q2/2012 | Annual periods beginning on or after Jan 1, 2013 |

| | | | |
|---|---|---|---|
| Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) | Dec 16, 11 | expected Q3/2012 | Annual periods beginning on or after Jan 1, 2013 |
| Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) | Dec 16, 11 | expected Q3/2012 | Annual periods beginning on or after Jan 1, 2014 |

### Changes in the presentation of the consolidated financial statements

The accounting methods of the prior year remain unchanged as regards the preparation of the consolidated financial statements of the reporting period.

## C. Consolidation principles

### 1. Consolidation principles and consolidated entity

The consolidated financial statements include the annual financial statements of the parent company and its controlled entities (subsidiaries).

Subsidiaries are fully consolidated from the time of acquisition, i.e. the time at which the group gains control. Consolidation ends as soon as the parent company no longer controls the entity.

Per June 1, 2011, CENIT AG acquired 100% of the voting interests in Transcat PLM AG. The acquisition of Transcat PLM AG, domiciled in Effretikon/Switzerland, added important elements to CENIT's portfolio and is the largest partner of Dassault in Germany, Austria and Switzerland. From now on, the entity can offer its customers other services from its portfolio. Cost amounted to CHF 3.1 million. The fair values of the identifiable assets and liabilities of Transcat PLM AG at the time of acquisition and the corresponding carrying amounts right before the time of acquisition can be taken from the following chart:

| in kEUR | Fair value at acquisition | Former carrying amount |
|---|---|---|
| Intangible assets | 1,904 | 9 |
| Property, plant and equipment | 45 | 45 |
| Trade receivables, other receivables, prepaid expenses and deferred charges | 1,073 | 1,073 |
| Deferred tax assets | 213 | 197 |
| Cash | 1,490 | 1,490 |
| | **4,725** | **2,814** |
| Trade payables, other liabilities and other provisions | 436 | 436 |
| Deferred income | 1,210 | 1,210 |
| Pension obligations | 61 | 0 |
| Deferred tax liabilities | 500 | 0 |
| | **2,207** | **1,646** |
| Total acquired net assets | 2,518 | 1,168 |
| Consideration (excl. incidentals) | 2,525 | |

Cash payments due to this business acquisition amounted to EUR 1,035k and results from the outflow due to the payment of cost (EUR 2,525k) and the acquired cash of Transcat PLM AG of EUR 1,490k. The negative consolidation difference of EUR 7k was accounted for in other operating income. Incidentals of EUR 54k incurred in connection with the acquisition were accounted for in other operating expenses.

Since first-time consolidation, Transcat PLM AG generated revenue of EUR 3,173k. Overall, revenue of EUR 5,536k was generated in the annual period 2011.

The group's investments in the associate are recognized at equity.

Intra-group revenue, expenses and income as well as all receivables and liabilities between the consolidated entities were eliminated.

In accordance with IAS 27 and IAS 28, the following entites are included in CENIT AG's consolidated financial statements:

| No. | Entity | Currency | % | of | Subscr. capital TLW | First-time consolidation |
|---|---|---|---|---|---|---|
| 1 | CENIT AG, Stuttgart/Germany | EUR | --- | --- | 8,368 | Parent company |
| 2 | CENIT (Schweiz) AG, Effretikon/Switzerland | CHF | 100 | 1 | 500 | October 26, 1999 |
| 3 | CENIT NORTH AMERICA Inc., Auburn Hills/USA | USD | 100 | 1 | 25 | November 29, 2001 |
| 4 | CENIT SRL Iasi/Romania | RON | 100 | 1 | 344 | May 22, 2006 |
| 5 | CENIT FRANCE SARL Toulouse/France | EUR | 100 | 1 | 10 | April 26, 2007 |
| 6 | CENIT Japan K.K. Tokyo/Japan | YEN | 100 | 1 | 34,000 | May 13, 2011 |
| 7 | CenProCS AIRliance GmbH Stuttgart/Germany | EUR | 33 | 1 | 150 | November 16, 2007 |

## 2. Business combinations and goodwill

Business combinations are accounted for in application of the acquisition method. Cost of the acquisition of an entity is measured in accordance with the fair values of the assets given up, issued equity instruments and incurred or assumed liabilities plus the expenses directly allocable to the acquisition at exchange date.

Upon first-time consolidation, goodwill that originates upon the acquisition of a subsidy or a joint venture entity is measured at cost, which in turn are measured as the excess of cost of the business combination over the group's participation in the fair values of the identifiable assets, liabilities and contingent liabilities of the acquired entity. In subsequent periods, goodwill is recognized at cost less all accumulated impairment losses. If the acquirer's share in the total fair values of the recognized identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the remaining excess is reassessed and immediately recognized through profit or loss. Goodwill does not exist in these consolidated financial statements.

## 3. Investments in an associate

Since November 16, 2007, CENIT AG holds a 33.33% investment in an associate, CenProCS AIRliance GmbH (CenProCS). The shareholders, CENIT AG Stuttgart, PROSTEP AG Darmstadt and CS SI LePlessis Robinson, France, concluded an agreement concerning the joint making available of services of the shareholders in the field of information technology as well as coordination and marketing of such services of the shareholders.

CENIT Group accounts for its investment in CenProCS in application of the equity method, in accordance with which the investment in CenProCS is recognized on the balance sheet at cost plus subsequent changes in CENIT AG's investment in CenPRoCS' net assets. In the scope of formation, CENIT AG contributed cash of EUR 50k.

The income statement includes the investment of CENIT Group in CenProCS' success. Changes directly recognized in equity are recognized at the amount of the group's investment and, if applicable, presented in the changes in equity statement. Profits and losses from transactions between the group and the associate are eliminated in accordance with the investment in CenProCS.

The annual financial statements of CenProCS are prepared at the same reporting date as those of the parent company. Adjustments to uniform group-wide accounting principles are conducted if necessary.

With regard to CENIT Group's investment in CenProCS, the parent company determines in application of the equity method whether it is necessary to recognize additional impairment losses for the investment. At each reporting date, the group determines whether objective indications suggest that the investment in the associate could be impaired. If this is the case, the difference between the fair value of the investment in CenProCS and acquisition cost of this investment is recognized as an impairment loss through profit or loss.

## 4. Foreign currency translation

The presentation currency and the parent company's functional currency are the same. The concept of functional currency is applied upon translation of those annual financial statements of consolidated entities that are prepared in foreign currency. The functional currency of the consolidated entities equals the respective local currency. The translation of annual financial statements prepared in functional currency to the presentation currency of the group is carried out in application of the modified closing rate method, in accordance with which assets and liabilities are translated at closing rate, equity is translated at historic rate and expenses and income are translated at annual average rate.

The difference resulting from the translation of the individual financial statements is netted in equity without affecting profit or loss. Upon disposal of subsidiaries, the currency differences from these entities recognized in equity are reversed through profit or loss.

Foreign currency transactions are translated at transaction date market rate. At the end of the annual period, foreign currency monetary assets and liabilities are translated to the functional currency at closing rate. Non-monetary items measured at cost are translated at transaction date market rate while non-monetary items measured at fair value are translated at the rate applicable at the time the fair value was determined. The differences resulting from these translations are recognized through profit or loss.

The following currency exchange rates were applied in the scope of currency translation:

| in EUR | Closing rate | | Annual average rate | |
|---|---|---|---|---|
| | Dec 31, 2011 | Dec 31, 2010 | 2011 | 2010 |
| CHF | 1.2156 | 1.2504 | 1.2326 | 1.3803 |
| USD | 1.2939 | 1.3362 | 1.3920 | 1.3257 |
| RON | 4.3233 | 4.2620 | 4.2391 | 4.2122 |
| YEN | 100.20 | | 110.96 | |

## D. Accounting principles

Acquired intangible assets are recognized at amortized cost including incidental acquisition cost. They are reduced by regular amortization in accordance with the straight-line method over the course of their expected useful lives, which usually amount to three years.

With respect to intangible assets acquired in connection with a business combination, cost of the intangible asset equals its fair value. Cost is reduced in accordance with the straight-line amortization method over the course of the expected useful lives. For the identified customer base, the identified order backlog and other intangible assets, useful lives amount to seven or ten years, one year and, as a basic rule, three years, respectively.

No intangible assets with unlimited useful lives existed on the balance sheet at either reporting dates.

**Internally generated assets** are not capitalized due to not meeting the accumulated criteria of IAS 38.57. The non-capitalizable development expenses were recognized in expenses.

**Property, plant and equipment** are accounted for at cost less accumulated regular straight-line depreciation and/or accumulated impairment losses. Maintenance and repair are directly recognized as expenses. The items of property, plant and equipment are depreciated in accordance with their estimated useful lives, which amount to three to five years and five to ten years for technical equipment and machinery and factory and office equipment, respectively. Buildings on own land are written down over the course of 33 years while outdoor facilities are depreciated over the course of 8 to 15 years. Buildings on third party land (leasehold improvements) are depreciated over the period of the respective lease agreements. Material residual amounts did not have to be accounted for upon measurement of the depreciation amount.

Residual amounts, amortization and depreciation methods and useful lives of property, plant and equipment and intangible assets are subject to annual examination and are adjusted if required. The necessary changes are prospectively taken into consideration as changes in estimation.

Intangible assets and property, plant and equipment are either derecognized upon retirement or when an economic benefit is no longer expected from the further utilization or disposal of the asset. The profits or losses resulting from the asset's derecognition are measured as the difference between the net disposal gain and the carrying amount of the asset and recognized through profit or loss as other operating income or other operating expense on the income statement in the period in which the asset is derecognized.

All intangible assets and items of property, plant and equipment are subject to an impairment test at the end of each annual period if facts or circumstances or changes thereof indicate that the carrying amount of the asset might not be recoverable. An impairment loss is recognized as an expense on the income statement whenever the carrying amount of an intangible asset or an item of property, plant and equipment recognized at cost exceeds the recoverable amount. The recoverable amount is the higher of net disposal amount and value in use. The net disposal amount is the amount that could be generated by selling the asset in the scope of a customary transaction between versed market participants less costs to sell. The amount recoverable by disposal is determined on the basis of market prices, measurement multipliers or other available indicators. Value in use is the cash value of the estimated future cash flow that can be expected from the continued use of an asset and its retirement at the end of its useful life. For determining the value in use, the expected future cash flows are discounted to their cash values on the basis of a discount rate before tax that reflects the current market expectations regarding the interest effect and the specific risks of the asset. The recoverable amount is estimated for the individual asset or if such estimation is not possible for the cash-generating unit.

The reversal of an impairment loss recognized for an asset in prior years is recognized as reversing of an impairment loss if an indication exists that the impairment loss no longer exists or might have decreased. Reversal of an impairment loss is recognized as income on the income statement. The amount of the reversal of an impairment loss may not exceed the amount that would result after accounting for amortization or depreciation had an impairment loss had not been recognized in prior years.

## Leases

Whether an agreement constitutes or includes a lease agreement is assessed on the basis of the economic contents of the agreement and requires an estimation as to whether the fulfillment of the contractual agreement depends on the utilization of a certain asset or certain assets and whether the agreement grants a right to using the asset.

A reassessment whether an agreement contains a lease agreement is, once the lease term commenced, only required if one of the following requirements is met:

a) the contract terms are amended unless such an amendment only concerns a renewal or extension of the agreement,
b) a renewal option is exercised or an extension is granted unless the renewal or extension conditions were already taken into account in the scope of the original lease agreement term,
c) a change in the assessment whether the fulfillment depends on a specific asset, or
d) a material change of the asset.

In case a reassessment is conducted, accounting of the lease agreement begins or ends:

In the cases of lit a), c) or d) from the time at which the change in circumstances that caused the reassessment occurs,

In case of lit b) from the commencement of the renewal or extension period.

Lease payments for operating leases are subject to straight-line recognition over the course of the lease agreement term recognized as other operating expenses on the income statement. In the reporting period, finance lease agreements did not exist. The group does not appear as a lessor.

## Financial instruments

A financial instrument in accordance with IAS 39 is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets especially include cash and cash equivalents, trade receivables and other issued loans and receivables, financial investments held to maturity and original and derivative financial instruments held for trading. As a general rule, financial liabilities establish a redemption claim in payment means or another financial asset. Financial instruments are recognized as soon as CENIT becomes contract party of the regulations of the financial instrument.

## Financial investments and other financial assets

Financial assets in terms of IAS 39 are classified as financial assets measured at fair value through profit or loss, loans and receivables, investments held to maturity or financial assets held for sale. Financial assets are measured at fair value upon first-time recognition. In case of financial investments that are not measured at fair value through profit or loss, we also include transaction expenses that are directly allocable to the acquisition of the financial asset. The group classifies its financial assets upon first-time recognition and assesses this allocation at the end of each annual period to the extent to that this is admissible and appropriate.

Categorization depends on the type and designated use of the financial assets and is conducted upon acquisition.

Financial instruments are allocated to measurement categories after first-time recognition.  Reallocation is carried out at the end of the annual period if admissible and deemed necessary.

In the scope of regular way purchases and sales of financial assets, accounting is effected per trading date, i.e. per the day at which the entity entered into the commitment to purchase the asset ("trade date accounting"). A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

## Financial assets at fair value

The group of financial assets at fair value through profit or loss includes financial assets held for trading and financial assets classified as financial assets measured at fair value upon initial recognition. Financial assets are classified as held for trading if they were primarily acquired for the purpose of selling them in the near future. Derivative financial instruments are also classified as held for trading unless the derivatives were designated as hedging instruments and are effective as such. Profits or losses from financial assets held for trading are recognized through profit or loss. The recognized net profit or loss includes possible dividends and interest of the financial asset.

## Held to maturity investments

Non-derivative financial assets with fixed or at least determinable payment amounts and fixed maturity dates are classified as held-to-maturity investments if the group intends and is able to hold these assets to maturity.

Financial investments that are supposed to be held for an indefinite term are not included in this classification. Other noncurrent financial investments that are supposed to be held to maturity are measured at amortized cost, which means the amount at which a financial asset was measured at initial recognition less repayments plus or less accumulated amortization of a possible difference between the original amount and the amount repayable upon maturity in application of the effective interest method. This computation includes all fees and other consideration paid or received by the contract partners that constitute an integral part of the effective interest rate, transaction cost and all other premiums and discounts. Profits and losses from financial investments recognized at amortized cost are recognized in the result of the annual period if the financial investments are derecognized or impaired and in the scope of amortization.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortized cost in application of the effective interest method. Profits and losses are recognized in the result of the annual period if the loans and receivables are derecognized or impaired and in the scope of amortization.

## Financial assets available for sale

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 above stated categories. After initial recognition, financial assets held for sale are measured at fair value whereas profits or losses are recognized in a separate equity item. At the time at which the financial investment is derecognized or an impairment of the financial investment is determined, the accumulated profit or loss previously recognized in equity is recognized on the income statement through profit or loss.

The fair value of financial instruments that are traded in an organized market is determined on the basis of the bid price quoted at the stock exchange at reporting date. The fair value of financial investments that are not quoted in an active market is determined on the basis of accepted measurement models of the principal banks. Such procedures are based on transactions recently conducted in the scope of a regular way purchase or the current market value of another instrument that basically constitutes the same instrument or the analysis of discounted cash flows and exercise price models.

## Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the contractual rights in cash flows from a financial asset expire or the entity transfers the financial asset and basically all risks and opportunities connected with the ownership of the asset to a third party. If the group neither transfers nor retains all risks and opportunities connected with the ownership and still has the authority to dispose in the transferred asset, the group recognizes its remaining proportion in the assets and a corresponding liability in the amount of the possibly payable amounts. If the group basically retains all risks and opportunities of a transferred financial asset, it still recognizes the financial asset as well as a hedged loan for the consideration received.

Financial liabilities are derecognized if the contractually determined obligations are settled, waived or expired. If an existing financial liability is replaced by another financial liability of the same lender but subject to substantially different contract terms or if the conditions of an existing liability are significantly amended, such replacement or amendment is treated as a derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized through profit or loss.

## Impairment of financial assets

At each reporting date, the group determines whether financial assets or groups of financial assets are impaired. Possible impairments that result when the fair value falls short of the carrying amount are recognized through profit or loss.

## 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 estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal is recognized through profit or loss to the extent to that the carrying amount of the asset does not exceed amortized cost at the time of reversal.

Trade receivables that usually fall due within 30-90 days are recognized at original invoice amount less an allowance for uncollectible receivables. An allowance is conducted if there is objective substantial evidence that the group will not be able to collect the receivable. Receivables are derecognized as soon as they are uncollectible. Default risks of receivables are taken into account through adequate individual allowances.

## 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 instruments

If an available-for-sale asset is impaired, an amount recognized in equity amounting to the difference between cost (less possible repayments and amortization) and the current fair value less possible previously recognized impairment of the financial asset is recognized on the income statement. Reversals of impairment losses on equity instruments classified as available for sale are not recognized in the result of the annual period. Reversals of impairment losses on debt instruments are recognized through profit or loss if the increase of the fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

**Derivative financial instruments** are basically used for increasing the rate of return and hedging. These derivative financial instruments are initially recognized at fair value at the time at which the corresponding agreement is concluded and subsequently reassessed at fair value. Derivative financial instruments are recognized as assets if the fair value is positive and as liabilities if the fair value is negative.

If derivative financial instruments do not meet the requirements for hedge accounting, gains and losses from changes of the fair value are recognized through profit or loss immediately.

Recognized **inventories** are accounted for at the lower of cost or net realizable value. Cost is determined on the basis of production-related overall expenses. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

**Cash** and current deposits on the balance sheet comprise cash on hand, bank balances and current deposits with an original term of less than three months.

**Pensions and similar obligations** result from obligations to employees. The amounts payable in the scope of defined contribution plans are recognized as an expense when the obligation to pay arises and shown as a component of personnel expenses. Advance payments on contributions are capitalized to the extent to that these advance payments will result in a refund or a reduction of future payments.

The BVG pension funds in Switzerland are deemed defined benefit plans in terms of IAS 19 due to the statutory minimum interest and conversion rate guarantees. The extent of the obligation resulting from these pension funds is measured in application of the projected unit credit method. The group recognizes the full amount of actuarial gains and losses as other result in the annual period in which they are incurred. The actuarial gains and losses are immediately recognized in the revenue reserves and are not reclassified through profit or loss in subsequent periods. The plan assets that exist to cover the pension obligations is offset with pension obligations in accordance with IAS 19.

## Financial liabilities

Financial liabilities are either categorized as financial liabilities at fair value through profit or loss or as other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities that are classified as at fair value through profit or loss upon initial recognition.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling it in the near future. Gains or losses from financial liabilities held for trading are recognized through profit or loss.

Other financial liabilities are initially recognized at fair value less transaction costs. In the scope of subsequent measurement, other financial liabilities are measured at amortized cost in accordance with the effective interest method whereas the interest expenses are recognized in correspondence with the effective interest rate. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period.

**Provisions** are recognized in the amount that equals the best estimate of the probable settlement amount. They are set up for legal and constructive obligations that are the result of past events when it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. If the group expects at least a partial refund of an accrued provision (e.g. from an insurance agreement), the refund is recognized as a separate asset if the inflow of the refund is as good as guaranteed. The expense for setting up the provision is recognized on the income statement less the refund. Provisions are discounted if the discounting effect is material. The interest rate is an interest rate before tax that reflects the specific risks of the liability. Accumulation of the provision is recognized in interest expenses.

The **contingent liabilities** shown in these notes are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities can also result from present obligations that arise from past events but is not recognized because

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or
- The amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not disclosed if the outflow of resources embodying economic benefits for the entity is not probable.

In accordance with IAS 20 "Accounting for government grants and disclosure of government assistance", government grants are only recognized if there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Expense-related grants are subject to scheduled recognition over the period necessary to offset them with the corresponding expenses, which they are supposed to compensate. Amongst other things, employment grants are recognized in the period in which they are received thereby reducing expenses.

## Current tax assets and tax liabilities

**Current tax assets and tax liabilities** for the current period and prior periods are recognized to the extent to that a refund from or a payment to the tax authorities is expected. The current tax expense is measured on the basis of the taxable profit for the period. The taxable profit is different from the net profit recognized on the consolidated income statement because it excludes expenses and income that are taxable in later years or never or that are tax deductible. Measurement of the amount is based on tax rates and tax provisions applicable at reporting date.

In accordance with the liability method of IAS 12, **deferred taxes** are recognized with regard to temporary differences between the amounts recognized on the tax balance sheet and the amounts recognized on the consolidated balance sheet.

Deferred tax liabilities are recognized for all taxable temporary differences with the following exceptions:

- The deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit cannot be recognized.
- Deferred tax liabilities arising from taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures cannot be recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforwards of unused tax losses and unused tax credits to the extent to that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. The following exceptions exist:

- Deferred tax assets from deductible temporary differences arising from the initial recognition of an asset or a liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit cannot be recognized.

- Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures can only be recognized to the extent to 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 deferred tax assets is assessed at each reporting date and reduced in the extent to that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be utilized at least in part. Unrecognized deferred tax assets are assessed at each reporting date and recognized in the amount in which it became probable that future taxable profits will enable the realization of the deferred tax asset.

Deferred taxes on temporary differences are measured on the basis of a uniform group tax rate that is expected to apply for the period in which the asset is realized or a liability is settled. Deferred tax assets and deferred tax liabilities are calculated on the basis of the laws and regulations that are enacted at reporting date. Future tax law amendments are considered to the extent to that material requirements for their taking effect are met in the scope of legislative procedures at reporting date.

An asset item for tax loss carryforwards is capitalized only to the extent to which it is probable that future taxable profits will be available against which it can be utilized. The carrying amount of current deferred taxes is assessed for impairment losses at each reporting date and reduced by the amount in which it is no longer probable that sufficient tax profits will be available for utilization.

Income tax-related consequences that are connected with items that are directly recognized in equity are also directly recognized in equity.

Deferred tax assets and deferred tax liabilities are offset if the group has a legally enforceable claim for utilizing current tax assets against current tax liabilities and these concern income taxes of the same tax subject levied by the same tax authority.

## VAT

Revenue, expenses and assets are recognized after deduction of VAT. The following exceptions apply:

- If VAT incurred upon the purchase of goods and services cannot be levied by the tax authorities, the VAT is recognized as part of the cost of the asset or part of the expenses; and
- Receivables and liabilities are recognized with the included VAT amount.

The VAT amount that is refunded by or paid to the tax office is recognized in the receivables or liabilities item on the balance sheet.

## Income recognition

Income is recognized when it is probable that the group will receive the embodied economic benefit and the extent can be reliably measured. Income is measured at fair value of the consideration. In addition, the following recognition criteria have to be met:

## Sale of goods and rendering of services

**Revenue** is recognized excluding VAT and after deduction of discounts and cash rebates granted. Sales are accounted for as income at the time of delivery to the customer. Income from rendering services is recognized in accordance with the provisions of IAS 11 Construction contracts.

## Orders with multiple components

If multiple products are sold to the customer or multiple services are rendered to the customer, income realization occurs on the basis of the relative prices that result from current price lists.

## Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in the contract work, claims and performance premiums are included to the extent to that they were agreed with the customer. When the outcome of a construction cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that are probably recoverable. Contract costs are recognized as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. An expected loss from a construction contract is recognized as an expense as soon as the loss is probable.

## Royalty income

Income is recognized on an accrual basis in compliance with the provisions of the underlying agreement. User fees on a temporal basis are recognized on a straight-line basis over the term of the contract.

## Dividends and interest income

Dividend income is recognized at the time the legal payment claim of the group originates.

Income is recognized when the interest arises (in application of the effective interest method, i.e. the calculation interest rate in accordance with which estimated future cash inflows are discounted over the expected term of the financial instrument on the net carrying amount of the financial asset). Paid or received interest is recognized as interest income or interest expenses.

## Material discretionary judgments and estimations

The Board of Directors believes that the following discretionary judgments had material influence on the amounts recognized in the consolidated financial statements.

- Research expenses cannot be capitalized. Development costs are capitalized when all recognition criteria of IAS 38.57 are met cumulatively, the research phase can be definitely distinguished from the development phase and decisive costs can be allocated to the individual project phases without any overlapping. Due to numerous interdependencies within development projects and the uncertainty whether the products will reach marketability in the end, the capitalization criteria of IAS 38 are not fully met at this point. Thus, development costs are not capitalized.

- The determination of the percentage of completion with regard to the measurement of contract costs yet to be incurred are subject to a certain degree of discretion. The estimation is conducted at the best of our knowledge and belief on the basis of our knowledge at the end of the reporting period.

- Variably interest-bearing investments are classified and measured as at fair value through profit or loss. Further details are included in section F 8.

- Expenses and present value from defined benefit pension obligations are measured on the basis of actuarial computations. An actuarial measurement is carried out on the basis of various assumptions that could deviate from actual future developments. This includes the determination of discounting rates, future wage and salary increases, the mortality rate and future pension increases. Due to the complexity of the measurement, the underlying assumptions and their noncurrent nature, a defined benefit obligation reacts highly sensitive to changes of these assumptions. All assumptions are assessed at each end of a reporting period.

- When determining the recognition of provisions, assumptions regarding the probability of the occurrence of the outflow of resources are made. These assumptions constitute the best possible estimation of the underlying situation; however, they are subject to some uncertainties due to the necessary use of assumptions. Assumptions regarding the amount of a possible outflow of resources are also made when measuring the provisions. A change in assumptions can therefore result in a deviating amount of the provision. Thus, the use of assumptions also results in some uncertainties.

Decisions based on estimations primarily exist in the scope of provisions for which the best possible estimation of the expected amount needed for meeting the obligation is treated as a deferred item and in the scope of allowances for impaired receivables. Details can be found in sections F 6 and F 13.

## Share-based remuneration

Selected employees (including the Board of Directors) of the group received share-based remuneration in the scope of the share option plan 2002/2006, whereas the employees received equity instruments for their services ("transaction with settlement through equity instruments). All options expired in 2011.

In the annual period 2010, a limited number of employees were granted virtual share options, so-called value increase rights that can only be settled in cash (transaction with cash settlement). These virtual share options constitute a special type of profit-related remuneration that depends on the performance of the share rather than the net profit of the year.

Expenses arising due to transactions with cash settlement were measured at fair value at the time they were granted in application with a measurement model. The fair value is allocated through profit or loss over the period until the day at which the exercise option can first be utilized in recognition of a corresponding debt. The debt is reassessed at each end of the period at settlement date. Changes in the fair value are recognized in expenses for employee benefits. The corresponding debt is recognized in deferred liabilities.

# E. Income statement

## 1. Revenue

Revenue is allocated to business segments and regions and is shown in the segment reporting presented in note H. Revenue results from ordinary activities.

Revenue is composed of the material items of income as follows:

| in kEUR | 2011 | 2010 |
|---|---|---|
| CENIT software | 11,676 | 9,901 |
| Third party software | 41,358 | 31,915 |
| CENIT consulting and service | 54,540 | 50,625 |
| Merchandise hardware | 266 | 733 |
| Total | 107,840 | 93,174 |

Revenue includes income from construction contracts (PoC) of EUR 2,760k (prior year EUR 1,348k), the allocable contract costs amounting to EUR 1,573k (prior year EUR 510k). Thus, the profit from construction contracts amounts to EUR 1,187k (prior year EUR 838k).

## 2. Research and development costs

In accordance with IAS 38, non-order-related development costs that are not incurred for basic research or orders have to be capitalized if the requirements of IAS 38.57 are met.

In 2011, we only conducted non-order related product development. The projects' development costs of EUR 5,482k (prior year EUR 5,268k) were recognized as expenses in the annual period.

## 3. Other operating income

Other operating income consists of the following:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Income from charging on of marketing and admin costs | 171 | 47 |
| Income subsidy kindergarten, investment grant | 33 | 45 |
| Income from sub-letting including incidentals | 241 | 294 |
| Income from insurance compensation/damages | 143 | 114 |
| Income from foreign exchange rate differences | 377 | 94 |
| Other income | 197 | 89 |
| **Total** | **1,162** | **683** |

Income from foreign exchange rate differences mainly resulted from the translation of USD and Swiss Francs.

## 4. Cost of materials

The item concerns expenses for purchased third party software of EUR 30,506k (prior year EUR 22,933k) and cost of purchased services of EUR 8,944k (prior year EUR 9,757k).

## 5. Personnel expenses

The item mainly includes salaries, voluntary social benefits, additions to the provisions for paid annual leave, bonuses and management bonuses for the members of the Board of Directors as well as social security and pensions.

| in kEUR | 2011 | 2010 |
|---|---|---|
| Wages and salaries | 38,980 | 34,642 |
| Social security and pensions | 6,477 | 6,100 |
| **Total** | **45,457** | **40,742** |

Expenses for pensions primarily include the employer's share of the statutory pension fund. In Germany, the statutory pension fund is designed as a defined contribution plan. Moreover, CENIT offers its employees the possibility to pay contributions to a pension fund or direct insurance through wage conversion. These defined contribution plans do not constitute any commitments for the employer. The amount of the future pension benefits depends solely on the amount of the contributions the employer pays to the external pension provider for the employee including the income from the investment of these contributions.

The Swiss BVG pension fund is designed as a defined benefit plan in accordance with IAS 19. We refer to the comments in F 15.

On annual average (on a quarterly basis), we had 652 (prior year 637) employees plus 36 (prior year 49) trainees.

At the end of the annual period, the number of employees amounted to 657 (prior year 634), 579, 27 and 51 of which were employed in Germany, other EU Member States and non-EU countries, respectively.

Personnel expenses include termination benefits of EUR 220k (prior year EUR 421k), EUR 66k (prior year EUR 206k) of which are recognized in liabilities and EUR 91k (prior year EUR 0k) are recognized in provisions, as they are not yet effective for payment.

Personnel expenses include government assistance in the form of short-term allowances of EUR 0k (prior year EUR 289k), reducing expenses.

## 6. Amortization and depreciation of intangible assets and property, plant and equipment

The composition of amortization and depreciation can be taken from the fixed asset movement schedule in notes F 1 and F 2.

## 7. Other operating expenses

| in kEUR | 2011 | 2010 |
|---|---|---|
| Vehicle expenses | 1,720 | 1,623 |
| Travel expenses | 2,720 | 2,350 |
| Advertising | 1,260 | 1,395 |
| Telecommunication and office supplies | 856 | 836 |
| Office space | 792 | 869 |
| Rent and lease expenses | 3,930 | 3,941 |
| Expenses from currency losses | 393 | 162 |
| Other personnel expenses | 378 | 240 |
| Legal and consulting fees | 1,123 | 1,244 |
| Commissions | 85 | 162 |
| Further education | 343 | 348 |
| Insurance | 303 | 296 |
| Repair and maintenance | 577 | 463 |
| Supervisory Board remuneration | 71 | 71 |
| Impairment losses on receivables and bad debt losses | 93 | 160 |
| Other | 633 | 509 |
| **Total** | **15,277** | **14,669** |

## 8. Net interest income

Total interest income and total interest expenses for financial assets and financial liabilities measured at amortized cost and at fair value through profit or loss can be taken from the chart below:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Interest income from bank balances | 199 | 102 |
| Interest income from other financial assets | 48 | 74 |
| Interest income operating taxes | 7 | 0 |
| **Total interest income** | **254** | **176** |
| Utilization of loans and sureties | 7 | 11 |
| Interest expenses operating tax | 0 | 48 |
| Interest expenses from accumulation of deferred debts | 6 | 15 |
| **Total interest expenses** | **13** | **74** |

## 9. Net income from financial instruments measured at fair value through profit or loss

| in kEUR | 2011 | 2010 |
|---|---|---|
| Changes in value on other financial assets | 0 | 56 |
| **Total income** | **0** | **56** |

The net profit from securities recognized at fair value amounts to EUR 48k (prior year EUR 130k). They are composed of changes in value of this item and the net interest income of EUR 48k (prior year EUR 74k).

## 10. Income taxes

Income taxes include domestic corporation tax including the solidarity surcharge and trade tax. Comparable taxes of the foreign subsidiaries are also recognized in this item.

The Corporate Tax Reform Act 2008 considerably reduced the nominal corporate tax rates for German entities. The corporation tax rate was reduced from 25% to 15% per assessment period 2008. The trade tax base rate was reduced from 5% to 3.5%; however, trade tax can no longer be deducted as operating expenses.

Expenses from income taxes include the following:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Current tax expenses | 2,135 | 1,387 |
| Change in deferred taxes | 16 | -269 |
| **Total** | **2,151** | **1,118** |

Current tax expenses include expenses relating to other periods of EUR 11k (prior year EUR 4k).

Computation of deferred taxes is conducted at entity specific tax rates, which are as follows:

| in % | 2011 | 2010 |
|---|---|---|
| CENIT AG | 30.00 | 30.95 |
| CENIT (SCHWEIZ) AG | 26.00 | 16.60 |
| CENIT NORTH AMERICA | 37.18 | 34.00 |
| CENIT JAPAN K.K. | 24.87 | - |

With regard to the change in deferred taxes we refer to note F 4. The expected tax burden on the taxable profits amounts to 30% (prior year 30.95%) at reporting date and is determined as follows:

| in % | 2011 | 2010 |
|---|---|---|
| Trade tax at a base rate of 404.9% (prior year: 432.037%) | 14.17 | 15.12 |
| Corporation tax 15.0%; (prior year: 15.0%)<br>(on profit after trade tax) | 15.00 | 15.00 |
| Solidarity surcharge (5.5% of corporation tax) | 0.83 | 0.83 |
| **Tax burden** | **30.00** | **30.95** |

The difference between the current tax expenses and the arithmetic tax expenses, which would result from a 30% (prior year 30.95%) tax rate for CENIT AG is as follows:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Earnings before tax (EBT) | 6,503 | 4,127 |
| Theoretical tax expenses at a tax rate of 30% (prior year: 30.95%) | -1,951 | -1,277 |
| Expenses non-deductible in tax matters | -22 | -79 |
| Tax exempt income | 0 | -38 |
| Recognition of deferred tax assets on tax losses arising in the annual period | -49 | 0 |
| Consequences of different tax rates within the group and changes in tax rates | -161 | 230 |
| Other | 32 | 46 |
| Income tax expenses in accordance with consolidated income statement | -2,151 | -1,118 |
| Tax rate | 33.1% | 27.1% |

## 11. Earnings per share

Earnings per share are determined in accordance with the requirements of IAS 33 ("Earnings per Share") through dividing the consolidated profit by the weighted average number of shares issued during the period. Basic earnings per share do not consider options and result from dividing the net result allocable to the shares in accordance with third party interests by the average number of shares. Diluted earnings per share exist when, in addition to ordinary shares, equity instruments were issued that could increase the number of shares in the future.

Options or warrants are taken into account only when the average market price of the ordinary shares exceeds the exercise price of the options or warrants during the period. This effect is determined and disclosed accordingly.

The following chart includes the amounts used as a basis upon calculation of the basic and diluted earnings per share:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Profit allocable to the owners of ordinary shares in the parent company | 4,352 | 3,009 |
| Weighted average number of ordinary shares for the calculation of basic earnings per share | 8,367,758 | 8,367,758 |

Since the agreed performance targets were not met at reporting date a diluted effect did not occur.

No treasury shares were held at the end of the period.

No transactions with ordinary shares or potential ordinary shares were carried out in the period between the reporting date and the preparation of the consolidated financial statements. In accordance with IAS 33.49, basic and diluted earnings per share amount to EUR .52 (prior year EUR .36).

## 12. Paid and suggested dividends

Resolved and distributed during the annual period

| in kEUR | 2011 | 2010 |
|---|---|---|
| Dividends on ordinary shares: | | |
| Final dividend for 2010: 0.15 EUR (2009: 0.30 EUR) | 1,255 | 2,510 |

Suggested for approval at the shareholders' meeting (not recognized as a liability per December 31):

| in kEUR | 2011 | 2010 |
|---|---|---|
| Dividends on ordinary shares: | | |
| Final dividend for 2011: 0.30 EUR (2010: 0.15 EUR) | 2,510 | 1,255 |

The distribution of dividends by CENIT AG to the shareholders does not have income tax consequences for CENIT AG.

# F. Balance sheet

## 1. Intangible assets

In 2011, intangible assets developed as follows:

| in kEUR | Software and licenses in such rights and assets | Customer base | Order backlog | Total |
|---|---|---|---|---|
| Cost | | | | |
| As per Jan 1, 2011 | 2,340 | 4,411 | 119 | 6,870 |
| Currency translation difference | 2 | 30 | 1 | 33 |
| Additions from business acquisition | 9 | 1,801 | 94 | 1,904 |
| Additions | 432 | 0 | 0 | 432 |
| Retirements | 105 | 0 | 119 | 224 |
| **As per Dec 31, 2011** | **2,678** | **6,242** | **95** | **9,015** |
| | | | | |
| Accumulated amortization | | | | |
| As per Jan 1, 2011 | 1,684 | 747 | 119 | 2,550 |
| Currency translation difference | 1 | 3 | 1 | 5 |
| Additions | 353 | 711 | 68 | 1,132 |
| Retirements | 103 | 0 | 119 | 221 |
| **As per Dec 31, 2011** | **1,935** | **1,462** | **69** | **3,465** |
| **Residual carrying amounts** | **743** | **4,780** | **27** | **5,550** |
| | | | | |
| Cost | | | | |
| As per Jan 1, 2010 | 1,641 | 1,391 | 0 | 3,032 |
| Currency translation difference | 7 | 0 | 0 | 7 |
| Additions from business acquisition | 273 | 3,020 | 119 | 3,412 |
| Additions | 474 | 0 | 0 | 474 |
| Retirements | 55 | 0 | 0 | 55 |
| **As per Dec 31, 2010** | **2,340** | **4,411** | **119** | **6,870** |
| | | | | |
| Accumulated amortization | | | | |
| As per Jan 1, 2010 | 1,413 | 398 | 0 | 1,811 |
| Currency translation difference | 7 | 0 | 0 | 7 |
| Additions | 319 | 350 | 119 | 787 |
| Retirements | 55 | 0 | 0 | 55 |
| **As per Dec 31, 2010** | **1,684** | **747** | **119** | **2,550** |
| **Residual carrying amounts** | **656** | **3,664** | **0** | **4,320** |

Regular amortization was recognized in the income statement item amortization and depreciation of intangible assets and property, plant and equipment.

The customer base from the initial consolidation of cad Scheffler GmbH has a remaining amortization period of three years at reporting date. The residual carrying amount is EUR 596k at the end of the annual period.

The customer base from the initial consolidation of conunit GmbH has a remaining amortization period of 8.5 years at reporting date. The residual carrying amount at the end of the period amounts to EUR 2,567k. In addition, software acquired in connection with the business combination was capitalized with its residual carrying amount of EUR 232k. The remaining amortization period also amounts to 8.5 years.

In the course of acquiring Transcat PLM AG, a customer base of EUR 1,801k was identified and recognized. This customer base has a remaining amortization period of five years. At reporting date, the customer base has a residual carrying amount of EUR 1,617k. At reporting date, the remaining amortization period amounts to 4 years and 5 months. The identified order backlog from the business acquisition of EUR 94k amounts to EUR 27k at reporting date.

## 2. Property, plant and equipment

In 2011, property, plant and equipment developed as follows:

| in kEUR | Buildings and buildings on third party land | Technical equipment, machinery | Furniture and fixtures, office equipment | Prepay-ments | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| As per Jan 1, 2011 | 1,663 | 7,492 | 1,101 | 0 | 10,256 |
| Currency translation difference | 2 | 13 | 2 | 0 | 17 |
| Additions from business acquisition | 9 | 33 | 3 | | 45 |
| Additions | 25 | 1,369 | 360 | 44 | 1,797 |
| Retirements | 26 | 645 | 377 | 0 | 1,049 |
| As per Dec 31, 2011 | 1,672 | 8,261 | 1,089 | 44 | 11,067 |
| | | | | | |
| Accumulated depreciation | | | | | |
| As per Jan 1, 2011 | 873 | 6,596 | 834 | 0 | 8,303 |
| Currency translation difference | 1 | 10 | 2 | 0 | 12 |
| Additions | 136 | 774 | 431 | 0 | 1.342 |
| Retirements | 23 | 643 | 375 | 0 | 1.041 |
| As per Dec 31, 2011 | 987 | 6,737 | 892 | 0 | 8,616 |
| Residual carrying amounts | 686 | 1,524 | 197 | 44 | 2,451 |
| | | | | | |
| Cost | | | | | |
| As per Jan 1, 2010 | 1,633 | 7,084 | 1,037 | 0 | 9,754 |
| Currency translation difference | 6 | 45 | 15 | 0 | 66 |
| Additions from business acquisition | 0 | 21 | 23 | 0 | 44 |
| Additions | 24 | 521 | 69 | 0 | 614 |
| Retirements | 0 | 179 | 43 | 0 | 222 |
| As per Dec 31, 2010 | 1,663 | 7,492 | 1,101 | 0 | 10,256 |
| | | | | | |
| Accumulated depreciation | | | | | |
| As per Jan 1, 2010 | 733 | 6.069 | 667 | 0 | 7.469 |
| Currency translation difference | 4 | 40 | 11 | 0 | 55 |
| Additions | 136 | 665 | 188 | 0 | 989 |
| Retirements | 0 | 178 | 32 | 0 | 210 |
| As per Dec 31, 2010 | 873 | 6.596 | 834 | 0 | 8.303 |
| Residual carrying amounts | 790 | 896 | 267 | 0 | 1.953 |

## 3. Investments in an associate

CENIT AG holds an investment of 33.3% in CenProCS AIRliance GmbH, a Stuttgart-based entity. The entity is specialized in the comprehensive rendering of services in the field of information technology and the coordination and marketing of such services.

The following chart shows the group's share in the assets, liabilities, income and net profit of the associate per December 31, 2011:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Current assets | 2,644 | 2,928 |
| Noncurrent assets | 0 | 0 |
| Current liabilities | -2,593 | -2,877 |
| Noncurrent liabilities | 0 | 0 |
| **Allocable net assets** | **51** | **51** |
| | | |
| Earnings | 6,732 | 8,800 |
| Profit or loss | 0 | 4 |
| **Carrying amount of the investments** | **54** | **54** |

Per December 31, 2011, CenProCS AIRliance GmbH's profit amounts to EUR 1k (prior year EUR 12k).

## 4. Deferred taxes

The recognition and measurement differences determined between the results of the tax and commercial balance sheets as well as the adjustments of the commercial balance sheets to IFRS of the consolidated entities resulted in deferred taxes with regard to the following items and in the amounts stated below:

| in kEUR | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | Dec 31, 2011 | Dec 31, 2010 | Dec 31, 2011 | Dec 31, 2010 |
| Deferred taxes on loss carryforwards | 107 | 0 | 0 | 0 |
| Property, plant and equipment | 21 | 29 | 41 | 74 |
| Intangible assets | 0 | 0 | 1,447 | 1,134 |
| Lump sum allowances on receivables | 0 | 0 | 37 | 49 |
| Receivables from service agreements | 0 | 0 | 357 | 197 |
| Other provisions and deferred liabilities | 163 | 178 | 0 | 0 |
| IAS 19 Pension obligations | 54 | 0 | 0 | 0 |
| **Total** | **345** | **207** | **1,882** | **1,454** |
| Netting | -296 | -188 | -296 | -188 |
| **Total** | **49** | **19** | **1,586** | **1,267** |

Deferred taxes from the initial consolidation of Transcat PLM AG in the annual period 2011 were accounted for in an amount of EUR 302k directly in equity. The other changes of deferred tax assets and liabilities were recognized through profit or loss both in the annual period and in the prior year. In addition, deferred tax assets of EUR 33k were recognized in equity on actuarial gains/losses from defined benefit pension obligations recognized in equity.

No deferred tax liabilities for taxes on non-transferred profits (so-called outside basis differences) were recognized per December 31, 2011. At reporting date, they amount to EUR 57k (prior year EUR 39k).

At reporting date, tax loss carryforwards of EUR 421k exist within the group. Deferred tax assets of EUR 107k (prior year EUR 0k) were recognized in this regard. They are assignable to CENIT (Schweiz) AG and the newly established CENIT Japan.

Due to a profitable expansion of operations, we expect to be able to realize this deferred tax asset in future periods.

## 5. Inventories

| in kEUR | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Work in progress | 4 | 86 |
| Merchandise (measured at cost) | 115 | 548 |
| Prepayments | 207 | 0 |
| Total | 326 | 634 |

Impairments of the net realizable value were recognized neither in the annual period 2011 nor the prior year.

## 6. Receivables

Trade receivables from third parties and associates amount to EUR 17,496k (prior year EUR 15,485k) and EUR 3,946k (prior year EUR 4,865k), respectively.

Receivables include receivables from construction contracts (PoC) of EUR 2,760k (prior year EUR 1,348k). Contract costs of EUR 1,573k (prior year EUR 510k) were incurred with regard to these receivables. Thus, income from construction contracts amounts to EUR 1,187k (prior year EUR 838k). Customer advances of EUR 3,050k (prior year EUR 245k) fall upon the receivables from construction contracts. Since they do not constitute stage of completion-related partial payments but advances they are recognized as other liabilities on the balance sheet.

Customers are usually granted a payment period of 30 to 60 days. Interest was not charged. Without regard to terms or time limits, individual impairment losses are recognized when a specific default risk becomes known (settlement, insolvency). Impairment losses of EUR 5k (prior year EUR 46k) were recognized for trade receivables at the end of the period.

The following chart shows the age structure of trade receivables and receivables from associates per end of the annual period:

| in kEUR | Total | Of which: impaired | Of which: neither impaired nor past due at reporting date | Of which: past due but not impaired | | | |
|---|---|---|---|---|---|---|---|
| | | | | Less than 30 days | Between 30 and 60 days | Between 61 and 90 days | Between 91 and 180 days |
| **2011** | 21,447 | 5 | 17,082 | 3,382 | 682 | 177 | 119 |
| **2010** | 20,396 | 46 | 16,437 | 3,077 | 538 | 198 | 100 |

The ten largest debtors have a receivables balance of EUR 6,434k per reporting date. This equals a proportion of 30%. Credit quality of those receivables that are neither overdue nor impaired at reporting date is adequate. There is no evidence that would indicate impairment. The credit rating of our debtors is constantly monitored.

At reporting date, trade receivables of EUR 5k (prior year EUR 46k) were impaired. The following chart shows the development of the impairment loss account:

| in kEUR | Impairment loss |
|---|---|
| As per Jan 1, 2010 | 0 |
| Addition(+)/reversal(-) | 46 |
| As per Dec 31, 2010 | 46 |
| Addition(+)/reversal(-) | -41 |
| **As per Dec 31, 2011** | **5** |

When determining the recoverability of trade receivables, each change in credit rating since granting the payment period to the end of the reporting period is accounted for. There is no noteworthy concentration of credit risk since the customer base is wide and correlations do not exist.

Trade receivables fall due after more than one year and would be recognized in noncurrent assets do not exist (prior year EUR 194k).

The receivables' structure in accordance with countries is as follows:

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Germany | 17,719 | 16,589 |
| EU Member states | 2,209 | 2,203 |
| Non EU countries including the USA | 1,519 | 1,604 |
| **Total** | **21,447** | **20,396** |

## 7. Other receivables

Other receivables consist of the following:

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Receivables from personnel | 0 | 34 |
| Receivables from deposits | 60 | 42 |
| Receivables from Bundesanstalt für Arbeit [Federal Labor Office] | 0 | 34 |
| Refund receivables | 75 | 26 |
| Interest accrual/deferral | 7 | 13 |
| Other | 5 | 10 |
| **Total** | **147** | **159** |

Other receivables are of a current nature, not overdue and not impaired.

## 8. Other financial assets measured at fair value through profit or loss

Other financial assets include the following:

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Securities BW Bank | 966 | 966 |

Per March 8, 2007, CENIT invested EUR 1,000k in floating rate bearer bonds of first-class credit rating at a bank. The interest yield amounts to 3 monthly-EURIBOR + .3%. This financial asset was initially classified as held for trading.

In addition, bonds of EUR 2,000k are recognized in noncurrent assets. They were initially classified as at fair value.

Each financial instrument was classified as measured at fair value through profit or loss. Gains or losses were recognized through profit or loss.

At reporting date, material default risks were not identifiable. The maximum possible default risk exists in the amount of the recognized carrying amount.

## 9. Current income tax assets

The noncurrent income tax assets concern capitalized corporation tax assets, which is recognized at present value. A discount interest rate of 4.0% was used as a basis for determining the present value.

Current income tax assets of EUR 452k in total (prior year EUR 699k) primarily concern claims from advance payments of corporation and trade tax in a total amount of EUR 352k (prior year EUR 606k), income tax claims from double taxation treaties of EUR 7k (prior year EUR 2k) and the current proportion of capitalized corporation tax assets of EUR 93k (prior year EUR 91k).

## 10. Cash

Cash consists of the following:

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Bank balances | 18,124 | 13,302 |
| Cash on hand | 11 | 4 |
| **Total** | **18,135** | **13,306** |

Bank balances are subject to variable interest rates for money at call. The fair value of our monetary means amounts to EUR 18,135k (prior year EUR 13,306k).

At reporting date, the group has credit facilities of EUR 2,800k (prior year EUR 2,800k). One of these facilities of EUR 1,300k can be utilized both as a credit facility and a guarantee facility. An amount of EUR 473k of this facility was utilized as a guarantee facility at reporting date. Another guarantee facility exists in an amount of EUR 358k, EUR 324k of which was utilized.

Cash is a component of cash and cash equivalents in accordance with IAS 7. The composition of cash and cash equivalents is presented in section G.

## 11. Prepaid expenses and deferred charges

The item includes the following:

| in kEUR | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Deferred maintenance fees | 4,020 | 3,403 |
| Deferral for rights of use and car insurance | 423 | 387 |
| Total | 4,443 | 3,790 |

The deferred maintenance fees concern prepaid expenses of CENIT Group for the service period 2012 that will be recognized as an expense in the following year.

## 12. Equity

### Nominal capital

Since the capital increase from company funds resolved on June 13, 2006 and the entry in the commercial register on August 14, 2006, the entity's nominal capital amounts to EUR 8,367,758.00 and is fully paid in. It is divided into 8,367,758 non-par value shares of EUR 1.00 each. All shares are ordinary non-par bearer shares.

The entity still does not hold treasury shares.

### Authorized capital

The Board of Directors is authorized to increase – upon approval of the Supervisory Board - the nominal capital once or more than once by up to a total of EUR 4,183,879.00 by issuing new non-par bearer shares in exchange for either cash contribution or contribution in kind until midnight of May 25, 2016 (authorized capital 2011) whereas the number of shares must increase at the same ratio as the nominal capital. The shareholders are entitled to subscription rights. The new shares can also be assumed by one or multiple bank(s), which thereby also assume(s) the responsibility to offer the shares to the company's shareholders for subscription.

Upon approval of the Supervisory Board, however, the Board of Directors is authorized to exclude the statutory subscription rights of the shareholders in the following cases:

a) The Board of Directors is– upon approval of the Supervisory Board – authorized to exclude the shareholders' subscription rights for fractional amounts.
b) The Board of Directors is – upon approval of the Supervisory Board – authorized to exclude the shareholders' subscription rights in the event of a capital increase in exchange for a contribution in kind if the contribution in kind was conducted for

the purpose of acquiring companies, business units and/or participating interests in companies or in the scope of business combinations.

c) The Board of Directors is – upon approval of the Supervisory Board – authorized to exclude the shareholders' subscription rights in the event of a capital increase by cash contribution if the capital increases resolved upon on the basis of this authorization do not, in total, exceed 10% of the nominal capital existing at the time of the shareholders' meeting's resolution or, if this amount is lower, at the time of the respective exercise of the authorization and if the issue amount does not fall significantly short of the exchange price. The ceiling of 10% of the nominal capital is reduced by the proportional amount of the nominal capital assigned to those treasury shares of the company that are disposed of during the term of the authorized capital under exclusion of the shareholders' subscription rights in accordance with §§ 71 para 1 no. 8 clause 5, 186 para 3 clause 4 AktG.

The total of the shares issued in accordance with this authorization under exclusion of the subscription right in exchange for cash contributions and contributions in kind cannot exceed a proportional amount of the nominal capital of EUR 1,673,551 (20 per cent of the current nominal capital). The Board of Directors is authorized to determine the further details of the capital increase and share issue requirements upon approval of the Supervisory Board.

The Supervisory Board is authorized to adjust the wording of § 5 of the articles of association subsequent to partial or full conduct of the nominal capital increase in accordance with the respective utilization of the authorized capital.

## Conditional capital

Per reporting date, the conditional capital consists of:

| | Dec 31, 2011 Number | Dec 31, 2010 Number | Dec 31, 2011 EUR | Dec 31, 2010 EUR |
|---|---|---|---|---|
| Share option plan 2002/2006 | 0 | 520,000 | 0 | 520,000 |

## Share option plan 2002/2006

By resolution of the shareholders' meeting on June 13, 2006, the company's nominal capital was conditionally increased by up to EUR 520,000.00 through the issue of up to a total of 520,000 non-par bearer shares (ordinary shares). The conditional capital increase served the issuing of shares to the owners of subscription rights, which the Board of Directors was authorized to issue by resolution of the shareholders' meeting of June 19, 2002 in the version of the shareholders' meeting's resolution of June 13,

2006. Due to the fact that performance criteria were not reached, an exercise of the subscription rights by the subscription right owners was not possible until the program period expired on August 10, 2011. To this extent, the subscription rights forfeited once the term expired and the conditional capital increase was not conducted

## Comments on equity components

Capital reserves include the amount that, upon issuing shares in the parent, is generated in excess of nominal value. If the total of the statutory reserves and the capital reserves in accordance with § 272 para 2 No. 1-3 HGB do not exceed the tenth part or the higher proportion stated in the articles of association of the nominal capital, they may only be utilized against a net loss for the year or loss carryforward of the prior year if the latter are not covered by net profits for the year or a profit carryforward and cannot be settled by the reversal of other earnings reserves (§ 150 AktG). The capital reserves were last increased in the annual period 2007 in an amount of EUR 195k through pro rata temporis accounting of issued share options from the share option plan 2002/2006.

Other earnings reserves and the statutory reserve in accordance with § 150 AktG contain profits transferred to the reserves.

Unrealized gains/losses from defined benefit obligations included in other earnings reserves developed as follows in the annual period 2011:

| in kEUR | |
|---|---|
| As per Jan 1, 2011 | 0 |
| Addition | -128 |
| Deferred tax | 33 |
| **As per Dec 31, 2011** | **-95** |

The currency translation reserve includes the netted differences from translation of the subsidiaries' annual financial statements to the group's functional currency recognized directly in equity.

At reporting date, no third parties hold shares in the group's equity.

## 13. Current income tax liabilities and other provisions

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Current income tax liabilities | 706 | 64 |
| Other provisions | 245 | 177 |
| **Total** | **951** | **241** |

Other provisions include the expenses regarding the shareholders' meeting of EUR 96k (prior year EUR 95k), payment obligations from the return of leased vehicles of EUR 58k (EUR 82k) and a provision for HR measures of EUR 91k. The provisions are measured on the basis of the best possible estimation of the required amount. Estimation uncertainties exist with respect to the extent of the cash outflow.

Current income tax liabilities developed as follows:

| in kEUR | |
|---|---|
| As per Jan 1, 2011 | 64 |
| Utilization | 6 |
| Addition | 648 |
| **As per Dec 31, 2011** | **706** |

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

| in kEUR | Shareholders' meeting | Car return | HR measures | Total |
|---|---|---|---|---|
| As per Jan 1, 2011 | 95 | 82 | 0 | 177 |
| Utilization | 79 | 49 | 0 | 128 |
| Reversal | 16 | 0 | 0 | 16 |
| Addition | 96 | 49 | 91 | 236 |
| **As per Dec 31, 2011** | **96** | **82** | **91** | **269** |
| of which current | 0 | 24 | 0 | 24 |
| of which noncurrent | 96 | 58 | 91 | 245 |

Provisions are primarily utilized in the following annual period. Noncurrent provisions are recognized in other liabilities due to their amount.

## 14. Trade liabilities and liabilities to associates

As regards liabilities, the delivered goods are subject to customary retention of title.

| in kEUR | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Trade liabilities to third parties | 3,624 | 4,684 |
| Liabilities to associates | 217 | 0 |
| Total | 3,841 | 4,684 |

Of the total liabilities, EUR 3,841k (prior year EUR 4,684k) fall due within one year and are non-interest bearing.

## 15. Other liabilities

Other current liabilities include the following:

| in kEUR | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Liabilities from VAT/wage tax | 2,061 | 2,906 |
| Social security liabilities | 70 | 16 |
| Deferred liabilities | 4,688 | 3,617 |
| Others | 6,482 | 5,659 |
| Total | 13,301 | 12,198 |

Other liabilities mainly concern incoming invoices not yet received or accounted for of EUR 1,105k (prior year EUR 2,559k), customer advances of EUR 4,409k (prior year EUR 2,123k), future payment obligations from virtual share options of EUR 26k (prior year EUR 19k) and other current liabilities.

Future payment obligations from virtual share options result from the issuance of virtual subscription rights of 10,000 shares each (30,000 in total) of CENIT AG at a subscription price of EUR 4.00 or EUR 5.50 each to the eligible group of people. The exercise of the options is subject to a three-year blocking period, the total option period is five years. Moreover, the exercise of the option is possible only if the market rate threshold of EUR 6.99 or EUR 8.00 is exceeded. The fair value was measured by way of a facilitated Black-Merton-Scholes-model, i.e. expected future dividends and additional exercise requirements cannot be modeled. This, however, is considered appropriate due to the amount of the fair value. Upon measuring the fair value, an expected volatility of some 33% was used as a basis, which corresponds with past volatility. A matching maturity interest rate of some 1.35% was used as a risk-free interest. The fair value of the virtual subscription rights amounts to a total of some EUR 40k. This amount is accumulated over the blocking period on a pro rata temporis basis and recognized in personnel expenses.

The following chart shows the deferred liabilities:

| in kEUR | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Employer's Liability Insurance Association, severely handicapped compensation levy | 187 | 188 |
| Unpaid annual leave and bonuses | 4,167 | 2,722 |
| Anniversary bonuses | 24 | 36 |
| Personnel adjustment measures | 66 | 160 |
| Supervisory Board remuneration | 68 | 68 |
| Others | 176 | 443 |
| **Total** | **4,688** | **3,617** |

Other noncurrent liabilities include the following:

| in kEUR | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Anniversary bonuses | 295 | 267 |
| Pension obligations | 208 | 0 |
| Noncurrent remuneration of the Board of Directors | 186 | 0 |
| Others | 70 | 0 |
| **Total** | **759** | **267** |

Anniversary bonuses amount to EUR 319k in total, EUR 295k and EUR 24k of which are recognized in noncurrent and current liabilities, respectively. Anniversary bonuses are not promised to the employees in writing; due to the payment history and the company practice resulting therefrom, however, they are accounted for as a liability.

The BVG pension of CENIT CH was – for reasons of materiality - not shown as a defined benefit plan in the past. In the prior year, EUR 19k were therefore not shown as pension obligations. Due to the acquisition of Transcat PLM AG, the number of employees was expanded. In Switzerland, pension benefits are designed as defined benefit plans in accordance with IAS 19 and have to be recognized on the balance sheet accordingly. In accordance with the selected method, actuarial gains and losses are recognized in other income, thereby not affecting profit or loss.

The following charts show the components of pension benefit expenses as recognized on the income statement and the amounts recognized on the balance sheet for the respective plans.

The potential obligation from defined benefit pension obligations recognized on the balance sheet amounts to EUR 208k (per January 1, 2011: EUR 19k).

| in kEUR | 2011 | 2010 |
|---|---|---|
| Present value of defined benefit obligations | 2,283 | 1,210 |
| Fair value of plan assets | 2,075 | 1,191 |
| **Liability from defined benefit obligation** | **208** | **19** |

Thus, the net liability developed as follows:

| in kEUR | 2011 |
|---|---|
| Net liability per Jan 1, 2011 | 19 |
| Recognized net expenses | 51 |
| Employer's contributions | -51 |
| Actuarial gains/losses | 128 |
| Additions from business combinations | 61 |
| **Net liability per Dec 31, 2011** | **208** |

The changes in present value of the defined benefit obligations are as follows:

| in kEUR | 2011 |
|---|---|
| Present value of the defined benefit obligation per Jan 1, 2011 | 1,210 |
| Current service expenses | 51 |
| Interest expenses | 28 |
| Contributions of the plan participants | 48 |
| Actuarial gains/losses | -10 |
| Additions from business combinations | 956 |
| **Present value of the defined benefit obligation per Dec 31, 2011** | **2,283** |

The changes in fair value of the plan assets are as follows:

| in kEUR | 2011 |
|---|---|
| Fair value of the plan assets per Jan 1, 2011 | 1,191 |
| Expected income from plan assets | 28 |
| Actuarial gains/losses | -138 |
| Contributions of the employer | 51 |
| Contributions of the plan participants | 48 |
| Additions from business combinations | 895 |
| **Fair value of the plan assets per Dec 31, 2011** | **2,075** |

Plan assets consist of other investments in full. The expected total yields from plan assets are measured on the basis of past experience, which are reflected in the basic assumptions (compare below). Current income from plan assets amounts to EUR ./. 110k.

| in kEUR | 2011 |
|---|---|
| Current service expenses | -51 |
| Interest expenses | -28 |
| Expected income from plan assets | 28 |
| Expenses for pension benefits (net expenses) | -51 |

For the annual period 2012, the group expects contributions to defined benefit plans of EUR 155k.

The following chart shows the basic assumptions for measuring pension obligations:

| % | 2011 |
|---|---|
| Discount interest rate | 2.25 |
| Expected return on plan assets | 2.25 |
| Expected wage increase rate | 1.00 |

The amounts of the current and prior annual period are as follows:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Present value of the defined benefit obligation | 2,283 | 1,210 |
| Plan assets | 2,075 | 1,191 |
| Shortfall/surplus | -208 | -19 |
| Experience-related adjustments of plan liabilities | -10 | 0 |
| Experience-related adjustments of plan assets | -138 | 0 |

## 16. Objectives and methods of financial risk management

The objective of the disclosures required in the notes by IFRS 7 is the provision of decision-relevant information regarding the extent, the time and the probability of the occurrence of future cash flows resulting from financial instruments as well as an estimation of the risks resulting from financial instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In addition to liquid funds, financial assets especially include unsecuritized receivables like trade receivables, loans and loan receivables as well as securitized receivables like checks, bills of exchange or bonds. The term financial asset can also include financial investments held to maturity and derivatives held for trading. Financial liabilities, on the other hand, usually create a contractual obligation to return liquid funds or other financial assets. They especially include trade liabilities, bank loans and overdrafts, bonds, liabilities from the acceptance of drawn bills of exchange and issuing own bills of exchange as well as written options and derivative financial instruments of negative fair value.

The material financial instruments utilized by the group – with the exception of derivative financial instruments – comprise overdraft facilities and trade liabilities. The main purpose of these financial instruments is the financing of the group's operations. The group has different financial assets like trade receivables, securities and cash and short-term deposits that directly result from operations.

There are no significant differences between carrying amounts and fair values of receivables and liabilities due to their short maturities.

In the scope of operations, the group is subject to credit rating, credit and liquidity risks as well as interest and currency fluctuation risks.

The general regulations for group-wide risk policies are specified in intra-group guidelines. The group-wide risk policy also schedules the utilization of derivative financial instruments. The respective financial transactions are concluded only with contract partners that have a first-class credit rating.

## Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument vary due to changes in market prices. Market risk includes the following three types of risks: foreign exchange rate risks, interest risks and other price risks like the market price risk. The entity does not believe that significant market price risks exist. With regard to the remaining market risks, we refer to the statements below.

## Credit rating or credit risk

The credit rating or credit risk results from the danger that business partner cannot meet their obligations in the scope of a transaction regarding a financial instrument, thereby creating loss of assets.

Prior to accepting a new customer, the group uses an external credit rating assessment to judge the creditworthiness of potential customers and determine their credit limits.

Creditreform e.V. conducts the credit rating analyses for material new customers. For new and existing customers, the credit risk is reduced through – amongst others – issuing advance invoices. The payment history of existing clients is continuously analyzed. Credit risks are also managed through limits per contract party, which are subject to annual assessments.

We do not conduct credit rating analyses for customer orders passed on by contract partners, as the latter already conducts this analysis.

In addition, we constantly monitor receivables so that the group is not subject to any significant credit risk.

Since we do not conclude general offsetting agreements with our customers, the entirety of the amounts recognized as assets also constitutes the maximum credit risk. A concentration of credit risks from business relationships with individual debtors or groups of debtors cannot be identified. For the group's other financial assets like cash and cash equivalents, the maximum credit risk in case of the contract partner's default equals the carrying amount of these instruments.

In addition to customary retentions of title, the group does not have collaterals or other credit improvement measures that would reduce the credit risk.

## Foreign currency exchange risk

Foreign currency exchange risks exist especially where receivables or liabilities exist or will arise in the ordinary course of business in a currency other than the entity's local currency.

Receivables and liabilities in foreign currencies that could give rise to foreign currency risks are of minor importance in the group.

Moreover, foreign currency risks result from domestic bank balances in USD. At USD 43k (prior year USD 23k) and a +/- 10% variation, risks resulting therefrom amount to EUR 3k (prior year EUR 2k). The risk from overall cash on hand is considered secondary. The foreign currency risk from other bank balances is mainly due to CHF 3,151k (prior year CHF 1,591k) and USD 2,591k (prior year USD 724k) and, assuming a variation of +/- 10%, amounts to EUR 460k (prior year EUR 181k).

Other risks from foreign currencies do not exist.

## Interest risk

Since noncurrent financial liabilities with variable interest rates are not utilized, the group is basically not subject to any risks due to varying market interest rates. From the group's point of view, the only interest rate risk results from the investment of liquid funds. This risk is considered insignificant. At average cash and cash equivalents of EUR 20,247k, the impact on earnings would amount to EUR +/- 202k upon a +/- 1% variation in obtainable interest.

CENIT Group's interest income is steered through a combination of fixed-interest and floating-interest investments. The group concludes additional financial instruments if necessary to achieve this objective.

Neither reporting dates show an inventory of derivative financial instruments for interest management.

## Liquidity risk

The group requires sufficient liquid funds to meet its financial obligations. Liquidity risks result from the possibility that customers are not able to meet possible obligations to the group in the scope of normal commercial conditions. The group steers liquidity risks by setting up and having adequate reserves, credit facilities and continuous monitoring of the forecasted and current cash flows and the matching of maturity profiles of financial assets and liabilities. The group's credit standing allows the procurement of a sufficient extent of liquid funds. The group also has yet unutilized credit facilities at hand.

There are currently no liquidity or refinancing risks on group level due to the large inventory of liquid funds and securities that can be disposed of at each exchange trading day.

All financial liabilities fall due within one year.

## Capital management

Primary objective of the group's capital management is to ensure that it maintains a high credit standing and a maximum equity rate to support its operations and maximize the shareholder value.

The group manages its capital structure and conducts adjustments in consideration of the change of economic framework conditions. To maintain or adjust the capital structure, the group can adjust dividend payments or conduct a return of capital to the shareholders or issue new shares. The objectives, policies and procedures were amended neither per December 31, 2011 nor per December 31, 2010.

The group monitors its capital using the equity/balance sheet total ratio. Equity comprises the equity allocable to the shareholders of the parent. The balance sheet total is that of the consolidated balance sheet (in accordance with IFRS).

| in kEUR | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Balance sheet total | 56,418 | 49,728 |
| Equity allocable to the shareholders of the parent | 32,206 | 29,037 |
| **Equity/ balance sheet total ratio (in %)** | **57.1** | **58.4** |

## 17. Financial instruments

The following chart shows carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements:

| in kEUR | Carrying amount | Carrying amount | Fair value | Fair value |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Financial assets | | | | |
| Cash | 18,135 | 13,306 | 18,135 | 13,306 |
| Other financial assets measured at fair value through profit or loss | 2,966 | 3,966 | 2,966 | 3,966 |
| Loans and receivables | 21,589 | 20,510 | 21,589 | 20,510 |
| of which: | | | | |
| • Trade receivables | 17,496 | 15,486 | 17,496 | 15,486 |
| • Receivables from associate | 3,946 | 4,865 | 3,946 | 4,865 |
| • Other receivables | 147 | 159 | 147 | 159 |
| | **42,690** | **37,782** | **42,690** | **37,782** |
| | | | | |
| Financial liabilities | | | | |
| Other financial liabilities | 15,011 | 13,960 | 15,011 | 13,960 |
| of which: | | | | |
| • Trade payables | 3,624 | 4,684 | 3,624 | 4,684 |
| • Liabilities to associate | 217 | 0 | 217 | 0 |
| • Deferred liabilities | 4,688 | 3,617 | 4,688 | 3,617 |
| • Other liabilities | 6,482 | 5,659 | 6,482 | 5,659 |
| | **15,011** | **13,960** | **15,011** | **13,960** |

The fair value of the financial assets and liabilities equals the carrying amount because the assets and liabilities concerned are all of a current nature. The fair value of financial assets recognized at fair value results from prices created on the market.

## G. Cash flow statement

The cash flow statement shows how CENIT Group's cash and cash equivalents changed in the annual period and the prior year due to cash inflows and cash outflows. Cash flows were classified by cash inflows and outflows in the scope of operating, investing and financing activities in accordance with IAS 7. Amounts recognized by foreign entities are translated at average annual rates while liquidity, as on the balance sheet, is recognized at reporting date rate. The influence foreign currency exchange rate fluctuations have on cash is presented separately if it is significant. The changes from adjustments of deferred tax assets and liabilities are recognized separately.

Cash flows from investing and financing activities are measured on a cash-flow basis while cash flows from operating activities is indirectly derived on the basis of the consolidated annual result. In the scope of the indirect measurement, considered changes in balance sheet line items relating to operations are adjusted for effects of foreign currency translation and changes in the consolidated entity. This results in differences as compared to the changes of the individual balance sheet items of the consolidated balance sheet.

Expenses and income of a non-cash nature basically result from the reversal of provisions and deferred liabilities.

Investments in property, plant and equipment, intangible assets and financial assets are included in the cash outflow of investing activities.

Cash and cash equivalents only includes assets that can be transformed into payment means without significant value deductions and are only subject to insignificant fluctuations.

Cash and cash equivalents include all cash and cash equivalents recognized on the balance sheet if their original maturity amounts to less than three months. At reporting date, cash and cash equivalents consist of the following:

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Bank balances | 18,124 | 13,302 |
| Cash on hand | 11 | 4 |
| **Cash and cash equivalents** | **18,135** | **13,306** |

Deferred tax assets increased from EUR 19k in the prior year to EUR 49k in the annual period. Deferred tax liabilities also increased by EUR 319k from EUR 1,267k to EUR 1,586k.

## H. Segment reporting

In accordance with IFRS 8, operating segments have to be distinguished from group segments on the basis of internal reporting. The latter are usually examined by the main decision-maker of the entity with regard to decisions on the allocation of resources to this segment and the assessment of its profitability.

For the purpose of corporate management, the group is organized in business units in accordance with products and services and has the following two reporting segments:

- EIM (Enterprise Information Management)
- PLM (Product Lifecycle Management)

Presentation is oriented on internal reporting.

The segment Product Lifecycle Management (PLM) focuses on industrial customers and corresponding technologies. Its industrial focus is on automotive, aerospace, mechanical engineering and shipbuilding. The prime focus is on products and services in Product Lifecycle Management like CATIA by Dassault or SAP and internally generated software like cenitCONNECT and FASTsuite.

The segment Enterprise Information Management (EIM) focuses on the customer segment trade, banks, insurances and providers. The main focus is on products of the strategic software partner IBM and internally generated software and consulting services in the field of document management and business intelligence.

In the scope of segmentation in accordance with business units and regions, the column "non-allocated" in the segment assets and segment liabilities recognizes financial assets and tax refund claims and current and deferred income tax liabilities and other liabilities, respectively, that cannot be allocated to the individual business units.

Segmentation in accordance with regions is determined on the basis of the group's asset locations. Sales to external customers that are stated in the geographic segments are allocated to the individual segments in correspondence with the geographic location of the customer.

In the annual period 2011, 11% of revenue was obtained from a single customer (prior year 18%). This revenue is primarily allocable to the operating segment PLM.

The following chart shows the segmentation in accordance with business units:

SEGMENT REPORTING BY BUSINESS UNIT (in accordance with IFRS)
for the period from January 1, to December 31, 2011

| in kEUR | | EIM | PLM | not allocated | Group |
|---|---|---|---|---|---|
| External revenue | Q1-Q4 2011 | 28,954 | 78,887 | 0 | 107,840 |
| | Q1-Q4 2010 | 27,660 | 65,514 | 0 | 93,174 |
| EBIT | Q1-Q4 2011 | 1,253 | 5,009 | 0 | 6,262 |
| | Q1-Q4 2010 | 1.712 | 2.253 | 0 | 3.965 |
| Share of profit of an associate | Q1-Q4 2011 | 0 | 0 | 0 | 0 |
| | Q1-Q4 2010 | 0 | 4 | 0 | 4 |
| Other interest result and financial result | Q1-Q4 2011 | 0 | 0 | 240 | 240 |
| | Q1-Q4 2010 | 0 | 0 | 158 | 158 |
| Income taxes | Q1-Q4 2011 | 0 | 0 | 2,151 | 2,151 |
| | Q1-Q4 2010 | 0 | 0 | 1,118 | 1,118 |
| Net income of the Group | Q1-Q4 2011 | 1,253 | 5,009 | -1,910 | 4,352 |
| | Q1-Q4 2010 | 1,712 | 2,253 | -956 | 3,009 |
| Segment assets | Q1-Q4 2011 | 10,746 | 23,612 | 22,005 | 56,363 |
| | Q1-Q4 2010 | 11,351 | 19,855 | 18,468 | 49,674 |
| Investment in an associate | Q1-Q4 2011 | 0 | 54 | 0 | 54 |
| | Q1-Q4 2010 | 0 | 54 | 0 | 54 |
| Segment liabilities | Q1-Q4 2011 | 7,382 | 14,525 | 2,304 | 24,211 |
| | Q1-Q4 2010 | 7,554 | 11,807 | 1,331 | 20,692 |
| Investment in property, plant and equipment and intangible assets | Q1-Q4 2011 | 730 | 3,449 | 0 | 4,179 |
| | Q1-Q4 2010 | 3,814 | 730 | 0 | 4,544 |
| Amortization and depreciation | Q1-Q4 2011 | 870 | 1,605 | 0 | 2,474 |
| | Q1-Q4 2010 | 670 | 1,106 | 0 | 1,776 |

EIM = Enterprise Information Management; PLM = Product Lifecycle Management

The following chart shows segmentation in accordance with regions:

GROUP SEGMENT REPORT BY REGION (in accordance with IFRS)
for the period from January 1 to December 31. 2011

| in kEUR | | Germany | Switzerland | North America | Romania | France | Japan | not allocated | Consolidation | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| External revenue | Q1-Q4 2011 | 89,725 | 7,652 | 9,620 | 786 | 30 | 27 | 0 | 0 | 107,840 |
| | Q1-Q4 2010 | 82,622 | 3,794 | 6,560 | 145 | 53 | 0 | 0 | 0 | 93,174 |
| Segment assets | Q1-Q4 2011 | 31,467 | 3,416 | 2,557 | 247 | 20 | 87 | 22,005 | -3,435 | 56,363 |
| | Q1-Q4 2010 | 28,339 | 1,567 | 2,199 | 143 | 153 | 0 | 18,468 | -1,195 | 49,674 |
| Investment in an associate | Q1-Q4 2011 | 54 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 54 |
| | Q1-Q4 2010 | 54 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 54 |
| Investments in property, plant and equipment and intangible assets | Q1-Q4 2011 | 2,074 | 2,016 | 54 | 17 | 2 | 20 | 0 | 0 | 4,183 |
| | Q1-Q4 2010 | 4,482 | 0 | 42 | 16 | 4 | 0 | 0 | 0 | 4,544 |

The segment assets that are not-allocated consist of the following:

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Deferred tax assets | 49 | 19 |
| Noncurrent income tax receivables | 403 | 478 |
| Current income tax receivables | 452 | 699 |
| Other financial assets (current and noncurrent) | 2,966 | 3,966 |
| Cash | 18,135 | 13,306 |
| **Total** | **22,005** | **18,468** |

Segment liabilities that are not-allocated consist of the following:

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Deferred tax liabilities | 1,586 | 1,267 |
| Current income tax liabilities | 718 | 64 |
| **Total** | **2,304** | **1,331** |

In the annual period and the prior year, no material non-cash expenses except for amortization and depreciation and additions to the provisions existed.

# I. Other disclosure

## 1. Contingent liabilities and other financial obligation

Per reporting date, the group did not have any contingent liabilities that have to be recognized on the balance sheet or disclosed in the notes.

The entity has other financial obligations in connection with rental and lease agreements. The financial obligations resulting therefrom can be taken from the chart below:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Rent and lease obligations | | |
| Falling due within 1 year | 3,128 | 3,461 |
| Falling due within 1 - 5 years | 6,549 | 4,162 |
| Falling due after more than 5 years | 4,935 | 824 |
| Total | 14,612 | 8,447 |

Other financial liabilities mainly consist of rental agreements concluded for rented office buildings in Germany in an amount of EUR 11,965k (prior year EUR 6,237k) and car lease agreements of EUR 1,974k (prior year EUR 1,589k). Customary extension options and price adjustment clauses exist.

The move scheduled in the prior year was not conducted. Instead, the former rental property was rented again and to an optimized extent. The lease period for the optimized office premises is 10 years. Company cars and communication facilities were also rented through operating lease agreements to ensure that technology used is state-of-the-art and to avoid any tie-up of liquidity. These agreements will make for cash outflows in the following periods, which are included in the chart above.

Income from subletting will probably be as follows in future periods:

| in kEUR | 2012 | 2011 |
|---|---|---|
| Income from subletting | | |
| Within 1 year | 2 | 193 |
| 1 - 5 years | 0 | 0 |
| Total | 2 | 193 |

## 2. Related party disclosures

Only the members of the Board of Directors and Supervisory Board and their dependants as well as associates are related parties of CENIT Group in terms of IAS 24.

CENIT AG conducted transactions with "related parties" with a member of the Supervisory Board. In the annual period, these transactions resulted in consulting expenses of EUR 30k (prior year EUR 34k) with regard to CENIT AG and EUR 1k consulting expenses with regard to an associate. The business relationships are processed in accordance with conditions customary in the market. In addition, CENIT AG's generated revenue of EUR 12,322k with associates.

At reporting date, liabilities to related parties amounted to EUR 219k (EUR 7k). Receivables from associates are separately recognized on the balance sheet.

The following gentlemen are members of the Board of Directors:

- Dipl.-Wirt.-Ing. Christian Pusch, Waldachtal, Speaker of the Board of CENIT Aktiengesellschaft, responsibilities: finances, organization, HR, marketing, investor relations

- Dipl.-Ing. Kurt Bengel, Waiblingen, member of the Board of Directors of CENIT Aktiengesellschaft, responsibilities: operations

The following gentlemen are members of the Board of Directors:

- Dipl.-Ing. Andreas Schmidt (self-employed management consultant), Ahrensburg, Chairman, since May 30, 2008

- Dipl.-Kfm. Hubert Leypoldt (self-employed auditor, tax consultant, legal advisor), Dettingen/Erms, Vice Chairman, since May 30, 2008

- Dip.-Ing. Andreas Karrer (head of department CENIT AG, Stuttgart), Leinfelden-Echterdingen, Employee Representative, since May 30, 2008

In the annual period, remuneration of the members of the Board of Directors amounted to:

| in kEUR | 2011 | 2010 |
|---|---|---|
| **Christian Pusch** | | |
| Fixed remuneration | 248 | 245 |
| Performance-related remuneration | 98 | 44 |
| Of which relating to other periods | 7 | 4 |
| Remuneration with long-term incentive | 93 | 0 |
| **Kurt Bengel** | | |
| Fixed remuneration | 242 | 224 |
| Performance-related remuneration | 98 | 44 |
| Of which relating to other periods | 7 | 4 |
| Remuneration with long-term incentive | 93 | 0 |
| **Total** | **872** | **557** |

These mainly concern remuneration due in the short-term for the current activities of the annual period.

In accordance with the statements on the share option plan above, neither Mr Pusch (prior year 24,000 subscription rights) nor Mr Bengel (prior year 15,000 subscription rights) have share options at December 31, 2011.

The employment contracts of the members of the Board of Directors were renegotiated between the Supervisory Board and the Board of Directors in December 2010. The statutory provisions of the VorstAG were taken into consideration. The new regulations took effect on January 1, 2011. The variable remuneration was divided into a current and a noncurrent component whereas the current proportion is paid in the following year. The noncurrent component is paid after a period of three years if additional criteria are met. Moreover, the total annual remuneration was capped at EUR 500,000.00.

The employment contracts of Mr Pusch and Mr Bengel include compensation payments in accordance with § 74 HGB for the duration of a one-year non-competition clause and continued pay for a period of six months for the benefit of their surviving dependants in the event of death.

No further pension commitments and benefits were agreed for the case of termination of the employment. In case that the company terminates the contract prior to its expiration without good cause, the member of the Board of Directors will receive a maximum compensation equal to two years of the contractually agreed fixed remuneration for the remaining term of the employment contract. In any case, no more than the residual term of the employment contract is remunerated.

In accordance with § 14 of the articles of association, remuneration of the members of the Supervisory Board for the year 2011 amounts to:

| in kEUR | 2011 | 2011 | 2010 | 2010 |
|---|---|---|---|---|
| | Fixed remuneration | Performance-related remuneration | Fixed remuneration | Performance-related remuneration |
| Andreas Schmidt | 30 | 0 | 30 | 0 |
| Hubert Leypoldt | 22.5 | 0 | 22.5 | 0 |
| Andreas Karrer | 15 | 0 | 15 | 0 |
| **Total** | **67.5** | **0** | **67.5** | **0** |

In addition, D&O insurance existed for the members of the Board of Directors, Supervisory Board and other executive employees. The company assumed the contributions of EUR 25k (prior year EUR 25k).

At balance sheet date, the members of the Board of Directors and Supervisory Board owned 14,000 shares (.17%) and 194,392 shares (2.32%) of the company's nominal capital, respectively.

## 3. Changes on shareholder level

During the business year 2011, several notifications in accordance with § 21 para 1 WpHG [Wertpapierhandelsgesetz – German Securities Trading Act] were received from Highclere International Investors Limited, London. The last notification is dated May 23, 2011 and states:

„Dear Sir/Madam,

Highclere International Investors LLP of 2, Manchester Square, London, UK, herewith gives the following notice:

Notification pursuant to. Sec. 21(1), 22 WpHG

Highclere International Investors LLP, 2 Manchester Square, London, UK

We hereby give notice, pursuant to sec. 21 para. 1 of the WpHG, that on 20 May, 2011 our voting interest in CENIT Aktiengesellschaft decreased below the threshold of

3% and amounts to 2.75% (230,377 voting rights in relation to the total of 8,367,758) on this day.

All voting rights are attributable to us in accordance with sec. 22 para. 1 Sent. 1 No. 6 of the WpHG. Voting rights are attributed to us by The Highclere International Investors Smaller Companies Fund and The Highclere (Jersey) international Smaller Companies Fund.

Yours faithfully,
Fergus Gilmour
Chief Operating Officer"

„Dear Sir/Madam,

Highclere International Investors LLP of 2, Manchester Square, London, UK, herewith gives the following notice:

Notification pursuant to Sec. 21(1), 22 WpHG

Highclere International Investors Smaller Companies Fund, 353 Bayberry Lane, Westport, CT 06880, USA

We hereby give notice, pursuant to sec. 21 para. 1 of the WpHG, that on 20 May, 2011 our voting interest in CENIT Aktiengesellschaft decreased below the threshold of 3% and amounts to 2.72% (227,828 voting rights in relation to the total of 8,367,758) on this day.

Yours faithfully,
Fergus Gilmour
Chief Operating Officer"

During the business year 2011, several notifications in accordance with § 21 para 1 WpHG from Allianz Global Investors Kapitalanlagegesellschaft mbH were received. The latest one is dated April 1, 2011 and states:

"We hereby give notice, pursuant with § 21 para 1 clause 1 of the WpHG, that on March 31, 2011 our voting interest in CENIT AG, Industriestr. 52-54, 70565 Stuttgart exceeded the threshold of 3% and amounts to 3.46% of the total voting rights of the company (289,713 voting rights in relation to the total of 8,367,758) on this day.

Of our voting rights, 1.64% of the total amount of voting rights (137,109 of the total of 8,367,758 voting rights) are assignable to us pursuant to § 22 para 1 clause 1 no 6 WpHG. No voting rights in terms of § 17 para 1 no 7 WpAIV

[Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung – Securities Trading Notification and Insider Registration Ordinance] were obtained.

Kind regards
Dr. Martin Roß Dirk Martin"

With letter of July 13, 2011, Axxion S.A. gave notice that its voting rights exceeded the threshold of 5%. The notification in accordance with § 21 para 1 WpHG states:

"Dear ladies and gentlemen,

We hereby give notice, pursuant with § 21 para 1 WpHG, that on July 12, 2011, our voting interest in CENIT AG (ISIN: DE0005407100) exceeded the threshold of 5% and now amounts to 5.21%.

Stock Axxion S.A. 435,848, total stock: 8,367,758

Kind regards

Axxion S.A.

Heiko Hector

Risikomanagement"

During the business year 2011, several notifications in accordance with § 21 para 1 WpHG from the Baden-Württemberg Pension Fund for doctors, dentists and veterinarians were received. The latest one is dated August 9, 2011 and states:

"Dear ladies and gentlemen,

We hereby give notice that the voting interest of Baden-Württemberg Pension Fund for doctors, dentists and veterinarians, Gartenstr. 63, 72074 Tübingen, in CENIT AG, Industriestraße 52-54, 70565 Stuttgart, exceeded the threshold of 5% and amounted to 5.18% (433,244 voting interests) on April 18, 2009, decreased below the threshold of 3% and amounted to 2.51% (210,000 voting interests) on October 19, 2009 and exceeded the threshold of 3% and amounted to 3.13% (262,000 voting interests) on August 5, 2011.

Kind regards

Kuhberg

Geschäftsführer"

During the business year 2011, several notifications in accordance with § 21 para 1 WpHG from LBBW Asset Management Investmentgesellschaft mbH were received. The latest one is dated November 15, 2011 and states:

"Dear ladies and gentlemen,

Pursuant to § 21 Abs. 1 WpHG, we give notice that the voting interest of LBBW Asset Management Investmentgesellschaft mbH in CENIT AG, Industriestraße, 70565 Stuttgart, Germany, decreased over all of our separate assets below the threshold of 5% on November 11, 2011 and amounts to a total of 4.61% (385,421 voting rights in relation to the total of 8,367,758) on this day. Of these, 3.67% (307,421 voting rights) are assignable to us in accordance with § 22 para 1 clause 1 no 6 WpHG, whereas voting interests of the following shareholders owning 3% or more of the voting interests in CENIT AG are assigned to us: Baden-Württemberg Pension Fund for doctors, dentists and veterinarians.

Kind regards
LBBW Asset Management Investmentgesellschaft mbH
Peter Klotz Thomas Pyk"

## 4. Audit and consulting fees of the auditor

| in kEUR | 2011 | 2010 |
|---|---|---|
| Fee for annual audit of the financial statements and consolidated financial statements | 106 | 104 |
| Of which relating to other periods | (0) | (0) |
| Fee for other services | 29 | 165 |
| **Total** | **135** | **269** |

## 5. Subsequent events

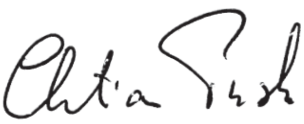
No facts and circumstances arose after the reporting date that could materially influence the group's financial position and financial performance.

## 6. Corporate governance statement in accordance with § 161 AktG

The Board of Directors and Supervisory Board of the company issued the statement required by § 161 AktG for the business year 2011 and published it on the company's homepage (www.cenit.de).

Stuttgart, March 1, 2012
CENIT Aktiengesellschaft

The Board of Directors



Christian Pusch
(Speaker of the Board)

Kurt Bengel

# AUDIT OPINION

We have audited the consolidated financial statements prepared by the CENIT Aktiengesellschaft, Stuttgart, comprising the balance sheet, the statement of comprehensive income, the income statement, the statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the management report of the CENIT-group and the company for the fiscal year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the management report of the CENIT-group and the company in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the management report of the CENIT-group and the company 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 management report of the CENIT-group and 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 management report of the CENIT-group and 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 management report of the CENIT-group and 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 para. 1 HGB and supplementary provisions of the articles of incorporation 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 management report of the CENIT-group and 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 9, 2012

BDO AG Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Andreas Müller | ppa. Martin Helmich |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

## CORPORATE GOVERNANCE REPORT

At CENIT AG, good corporate governance is a core component of enterprise management. The Managing and Supervisory Boards of CENIT AG welcome the model set by the German Corporate Governance Code and have resolved to widely implement and observe the regulations of the Code. In this way, CENIT AG documents the fact that responsible, values-oriented corporate governance, and its consistent monitoring, are accorded top priority within CENIT Group.

As a listed company, CENIT AG is aware that it is the shareholders who provide the necessary growth capital and thus also assume part of the entrepreneurial risk. For this reason maximum transparency, open and timely communication with investors, efficient risk management, compliance with stock exchange rules, and an enterprise management that focuses on creating added value all already form important components of CENIT's enterprise philosophy.

Additionally, CENIT AG is already subject to a number of strict reporting requirements as a result of its listed status on the Prime Standard of the regulated market. This means that CENIT AG already fulfills many of the recommendations of the German Corporate Governance Code.

### Declaration of Conformity in accordance with § 161 AktG

The Managing and Supervisory Boards of CENIT have issued the Declaration of Conformity with the Corporate Governance Code as prescribed by § 161 AktG [Stock Corporation Act], and have made it available on the Association's homepage (www.cenit.de)

### Declaration on Corporate Governance

For the year 2011, the Managing and Supervisory Boards of the Association have issued the Declaration on Corporate Governance prescribed by § 289a HGB [Commercial Code] and have made it readily available on the internet homepage via the following link: www.cenit.de/corporate/investor-relations/corporate-governance.html. The Declaration on Corporate Governance (§ 289a HGB) includes the Declaration of Conformity, information on corporate governance practices, and a description of the operating principles of the Managing and Supervisory Boards.

### Operating Principles of the Managing and Supervisory Boards

The Supervisory Board and the Managing Board work in close cooperation for the greater benefit of the Association.

The Managing Board informs the Supervisory Board in a regular, timely and comprehensive manner as to the course of business, the economic and financial development of CENIT, as well as on the risk situation, risk management, compliance topics, and fundamental matters of enterprise strategy. Decisions of a substantial nature require approval by the Supervisory Board.

The chief task of the Supervisory Board is to advise and supervise the Managing Board. Employee interests are appropriately represented by the employee representative on the Supervisory Board. Supervisory Board sessions are held on a regular basis, and where required supplemented by telephone conferences. Due to the low number of Supervisory board members, committees are not formed.

In filling management positions and taking other personnel decisions, the Supervisory and Managing Boards are guided solely by the capabilities and qualifications of the available candidates, without according any special or elevated significance to gender.

The same is true for the selection of the members of the Association's bodies. The selection prioritizes aptitude and qualification. In the opinion of CENIT AG, the special weighting of further criteria, as prescribed by the Code, would unduly restrict the selection of potential candidates for the Managing/ Supervisory Boards. The fact that the Managing Board is currently made up of only two members and the Supervisory Board of three members also deserves mention in this context.

The Supervisory and Managing Boards expressly welcome all endeavors which promote diversity and counteract discrimination on the basis of gender, or any other form of discrimination.

### Supervisory Board

The Supervisory Board advises and supervises the Managing Board. The Supervisory Board of CENIT AG is composed of three members. Two of these are elected by the General Meeting of Shareholders, one by the employees of the enterprise. The Chairman of the Supervisory Board is elected from among its members.

The Supervisory Board appoints the members of the Managing Board. It supervises and advises the Managing Board in its governance of the Association. Substantial decisions by the Managing Board require Supervisory Board approval. Supervisory Board members are remunerated on a non-performance-related basis. During the reporting year, there were no changes in the composition of the Supervisory Board.

In accordance with § 14 of the Articles of Association, the members of the Supervisory Board received the following remuneration during the year 2011:

| in kEUR | 2011 | 2011 | 2010 | 2010 |
|---|---|---|---|---|
| | Fixed remuneration | Performance-related remuneration | Fixed remuneration | Performance-related remuneration |
| Andreas Schmidt | 30 | 0 | 30 | 0 |
| Hubert Leypoldt | 22.5 | 0 | 22.5 | 0 |
| Andreas Karrer | 15 | 0 | 15 | 0 |
| Total | 67.5 | 0 | 67.5 | 0 |

## Managing Board

The Managing Board is the management body of the Association. It conducts the business of the enterprise on its own responsibility and within the framework determined by corporate law. It is obligated to further the interests of the Association and bound by principles of business policy. It reports to the Supervisory Board in a regular, timely and comprehensive manner on all substantial matters of business development, enterprise strategy, and potential risks. The remuneration of Managing Board members is made up of fixed and performance-related components. During the reporting year, there were no changes in the composition of the Managing Board.

During the reporting year, the members of the Managing Board received the following remuneration:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Christian Pusch | | |
| Fixed remuneration | 248 | 245 |
| Performance-related remuneration | 98 | 44 |
| Of which relating to other periods | 7 | 4 |
| Remuneration with long-term incentive | 93 | 0 |
| Kurt Bengel | | |
| Fixed remuneration | 242 | 224 |
| Performance-related remuneration | 98 | 44 |
| Of which relating to other periods | 7 | 4 |
| Remuneration with long-term incentive | 93 | 0 |
| Total | 872 | 557 |

In December of 2010, the Supervisory and Managing Boards renegotiated the employment contracts of the members of the Managing Board, taking into account the statutory provisions of the VorstAG [Act on the Appropriateness of Management Board Compensation]. The new rules entered into force on 1 January 2011. The remuneration system of the Managing Board of CENIT AG encompasses non-performance-related and performance-related components. The performance-related component is oriented on the operative consolidated annual result. Please refer to the information contained in the annexes.

The employment contracts of Mr. Pusch and Mr. Bengel include compensation payments in accordance with § 74 HGB for the duration of a one-year no-competition term, as well as provisions for six months of continued remuneration for the benefit of surviving dependents in the event of the death of a Managing Board member.
No further assurances as to pension benefits and payments in the event of a termination of Managing Board membership have been made. Should the Association prematurely terminate the employment contract without cause, the Managing Board member shall receive a severance payment not exceeding two annual payments of the contractually agreed fixed remuneration for the remainder of the employment contract. Under no circumstances shall the payment exceed the remuneration for the remainder of the employment contract.

### Shares held by the Managing and Supervisory Boards

Share portfolios on 31 December 2011

Total number of shares: 8,367,758

| **Managing Board:** | | **Supervisory Board:** | |
|---|---|---|---|
| Kurt Bengel: | 6,000 | Andreas Schmidt: | 191,792 |
| Christian Pusch: | 8,000 | Hubert Leypoldt: | 1,600 |
| | | Andreas Karrer: | 1,000 |

### Share Option Program

As a result of a share option program adopted in 2005, a total of 189,000 subscription rights to CENIT AG shares were available to employees and Managing Board members as at 31 December 2010. Until the end of the program's term on 10 August 2011, no subscription rights had been exercised because the option criteria were not fulfilled. As a result, the employees' subscription rights lapsed without compensation on 10 August 2011. Thus, as at 31 December 2011, there are no longer any existing subscription rights under this program.

Virtual share options: A limited group of employees has been invited to subscribe to "virtual share options". This constitutes a special form of performance-related remuneration which is linked to the performance of CENIT stock rather than to

CENIT's annual business performance. The relevant group was awarded virtual subscription rights to 10,000 CENIT AG shares each, at a subscription price of EUR 4.00 / EUR 5.50 per share. The option may be exercised only upon expiry of a lock-out period of three years from the date of issue, at an overall option term of 5 years. Furthermore, the options may be exercised only when the share price exceeds a threshold value of EUR 6.99 / EUR 8.00.

### Shareholders and General Meeting

Our shareholders exercise their rights during the General Meeting of the Association. The annual meeting of shareholders takes place during the first six months of the business year and is chaired by the Chairman of the Managing Board. The General Meeting decides on all matters assigned to it by law (including election of the members of the Supervisory Board, amendments to the Articles of Association, appropriation of profits, capital measures).

All documents and information pertaining to the General Meeting are duly made available to the shareholders via our website.

### Accounting and Auditing

The consolidated financial statement of CENIT Aktiengesellschaft, Stuttgart, is prepared by the Managing Board in accordance with the International Financial Reporting Standards (IFRS) as they apply to the EU, and in compliance with the supplementary provisions of commercial law that apply pursuant to § 315a Para. 1 HGB. The consolidated financial statement is audited by the statutory auditor and approved by the Supervisory Board. As required by law, the consolidated financial statement is made publicly available within a period of 120 days upon adoption.

The statutory auditor is BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

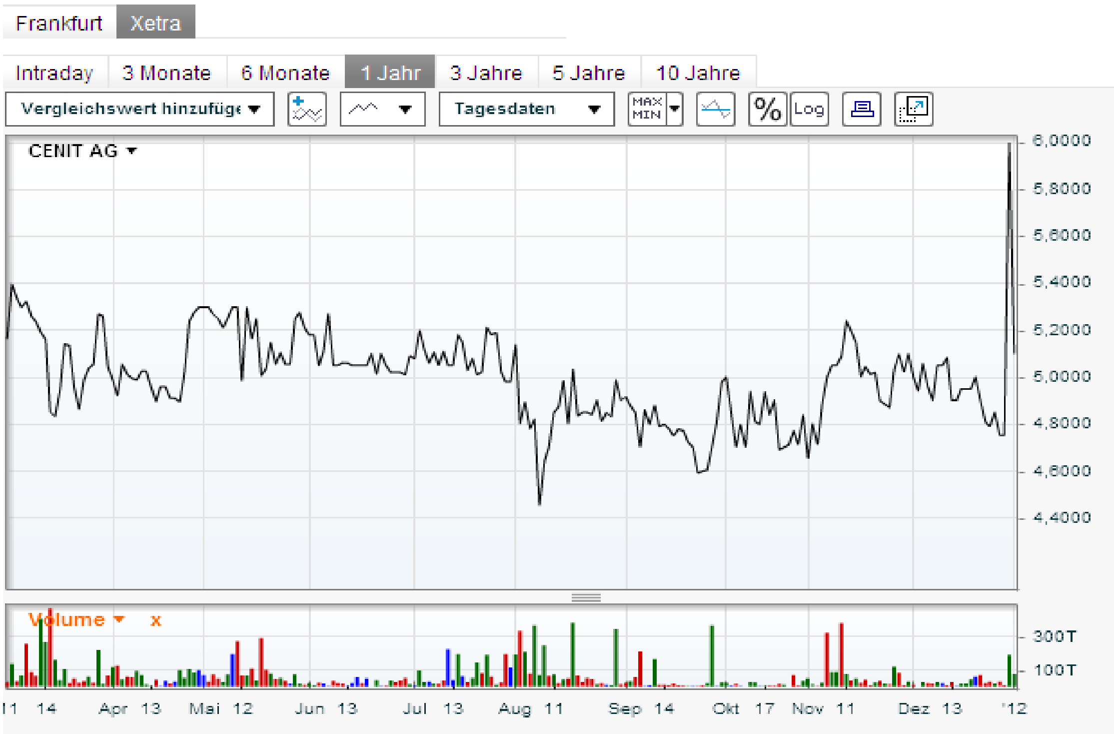
An agreement was reached with the statutory auditor to the effect that the Chairman of the Supervisory Board shall be immediately informed of any grounds for exclusion or exemption as well as any errors or omissions in the Declaration of Conformity as may be discovered during the course of the audit. The statutory auditor shall also immediately inform the Supervisory Board of any and all matters and events relevant to the Board's tasks that may arise during the course of the audit.

### Transparent Corporate Governance

Comprehensive and timely reporting on the business situation and the business results of CENIT AG is conducted by way of the annual report, the quarterly reports, and the mid-year financial statement. The respective dates of publication are published at the beginning of each business year in our financial calendar. The Articles of Association, presentations, press releases and ad-hoc reports are made available as well. All reports and communications can be accessed on the Internet at www.cenit.de/de/corporate/investor-relations.html. CENIT AG has also prepared the prescribed insider directory. The affected individuals have been informed as to their statutory duties and sanctions.

## DEVELOPMENT OF CENIT SHARES ON THE FINANCIAL MARKET

### Graphic: Share price development 2011




Source: Börse Frankfurt CENIT Aktiengesellschaft, Stuttgart

CENIT shares began the 2011 stock market year at a price of EUR 5.92 and ended the year at EUR 6.00. The 52 weeks of the year saw an average trade volume of 17,553 shares per day (2010: 25,462 shares per day). The annual average price of CENIT AG shares for 2011 was EUR 5.12, with an annual high of EUR 6.00 EUR and an annual low of EUR 4.01. Over 4.5 million shares were traded in total. Due to the high free-float level, only rudimentary data on the shareholder structure can be determined. In terms of the shareholder size and composition, this permits the following overview of the shareholder group:

DISTRIBUTION OF SHARES BY SHAREHOLDER GROUP AS AT 31 DECEMBER 2011

**The following investors hold a share of stock subject to a reporting requirement:**

| Company | Reported on | Number | Percent |
|---|---|---|---|
| PRODYNA | 17 Dec. 2010 | 440,000 | 5.26 |
| LBBW Asset Management | 15 Nov. 2011 | 385,421 | 4.61 |
| Axxion | 13 Jul. 2011 | 435,848 | 5.21 |
| Allianz Global Investors | 01 Apr. 2011 | 289,713 | 3.46 |
| Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte | 05 Aug. 2011 | 262,000 | 3.13 |

Source: CENIT AG, Stuttgart

Currently, four banking and analysis agencies publish research reports on CENIT, namely buy recommendations by Hauck & Aufhäuser, Hamburg, equinet Bank AG, Frankfurt, GBC AG, Augsburg and Mirabaud Securities, London. CENIT stock is listed on the Prime Standard of Deutsche Börse and fulfills the applicable international transparency requirements.

## SHARE MARKET OUTLOOK

From the investor perspective, the past year was a disappointing one. The Dax ended one of the worst years in its history, closing with an annual minus of 14.7 percent at 5,898.35 points.

As a result of the debt crisis, the Dax contracted by almost 30 percent between late July and mid-September of 2011. Following the downgrading of the US by the rating agencies, the Dax fell to 4,965.80 points in September, its lowest level in over two years. As could be expected, financial stocks suffered most heavily from investor concerns about the stability of the European financial union. Thus stocks such as Commerzbank lost more than 70 percent and shares of Deutsche Bank sustained on-year losses of about a quarter of their value.

Coming off these experiences during the past year, the experts are cautious with their projections for 2012, expecting anything but a fireworks display. According to a study by cometis AG, investment bankers see the Euro crisis, which has now been going on for almost two years, as the decisive factor in determining stock market developments during the first six months of the year.

The most important German economic research institutes have already lowered their forecasts for economic growth in 2012. Coupled with the stricter capital requirements imposed by Basel III and the European banking regulator EBA, this may mean that as the crisis progresses banks will adjust their credit portfolios and severely restrict the availability of new credit to businesses.

Nevertheless, the banking experts polled by the cometis study expect the investment climate to improve during the second half of the year. The bankers also see a quieting of the Euro crisis as the greatest opportunity for the German stock market to recover. To this end, they call for rapid political solutions and consistent implementation of the decisions that have already been adopted.

# RESPONSIBILITY STATEMENT IN THE ANNUAL FINANCIAL REPORT

## (GROUP FIANANCIAL REPORT)

After considering comments received, the German Accounting Standards Board (GASB) agreed at its 114th meeting on the following wording of the responsibility statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 2 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the Group financial statements:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a

description of the principal opportunities and risks associated with the expected development of the group."

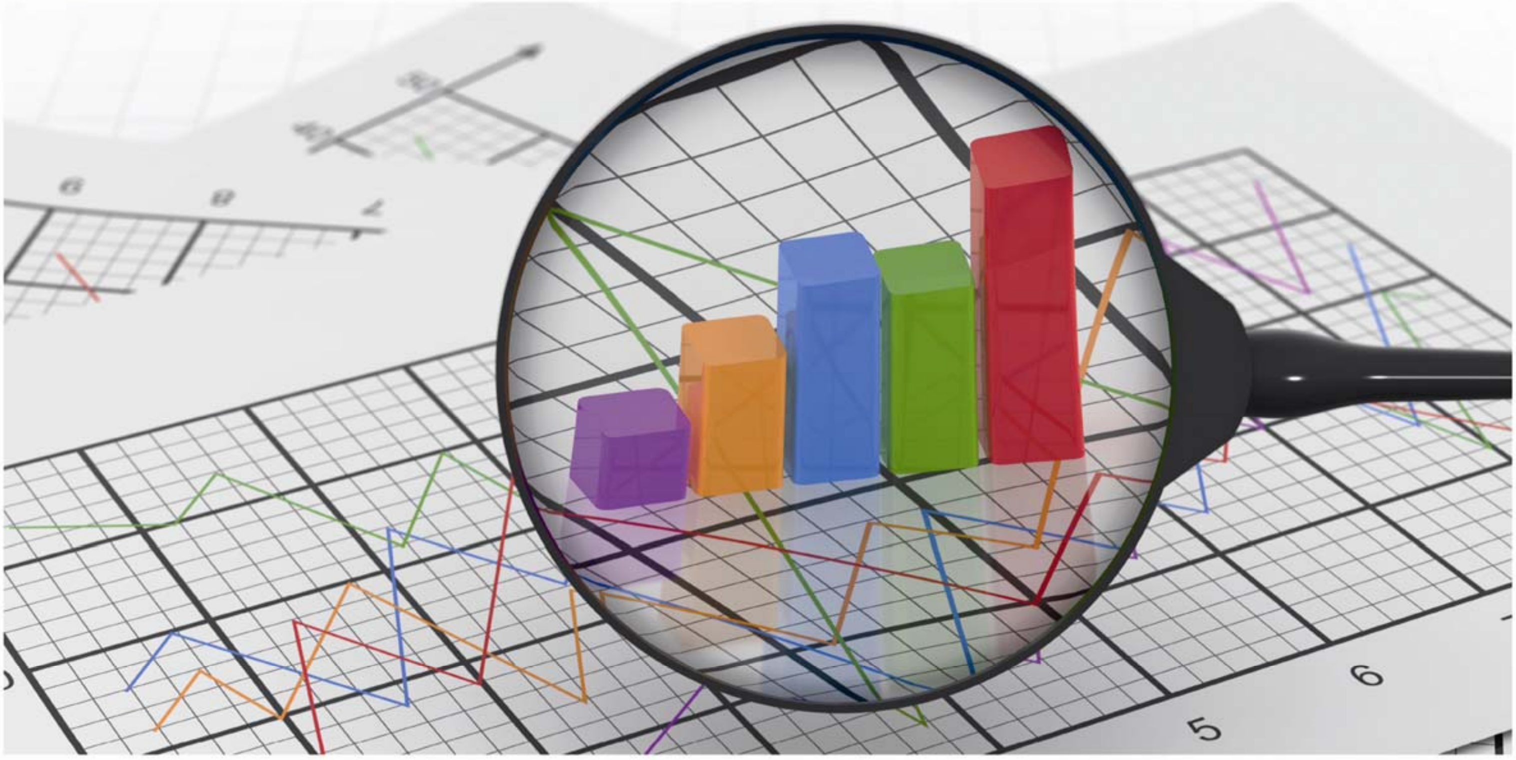
For the sake of completeness, it should be noted that if an entity is obliged to prepare an annual financial report in accordance with section 37v(1) and (2) of the WpHG, it must also comply with the requirements of sections 264(2) sentence 3 and 289(1) sentence 5 of the HGB (single-entity financial statements).

The Management Board

Christian Pusch
(Spokesman of the Management Board)

Kurt Bengel

# FINANCIAL STATEMENT AG



CENIT Aktiengesellschaft, Stuttgart
BALANCE SHEET per December 31, 2011

| | | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|---|
| **ASSETS** | | EUR | EUR |
| A. Fixed assets | | | |
| I. Intangible assets | | | |
| Concessions acquired for consideration, industrial property rights and similar rights and assets and licenses in such rights and assets | | 507,187.64 | 408,608.56 |
| II. Tangible assets | | | |
| 1. Land and buildings including buildings on leasehold lands | 637,494.69 | | 762,950.97 |
| 2. Technical equipment | 1,379,056.69 | | 829,084.46 |
| 3. Other equipment, factory and office equipment | 111,238.73 | | 164,701.76 |
| 4. Prepayments and construction in process | 44,228.00 | | 0.00 |
| | | 2,172,018.11 | 1,756,737.19 |
| III. Financial assets | | | |
| 1. Shares in affiliated companies | 923,314.22 | | 625,643.06 |
| 2. Loans to affiliated companies | 52,554.25 | | 52,554.25 |
| 3. Securities | 2,000,000.00 | | 3,000,000.00 |
| | | 2,975,868.47 | 3,678,197.31 |
| B. **CURRENT ASSETS** | | | |
| I. Inventories | | | |
| 1. Work in process | 1,500,772.66 | | 793,485.09 |
| 2. Merchandise | 106,729.36 | | 470,431.96 |
| 3. Prepayments | 145,684.95 | | 0.00 |
| | | 1,753,186.97 | 1,263,917.05 |
| II. Receivables and other assets | | | |
| 1. Trade receivables | 12,036,084.53 | | 11,533,494.86 |
| 2. Receivables from affiliated companies | 2,485,947.66 | | 356,227.79 |
| 3. Receivables from companies in which the Company has a participating interes | 3,909,366.64 | | 4,812,547.30 |
| 4. Other assets | 798,470.07 | | 1,034,453.21 |
| | | 19,229,868.90 | 17,736,723.16 |
| III. Securities | | | |
| Other securities | | 966,100.00 | 966,100.00 |
| | | | |
| IV. Cash on hand, bank balances and checks | | 13,027,722.79 | 11,410,418.93 |
| C. **PREPAID EXPENSES AND DEFERRED CHARGES** | | | |
| Prepaid expenses and deferred charges | | 2,973,984.66 | 2,933,546.29 |
| | | | |
| **BALANCE SHEET TOTAL** | | 43,605,937.54 | 40,154,248.49 |

## CENIT Aktiengesellschaft, Stuttgart
## BALANCE SHEET per December 31, 2011

| | | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | EUR | EUR | EUR |
| **A. SHAREHOLDERS' EQUITY** | | | |
| I. Subscribed capital | | 8,367,758.00 | 8,367,758.00 |
| Conditional capital EUR 0 (prior year: kEUR 520) | | | |
| II. Capital reserves | | 1,058,017.90 | 1,058,017.90 |
| III. Earnings reserves | | | |
| 1. Statutory reserve | | 418,387.90 | 418,387.90 |
| 2. Other earnings reserves | | 12,270,955.48 | 11,670,955.48 |
| | | | |
| IV. Unappropriated retained earnings | | 2,613,327.98 | 1,389,259.84 |
| | | 24,728,447.26 | 22,904,379.12 |
| | | | |
| **B. PROVISIONS** | | | |
| 1. Tax provisions | 158,049.59 | | 22,836.08 |
| 2. Other provisions | 6,728,457.95 | | 6,315,090.95 |
| | | 6,886,507.54 | 6,337,927.03 |
| **C. ACCOUNTS PAYABLE** | | | |
| 1. Customer advances | 3,151,508.58 | | 881,647.24 |
| 2. Trade payables | 3,070,379.03 | | 4,400,179.12 |
| 3. Payables to companies | 92,503.15 | | 578,430.58 |
| 4. Payables to companies in which the company has a participating interest | 217,107.41 | | 0 |
| 5. Other liabilities | 2,129,040.47 | | 3,106,309.45 |
| of which social security payables: EUR 0 (prior year TEUR 0) | | | |
| of which taxes: EUR 1,857 (prior year: TEUR 1,734) | | | |
| | | 8,660,538.64 | 8,966,566.39 |
| | | | |
| **D. DEFERRED INCOME** | | | |
| | | 3,330,444.10 | 1,945,375.95 |
| | | | |
| **BALANCE SHEET TOTAL** | | 43,605,937.54 | 40,154,248.49 |

**CENIT Aktiengesellschaft, Stuttgart**
**INCOME STATEMENT**
**for the period January 1 to December 31, 2011**

| | | 2011 | 2010 |
|---|---|---|---|
| | EUR | EUR | EUR |
| 1. Sales | | 92,914,748.38 | 88,745,578.84 |
| 2. Increase/decrease in services not yet invoiced | | 707,287.57 | 445,187.43 |
| 3. Other operating income | | 1,314,581.94 | 1,086,799.96 |
| | | 94,936,617.89 | 90,277,566.23 |
| 4. Cost of materials | | | |
| a. Cost of raw materials, supplies and merchandise | 26,115,153.72 | | 22,416,027.45 |
| b. Cost of purchased services | 8,218,535.58 | | 9,972,995.03 |
| | | 34,333,689.30 | 32,389,022.48 |
| | | | |
| 5. Personnel expenses | | | |
| a. Salaries | 34,714,649.01 | | 32,681,865.49 |
| b. Social security and pension | 5,724,604.58 | | 5,507,216.20 |
| | | 40,439,253.59 | 38,189,081.69 |
| 6. Amortization and depreciation of fixed intangible and tangible assets | | 1,558,039.37 | 1,231,757.05 |
| | | | |
| 7. Other operating expenses | | 14,227,470.28 | 14,608,049.42 |
| | | 4,378,165.35 | 3,859,655.59 |
| | | | |
| 8. Income from participating interests of which from affiliated companies EUR 0.00 (prior year: EUR 480,881.22) | 0.00 | | 480,881.22 |
| 9. Income from other long-term securities and loans | 48,347.59 | | 63,929.84 |
| 10. Other interest and similar income of which from affiliated companies EUR 37,553.30 (prior year: EUR 0,00) | 228,661.68 | | 113,417.48 |
| 11. Write-down of current securities | 0.00 | | 0.00 |
| 12. Interest and similar expenses of which from affiliated companies: EUR 0,00 (prior year: EUR 0,00) | 13,434.52 | | 75,978.52 |
| 13. Net operating income | | 4,641,740.10 | 4,441,905.61 |
| | | | |
| 14. Extraordinary expenses | | 0.00 | 2,455,985.14 |
| 15. Taxes on income | 1,498,966.47 | | 1,232,362.23 |
| 16. Other taxes | 63,541.79 | | 60,712.48 |
| **17. Net income for the year** | | **3,079,231.84** | **692,845.76** |

CENIT Aktiengesellschaft, Stuttgart
FIXED ASSET MOVEMENT SCHEDULE per December 31, 2011

| | Cost | | | | Accumulated amortization and depreciation | | | | Carrying amounts | |
|---|---|---|---|---|---|---|---|---|---|---|
| in EUR | As per Jan 1, 2011 | Additions | Retirements | As per Dec 31 2011 | As per Jan 1 2011 | Additions | Retirements | As per Dec 31 2011 | As per Dec 31 2011 | As per Dec 31 2010 |
| I. Intangible Assets | | | | | | | | | | |
| Concessions acquired for consideration, industrial property rights, and similar rights and assets, and licenses in such rights and assets | 2,006,696.92 | 413,024.42 | 61,464.58 | 2,358,256.76 | 1,598,088.36 | 314,445.34 | 61,464.58 | 1,851,069.12 | 507,187.64 | 408,608.56 |
| II. Tangible Assets | | | | | | | | | | |
| 1. Land and buildings including buildings on leasehold land | 1,580,014.81 | 0.00 | 0.00 | 1,580,014.81 | 817,063.84 | 125,456.28 | 0.00 | 942,520.12 | 637,494.69 | 762,950.97 |
| 2. Technical equipment | 7,098,844.32 | 1,257,966.97 | 430,106.49 | 7,926,704.80 | 6,269,759.86 | 706,158.21 | 428,269.96 | 6,547,648.11 | 1,379,056.69 | 829,084.46 |
| 3. Other equipment, factory and office equipment | 797,796.35 | 358,532.83 | 344,760.93 | 811,568.25 | 633,094.59 | 411,979.54 | 344,744.61 | 700,329.52 | 111,238.73 | 164,701.76 |
| 4. Prepayments and construction in process | 0.00 | 44,228.00 | 0.00 | 44,228.00 | 0.00 | 0.00 | 0.00 | 0.00 | 44,228.00 | 0.00 |
| Total | 9,476,655.48 | 1,660,727.80 | 774,867.42 | 10,362,515.86 | 7,719,918.29 | 1,243,594.03 | 773,014.57 | 8,190,497.75 | 2,172,018.11 | 1,756,737.19 |
| | 11,483,352.40 | 2,073,752.22 | 836,332.00 | 12,720,772.62 | 9,318,006.65 | 1,558,039.37 | 834,479.15 | 10,041,566.87 | 2,679,205.75 | 2,165,345.75 |
| **III. Financial assets** | | | | | | | | | | |
| 1. Shares in affiliated companies | 625,643.06 | 297,671.16 | 0.00 | 923,314.22 | 0.00 | 0.00 | 0.00 | 0.00 | 923,314.22 | 625,643.06 |
| 2. Participating interests | 52,554.25 | 0.00 | 0.00 | 52,554.25 | 0.00 | 0.00 | 0.00 | 0.00 | 52,554.25 | 52,554.25 |
| 3. Securities | 3,000,000.00 | 2,000,000.00 | 3,000,000.00 | 2,000,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,000,000.00 | 3,000,000.00 |
| Total | **3,678,197.31** | **2,297,671.16** | **3,000,000.00** | **2,975,868.47** | **0.00** | **0.00** | **0.00** | **0.00** | **2,975,868.47** | **3,678,197.31** |
| Fixed assets - Total - | **15,161,549.71** | **4,371,423.38** | **3,836,332.00** | **15,696,641.09** | **9,318,006.65** | **1,558,039.37** | **834,479.15** | **10,041,566.87** | **5,655,074.22** | **5,843,543.06** |

# NOTES FOR 2011

## A. General statements

These financial statements have been prepared in accordance with Section 242 et seq. 264 et seq., HGB [Handelsgesetzbuch – German Commercial Code] as well as the applicable provisions of the AktG [Aktiengesetz – Corporation Law]. The company is subject to the requirements drawn up for large incorporated companies. The Standards of the Deutschen Rechnungslegungs Standards Committees e.V., Berlin, (DRSC) [German Accounting Standards Committee, incorporated society, Berlin] have been complied with as far as they are applicable to these financial statements.

The income statement is prepared in accordance with the nature of expense method ("Gesamtkostenverfahren").

## B. Accounting principles

The accounting policies used to prepare the annual financial statements have remained largely unchanged to the previous year.

Acquired **intangible assets** are recognized at cost and, if they have a definite life, are reduced by systematic amortization on a straight-line basis in accordance with their useful lives. Additions are amortized on a pro rata temporis basis.

**Tangible assets** are recognized at cost and, to the extent to that they are subject to wear and tear, reduced by regular depreciation. Depreciation is carried out over the course of the useful life and follows the straight-line depreciation method.

**Low-value assets** with an individual net price of up to EUR 150 were recognized as an expense in the year of acquisition. Assets with an individual net price of up to EUR 410 are fully written off in the year of acquisition; their immediate disposal was assumed. For reasons of facilitation, the collective tax item method is used on the commercial balance sheet with regard to assets with an individual net price of more than EUR 150 to EUR 1,000 that were acquired after December 31, 2007 but before January 1, 2010. The collective item is written off at a lump sum over the course of the useful life of three years.

**Financial assets** are stated at lower of cost or market value.

**Work in process**, including third party work, is recognized at cost. In addition to direct personnel cost, own work includes adequate proportional overhead expenses for administration, amortization and depreciation and rent.

**Merchandise** is recognized at lower of cost or market value at balance sheet date.
**Receivables and other assets** are recognized at nominal values. All identifiable individual risks are taken into consideration upon valuation. A lump sum allowance of 1% (prior year 1%) is set up for the general credit risk in connection with trade receivables. Non-interest bearing receivables that fall due in more than one year are discounted.

**Securities** are measured at lower of cost or market value at balance sheet date.

**Provisions** take all identifiable risks and contingent liabilities into account and are recognized in the amount required in accordance with reasonable commercial assessment. Expected future increases in costs are included in the measurement. Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven years in correspondence with their remaining term. In the reporting year, the provision for general warranties was calculated at 0.5% of sales (prior year 0.5%) while a provisoin of EUR 300k (prior year: none) was set up for individual warranty cases.

**Accounts payable** are recognized at the amount repayable.

For the purpose of determining **deferred taxes** due to temporary or quasi-permanent differences between the recognition of assets, liabilities and deferred items in accordance with commercial law and their recognition for tax matters, the amounts of the resulting tax liabilities and assets are measured at company-specific tax rate at the time the differences are eliminated and remain undiscounted. Exercising the recognition option that exists in this respect, deferred taxes are not capitalized.

As a basic rule, **assets and liabilities in foreign currency** are translated at average spot exchange rate at balance sheet date. The realization principle (§ 252 para 1 no. 4 semi-clause 2 HGB) and the cost principle (§ 253 para 1 clause 1 HGB) were taken into account in cases in which the residual term exceeds one year.

**Sales** are proceeds generated in the scope of ordinary activities. Sales are recognized as a net amount, i.e. without VAT and less sales deductions. In the scope of deliveries and services, sales are realized once the risk is transferred to the customer and the contractually agreed service is rendered, respectively. Realization of sales from license business depends on whether a temporary or permanent right of use is granted. If the license transaction grants the licensee a temporary license, sales are collected in a linear way over the period in which the license can be used. If license transactions grant a permanent right of use, the non-recurrent payable license fee (PLC) is recognized at the time at which the authority to dispose is obtained while the annual license fee (ALC) is recognized on a pro rata temporis basis.

# C. Comments on balance sheet and income statement

## I. Balance sheet

### 1. Fixed assets

The separately shown development of the fixed asset items can be taken from the fixed asset movement schedule (Appendix I, page 25).

### 2. Financial assets

Share ownership consists of the following:

| No. | Name and registered office | Currency | Participating interest % | Subscribed capital TLW | Equity TLW | Result TLW |
|---|---|---|---|---|---|---|
| 1 | CENIT (Schweiz) AG, Effretikon/Switzerland | CHF | 100.0 | 500 | 1,163 | -1,265 |
| 2 | CENIT NORTH AMERICA Inc., Auburn Hills/USA | USD | 100.0 | 25 | 2,432 | 1,410 |
| 3 | CENIT SRL Iasi/Romania | RON | 100.0 | 344 | 923 | 278 |
| 4 | CENIT FRANCE SARL Toulouse/France | EUR | 100.0 | 10 | 118 | 17 |
| 5 | CENIT Japan K.K. Tokyo/Japan | YEN | 100.0 | 34,000 | 14,213 | -19,787 |
| 6 | CenProCS AIRliance GmbH Stuttgart/Germany | EUR | 33.3 | 150 | 155 | 1 |

### 3. Receivables and other assets

All trade receivables fall due within one year (prior year: one EUR 110k receivable falling due after one year).

With the exception of an amount of EUR 559k, all receivables from affiliated companies and receivables from companies in which the company has a participating interest fall due within one year. In the prior year, all corresponding receivables fell due within one year.

**Receivables from affiliated companies** include receivables of EUR 1,995k in connection with issuing a loan to CENIT (Schweiz) AG (prior year EUR 0k). The remaining receivables from affiliated companies of EUR 491k (prior year EUR 408k) as well as **receivables from companies in which the company has a participating interest** of EUR 3,909k (prior year EUR 4,813k) fully result from deliveries and services.

**Other assets** primarily consist of tax assets (EUR 749k, prior year EUR 901k) and include tax credits of EUR 252k (prior year EUR 332k) from corporate income tax and solidarity surcharge, trade tax and a EUR 497k (prior year EUR 569k) tax credit resulting from the tax moratorium. In an amount of EUR 403k (prior year EUR 478k), the moratorium credit is noncurrent and falls due after more than one year. The moratorium credit originated per December 31, 2006, is non-interest bearing and thus discounted at 4% of its present value. Payments have been made since 2008 and will recur until 2017 in 10 equal annual payments.

## 4. Prepaid expenses

| in kEUR | Dec 31,2011 | Dec 31,2010 |
|---|---|---|
| Accrued rights of license use | 2.638 | 2.711 |
| Other accrued expenses | 336 | 223 |
| Total | **2.974** | **2.934** |

The item mainly concerns prepaid license fees as well as rights of use and insurances.

## 5. Deferred taxes

Deferred taxes result mainly from accounting and measurement differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. For the most part, these differences concern other provisions and the collective item for low-value assets, which is subject to regular depreciation over a course of five and three years on the tax and commercial balance sheet, respectively.

The commercial and tax-based values do not result in taxable temporary differences. Consequently, no deferred tax liabilities have been recorded.

A 30% tax rate (prior year 30.95%) would have to be used as a basis for calculating deferred taxes.

## 6. Shareholders' equity

### Nominal capital

Since the company's entry in the commercial register on August 14, 2006, its nominal capital amounts to EUR 8,367,758.00 and is fully paid in. The share capital is split up into 8,367,758 shares of stock at EUR 1.00 each. The shares are made out to the bearer and are all no-par value common shares.

## Authorized capital

The Board of Directors is authorized to increase – upon approval of the Supervisory Board – the nominal capital once or more than once by up to a total of EUR 4,183,879.00 by issuing new non-par bearer shares in exchange for either cash contribution or contribution in kind until midnight of May 25, 2016 (authorized capital 2011) whereas the number of shares must increase at the same ratio as the nominal capital. The shareholders are entitled to subscription rights. The new shares can also be assumed by one or multiple bank(s), which thereby also assume(s) the responsibility to offer the shares to the company's shareholders for subscription.

Upon approval of the Supervisory Board, however, the Board of Directors is authorized to exclude the statutory subscription rights of the shareholders in the following cases:

d) The Board of Directors is – upon approval of the Supervisory Board - authorized to exclude the shareholders' subscription rights for fractional amounts. The Board of Directors is – upon approval of the Supervisory Board – authorized to exclude the shareholders' subscription rights in the event of a capital increase in exchange for a contribution in kind if the contribution in kind was conducted for the purpose of acquiring companies, business units and/or participating interests in companies or in the scope of business combinations.

e) The Board of Directors is – upon approval of the Supervisory Board – authorized to exclude the shareholders' subscription rights in the event of a capital increase by cash contribution if the capital increases resolved upon on the basis of this authorization do not, in total, exceed 10% of the nominal capital existing at the time of the shareholders' meeting's resolution or, if this amount is lower, at the time of the respective exercise of the authorization and if the issue amount does not fall significantly short of the exchange price. The ceiling of 10% of the nominal capital is reduced by the proportional amount of the nominal capital assigned to those treasury shares of the company that are disposed of during the term of the authorized capital under exclusion of the shareholders' subscription rights in accordance with §§ 71 para 1 no. 8 clause 5, 186 para 3 clause 4 AktG.

The total of the shares issued in accordance with this authorization under exclusion of the subscription right in exchange for cash contributions and contributions in kind cannot exceed a proportional amount of the nominal capital of EUR 1,673,551 (20 per cent of the current nominal capital). The Board of Directors is authorized to determine the further details of the capital increase and share issue requirements upon approval of the Supervisory Board.

The Supervisory Board is authorized to adjust the wording of § 5 of the articles of association subsequent to partial or full conduct of the nominal capital increase in accordance with the respective utilization of the authorized capital.

### Conditional capital

At reporting date, the conditional capital contains the following:

| | Dec 31,2011 number | Dec 31,2010 number | Dec 31,2011 EUR | Dec 31,2010 EUR |
|---|---|---|---|---|
| Share option plan 2002/2006 | 0 | 520,000 | 0 | 520,000 |

### Share option plan 2002/2006

By resolution of the shareholders' meeting on June 16, 2006, the company's nominal capital was conditionally increased by up to EUR 520,000.00 through the issue of up to a total of 520,000 non-par bearer shares (ordinary shares). The conditional capital increase served the issuing of shares to the owners of subscription rights, which the Board of Directors was authorized to issue by resolution of the shareholders' meeting of June 19, 2002 in the version of the shareholders' meeting's resolution of June 13, 2006. Due to the fact that performance criteria were not reached, an exercise of the subscription rights by the subscription right owners was not possible until the program period expired on August 10, 2011. To this extent, the subscription rights forfeited once the term expired and the conditional capital increase was not conducted.

## 7. Capital reserves

At EUR 1,058k, the capital reserves remains unchanged.

## 8. Statutory reserve

As compared to the prior year, the statutory reserve remains unchanged and amounts to EUR 418k.

## 9. Other earnings reserves

Other earnings reserves increased by EUR 600k, from EUR 11,671 to EUR 12,271k as compared to the prior year.

## 10. Unappropriated retained earnings

The unappropriated retained earnings developed as follows:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Net income | 3,079 | 692 |
| Unappropriated retained earnings prior year | 1,389 | 3,907 |
| Dividends | -1,255 | -2,510 |
| Addition to other earnings reserves | 0 | -1,300 |
| Retained earnings brought forward from prior year | 134 | 97 |
| Withdrawal from other earnings reserves | 0 | 600 |
| Addition to other earnings reserves | -600 | 0 |
| **Unappropriated retained earnings** | **2,613** | **1,389** |

## 11. Provisions

**Other provisions** primarily include provisions for personnel expenses in an amount of EUR 4,094k (prior year EUR 2,779k), warranty provisions of EUR 773k (prior year EUR 442k), provisions for unsettled supplier invoices of EUR 938k (prior year EUR 1,732k) and provisions for anniversary payments of EUR 319k (prior year EUR 303k).

## 12. Accounts payable

As in the prior year, trade payables fall due within one year.

Payables to affiliated companies concern trade payables of EUR 26k (prior year EUR 161k). In addition, they include advances of EUR 67k (prior year EUR 418k). As in the prior year, payables to affiliated companies fall due within one year.

Payables to companies in which the company has a participating interest concern trade payables of EUR 35k (prior year EUR 0k). In addition, liabilities from advances of EUR 182k (prior year EUR 16k) existed at balance sheet date. As in the prior year, the respective liabilities fall due within one year.

Other liabilities include accrued items of EUR 104k (EUR 0k). These amounts concern deferred rent (EUR 82k) and outstanding operating costs (EUR 22k) for the Stuttgart office building for the month of December. The deferred rent is allocated over the period of the rental agreement, which results in a EUR 41k (prior year EUR 0k) liability falling due after more than five years. EUR 2,054k (prior year EUR 3,106k) of the other liabilities fall due within one year.

# II. Income statement

## 1. Sales

| in kEUR | 2011 | 2010 |
|---|---|---|
| CENIT software | 10,555 | 9,323 |
| Third party software | 34,757 | 29,829 |
| CENIT consulting and service | 47,341 | 48,863 |
| Merchandise hardware | 262 | 731 |
| Total | 92,915 | 88,746 |

89% (prior year 90%), 5% (prior year 4%) and 6% (prior year 6%) of all sales were generated in Germany, other EU countries and non-EU countries, respectively.

## 2. Other operating income

Amongst others, other operating income concerns income from charged-on salary and administrative costs of EUR 382k (prior year EUR 217k), insurance refunds of EUR 86k (prior year EUR 114k), rental income from subletting of EUR 241k (EUR 294k), income from the reversal of provisions of EUR 116k (prior year EUR 180k), marketing and distribution subsidies from partner companies of EUR 55k (prior year EUR 10k) and currency exchange gains of EUR 121k (prior year EUR 65k).

## 3. Personnel expenses

| in kEUR | 2011 | 2010 |
|---|---|---|
| Salaries | 34,714 | 32,682 |
| Social security | 5,725 | 5,507 |
| Total | 40,439 | 38,189 |

Expenses for pensions included in social security expenses amount to EUR 7k (prior year EUR 3k).

## 4. Other operating expenses

The overall other operating expenses decreased by ca. 3% to EUR 14,227k as compared to the prior year (EUR 14,608k). Other operating expenses mainly concern costs for office premises of EUR 3,173k (prior year EUR 3,346k), expenses for vehicles EUR 2,716k (EUR 2,601k), travel expenses EUR 1,962k (EUR 1,918k), marketing costs of EUR 1,119k (prior year EUR 1,303k) and currency exchange losses of EUR 112k (EUR 89k).

## 5. Financial results and net interest income

Financial results and net interest income consist of the following:

| in kEUR | 2011 | 2010 |
|---|---|---|
| **Income from participating interests** | | |
| Dividend CENIT (Schweiz) AG | 0 | 367 |
| Dividend CENIT SRL Romania | 0 | 114 |
| **Total** | **0** | **481** |

| in kEUR | 2011 | 2010 |
|---|---|---|
| **Income from other long term securities and loans** | | |
| Interest income | 48 | 64 |
| **Total** | **48** | **64** |

| in kEUR | 2011 | 2010 |
|---|---|---|
| **Other interest and similar income** | | |
| Bank interest and interest on securities | 169 | 89 |
| Interest on loan granted to subsidiary | 38 | 0 |
| Income from tax moratorium | 22 | 24 |
| **Total** | **229** | **113** |

| in kEUR | 2011 | 2010 |
|---|---|---|
| **Interest and similar expenses** | | |
| Guarantee provision | 7 | 10 |
| Interest expense for operating taxes | 0 | 49 |
| Interest expense from the accumulation of provision | 6 | 14 |
| Other interest expenses | 0 | 3 |
| **Total** | **13** | **76** |

## 6. Income/expenses relating to other periods

Amongst others, income relating to other periods concerns income from the reversal of provisions of EUR 116k (prior year EUR 180k) and income from administrative cost allocation of EUR 48k (prior year EUR 0k). Expenses relating to other periods result from personnel expenses in an amount of EUR 38k.

## 7. Extraordinary expenses

No extraordinary expenses originated in the course of the business year 2011 (prior year EUR 2,456k).

## 8. Taxes on income

| in kEUR | 2011 | 2010 |
|---|---|---|
| Current corporate income tax expenses | 697 | 574 |
| Current solidarity surcharge expenses | 35 | 30 |
| Current trade tax expenses | 756 | 632 |
| Taxes prior years | 11 | -4 |
| **Total** | **1,499** | **1,232** |

Taxes mainly include corporate income tax and solidarity surcharge of EUR 732k (EUR 604k) and trade tax of EUR 756k (prior year EUR 632k) on the taxable profit of the business year 2011.

## 9. Proposal for the appropriation of earnings

The following appropriation of the unappropriated retained earnings is proposed to the shareholders' meeting:

| in EUR | |
|---|---|
| Unappropriated retained earnings | 2,613,327.98 |
| Dividend distribution (30 cent for each 8,367,758 dividend entitled non-par value share) | -2,510,327.40 |
| **Retained earnings** | **103,000.58** |

## 10. Audit and consulting fees of the annual auditor

Disclosures concerning the auditor's fees in accordance with § 285 no. 17 HGB are included in the consolidated statements of CENIT AG.

# D. Other disclosures

## 1. Personnel

On average, the company had 579 (prior year 569) employees during the business year.

## 2. Contingencies and other financial obligations

Other financial obligations exist in connection with **rent and lease agreements**. The financial obligations resulting therefrom are taken into account in the following chart:

| in kEUR | 2011 | 2010 |
|---|---|---|
| Rent and lease obligations | | |
| Falling due within one year | 2,915 | 3,328 |
| Falling due within 1 – 5 years | 6,496 | 4,066 |
| Falling due in more than 5 years | 4,935 | 4,805 |
| **Total** | **14,346** | **12,199** |

Other financial obligations primarily result from rental agreements concluded for rented office buildings in an amount of EUR 11,965k (prior year EUR 10,219k) and vehicle lease agreements of EUR 1,974k (EUR 1,589k). Extension options and price adjustment clauses exist as customary in the business.

Central administration was supposed to move into another rented property. Due to the insolvency of that building's investor, however, a move was not possible. Instead, a new rental agreement with a basic term of 10 years was concluded for the old location.

The company fleet and communication systems are rented through rental lease agreements to guarantee that the company's technology is up-to-date and avoid the tie-up of liquidity. In future periods, these agreements will result in cash payments that are included in the chart above.

## 3. Company bodies

Appointed members of the **Board of Directors** are:

- Dipl.-Wirt.-Ing. Christian Pusch, Waldachtal, Speaker of the Board of CENIT AG, area of responsibility: Finances, Organization, Personnel, Marketing, Investor Relations
- Dipl.-Ing. Kurt Bengel, Waiblingen, area of responsibility: Operations

Members of the **Supervisory Board** are:

- Dipl.-Ing. Andreas Schmidt (self-employed management consultant), Ahrensburg, Chairman
- Dipl.-Kfm. Hubert Leypoldt (self-employed auditor, tax consultant, legal advisor), Dettingen/Erms, Vice Chairman
- Dipl.-Ing. Andreas Karrer, Leinfelden-Echterdingen, Employee Representative

The members of the Supervisory Board do not hold positions on other Supervisory Boards.

In the business year, remuneration of the members of the Board of Directors amounted to:

| in kEUR | 2011 | 2010 |
|---|---|---|
| **Christian Pusch** | | |
| Fixed remuneration | 248 | 245 |
| Performance-related remuneration | 98 | 44 |
| Of which relating to other periods | 7 | 4 |
| Remuneration with long-term incentive | 93 | 0 |
| **Kurt Bengel** | | |
| Fixed remuneration | 242 | 224 |
| Performance-related remuneration | 98 | 44 |
| Of which relating to other periods | 7 | 4 |
| Remuneration with long-term incentive | 93 | 0 |
| **Total** | **872** | **557** |

In accordance with the statements on the share option plan above, neither Mr Pusch (prior year 24,000 subscription rights) nor Mr Bengel (prior year 15,000 subscription rights) have share options at December 31, 2011.

The employment contracts of Mr Pusch and Mr Bengel include compensation payments in accordance with § 74 HGB for the duration of a one-year non-competition clause and continued pay for a period of six months for the benefit of their surviving dependants in the event of death.

No further pension commitments and benefits were agreed for the case of termination of the employment.

In accordance with § 14 of the articles of association, remuneration of the members of the Supervisory Board for the year 2011 amounts to:

| in kEUR | 2011 | 2011 | 2010 | 2010 |
|---|---|---|---|---|
| | Fixed remuneration | Performance-related remuneration | Fixed remuneration | Performance-related remuneration |
| Andreas Schmidt | 30 | 0 | 30 | 0 |
| Hubert Leypoldt | 22.5 | 0 | 22.5 | 0 |
| Andreas Karrer | 15 | 0 | 15 | 0 |
| **Total** | **67.5** | **0** | **67.5** | **0** |

In addition, D&O insurance existed for the members of the Board of Directors, Supervisory Board and other executive employees. The company assumed the contributions of EUR 25k (prior year EUR 25k).

At balance sheet date, the members of the Board of Directors and Supervisory Board owned 14,000 shares (.17%) and 194,392 shares (2.32%) of the company's nominal capital, respectively.

## 4. Changes on shareholder level

During the business year 2011, several notifications in accordance with § 21 para 1 WpHG [Wertpapierhandelsgesetz – German Securities Trading Act] were received from Highclere International Investors Limited, London. The last notification is dated May 23, 2011 and states:

„Dear Sir/Madam,

Highclere International Investors LLP of 2, Manchester Square, London, UK, herewith gives the following notice:

Notification pursuant to. Sec. 21(1), 22 WpHG

Highclere International Investors LLP, 2 Manchester Square, London, UK

We hereby give notice, pursuant to sec. 21 para. 1 of the WpHG, that on 20 May, 2011 our voting interest in CENIT Aktiengesellschaft decreased below the threshold of 3% and amounts to 2.75% (230,377 voting rights in relation to the total of 8,367,758) on this day.

All voting rights are attributable to us in accordance with sec. 22 para. 1 Sent. 1 No. 6 of the WpHG. Voting rights are attributed to us by The Highclere International

Investors Smaller Companies Fund and The Highclere (Jersey) international Smaller Companies Fund.

Yours faithfully,
Fergus Gilmour
Chief Operating Officer"

„Dear Sir/Madam,

Highclere International Investors LLP of 2, Manchester Square, London, UK, herewith gives the following notice:

Notification pursuant to Sec. 21(1), 22 WpHG

Highclere International Investors Smaller Companies Fund, 353 Bayberry Lane, Westport, CT 06880, USA

We hereby give notice, pursuant to sec. 21 para. 1 of the WpHG, that on 20 May, 2011 our voting interest in CENIT Aktiengesellschaft decreased below the threshold of 3% and amounts to 2.72% (227,828 voting rights in relation to the total of 8,367,758) on this day.

Yours faithfully,
Fergus Gilmour
Chief Operating Officer"

During the business year 2011, several notifications in accordance with § 21 para 1 WpHG from Allianz Global Investors Kapitalanlagegesellschaft mbH were received. The latest one is dated April 1, 2011 and states:

"We hereby give notice, pursuant with § 21 para 1 clause 1 of the WpHG, that on March 31, 2011 our voting interest in CENIT AG, Industriestr. 52-54, 70565 Stuttgart exceeded the threshold of 3% and amounts to 3.46% of the total voting rights of the company (289,713 voting rights in relation to the total of 8,367,758) on this day.

Of our voting rights, 1.64% of the total amount of voting rights (137,109 of the total of 8,367,758 voting rights) are assignable to us pursuant to § 22 para 1 clause 1 no 6 WpHG. No voting rights in terms of § 17 para 1 no 7 WpAIV [Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung – Securities Trading Notification and Insider Registration Ordinance] were obtained.

Kind regards
Dr. Martin Roß Dirk Martin"

With letter of July 13, 2011, Axxion S.A. gave notice that its voting rights exceeded the threshold of 5%. The notification in accordance with § 21 para 1 WpHG states:

"Dear ladies and gentlemen,

We hereby give notice, pursuant with § 21 para 1 WpHG, that on July 12, 2011, our voting interest in CENIT AG (ISIN: DE0005407100) exceeded the threshold of 5% and now amounts to 5.21%.

Stock Axxion S.A. 435,848, total stock: 8,367,758

Kind regards
Axxion S.A.
Heiko Hector
Risk management"

During the business year 2011, several notifications in accordance with § 21 para 1 WpHG from the Baden-Württemberg Pension Fund for doctors, dentists and veterinarians were received. The latest one is dated August 9, 2011 and states.

"Dear ladies and gentlemen,

We hereby give notice that the voting interest of Baden-Württemberg Pension Fund for doctors, dentists and veterinarians, Gartenstr. 63, 72074 Tübingen, in CENIT AG, Industriestraße 52-54, 70565 Stuttgart, exceeded the threshold of 5% and amounted to 5.18% (433,244 voting interests) on April 18, 2009, decreased below the threshold of 3% and amounted to 2.51% (210,000 voting interests) on October 19, 2009 and exceeded the threshold of 3% and amounted to 3.13% (262,000 voting interests) on August 5, 2011.

Kind regards
Kuhberg
Manager"

During the business year 2011, several notifications in accordance with § 21 para 1 WpHG from LBBW Asset Management Investmentgesellschaft mbH were received. The latest one is dated November 15, 2011 and states:

"Dear ladies and gentlemen,

Pursuant to § 21 Abs. 1 WpHG, we give notice that the voting interest of LBBW Asset Management Investmentgesellschaft mbH in CENIT AG, Industriestraße, 70565 Stuttgart, Germany, decreased over all of our separate assets below the threshold of 5% on November 11, 2011 and amounts to a total of 4.61% (385,421 voting rights in relation to the total of 8,367,758) on this day. Of these, 3.67% (307,421 voting rights) are assignable to us in accordance with § 22 para 1 clause 1 no 6 WpHG, whereas voting interests of the following shareholders owning 3% or more of the voting interests in CENIT AG are assigned to us: Baden-Württemberg Pension Fund for doctors, dentists and veterinarians.

Kind regards
LBBW Asset Management Investmentgesellschaft mbH
Peter Klotz Thomas Pyk"

## E. Group relationships

In accordance with § 315a para 1 HGB, the company prepares consolidated financial statements pursuant to the International Financial Reporting Standards (IFRS).

## F. Statement on the corporate governance code in accordance with § 161 AktG

The Board of Directors and Supervisory Board of the company issued the statement required by § 161 AktG for the business year 2011 and published it on the company's homepage (www.cenit.de).

Stuttgart, February 28, 2012

CENIT Aktiengesellschaft

The Board of Directors

Christian Pusch
(Speaker of the Board)

Kurt Bengel

# 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 of the CENIT-group and the company of CENIT Aktiengesellschaft, Stuttgart for the fiscal year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and the management report of the CENIT-group and the company in accordance with German commercial law and supplementary provisions of the articles of incorporation and bylaw 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 of the CENIT-group and the company 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 of the CENIT-group and the company 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 of CENIT-group and the company 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 the management report of the CENIT-group and 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 annual financial statements comply with the legal requirements and supplementary provisions in 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 reportof the CENIT-group and the company 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, February 29, 2012

BDO AG Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Andreas Müller | ppa. Martin Helmich |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# RESPONSIBILITY STATEMENT IN THE ANNUAL FINANCIAL REPORT

## (FIANANCIAL REPORT)

After considering comments received, the German Accounting Standards Board (GASB) agreed at its 114th meeting on the following wording of the responsibility statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 2 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the financial statements:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the corporation, and the management report includes a fair review of the development and performance of the business and the position of the corporation, together with a

description of the principal opportunities and risks associated with the expected development of the corporation."

For the sake of completeness, it should be noted that if an entity is obliged to prepare an annual financial report in accordance with section 37v(1) and (2) of the WpHG, it must also comply with the requirements of sections 264(2) sentence 3 and 289(1) sentence 5 of the HGB (single-entity financial statements).

The Management Board

Christian Pusch
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## GLOSSARY

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| AMS | Abbreviation for Application Management Services<br>Application Management Services is a variant of outsourcing in which the license and infrastructure remain with user, while the service provider performs services such as development, implementation, support, or migration of the application. These services are provided on the basis of detailed Service Level Agreements (SLAs). Outtasking extends this definition to infrastructure- and/or application-related tasks. |
| BI | Abbreviation for Business Intelligence<br>Business intelligence denotes procedures and processes aimed at a systematic analysis (collation, evaluation and presentation) of data electronic form. |
| BOA | Abbreviation for Business Optimization & Analytics<br>The objective of BOA is to provide simple and efficient means of acquiring information that enables an enterprise to make better strategic and operative decisions. From this information, constructive proposals for improved structures, control mechanisms as well as processes, systems and instruments can be derived. |
| CAD | Abbreviation for Computer-Aided Design<br>Software solutions for product design. |
| CAE | Abbreviation for Computer-Aided Engineering<br>Software solutions for simulating the physical behavior of a future product. |
| CAM | Abbreviation for Computer-Aided Manufacturing<br>Software solutions for defining manufacturing processes. |
| CATIA | PLM solution by Dassault Systèmes<br>With the aid of CATIA, users can manage the entire range of industrial design processes, from marketing and the original concept to product design, analysis and assembly, and finally to maintenance. |
| Collaborative workspace | Networked working environment in which all parties involved in the product lifecycle (construction, marketing, sales, manufacturing, OEMs, suppliers, and customers) have access to the work in progress and can participate in construction. |
| CRM | Abbreviation for Customer Relationship Management<br>A business strategy which assists enterprises in managing customer relations. Thus a CRM database permits access to individual customer data and allows enterprises to satisfy |

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| | customer requirements via product plans and product offers, react to special service requirements, and obtain information on previous acquisitions by the customer. |
| DELMIA | PLM solution by Dassault Systèmes<br>DELMIA offers manufacturers the means to digitally plan, develop, monitor and control manufacturing and service processes. |
| Digital factory | Three-dimensional graphic simulation of a factory by way of digitally integrated systems (e.g. DELMIA) |
| Digital manufacturing | Planning and simulation of manufacturing processes via networking of digitally integrated systems (e.g. DELMIA). Developed for purposes of optimizing production costs, ergonomics, assembly line arrangement, productivity, and scheduling. |
| DMF | Abbreviation for Digital Manufacturing |
| DMU | Abbreviation for Digital Mock-Up<br>Virtual design and 3D simulation of a product and all of its component parts. The use of digital/virtual mock-ups eliminates the need for costly actual prototypes. |
| ECM | Abbreviation for Enterprise Content Management<br>ECM permits an enterprise to not only store all relevant information, but to also manage and reuse it. This reduces down-times and simultaneously increases the quality of products and services. |
| EIM | Abbreviation for Enterprise Information Management<br>EIM extends to all solutions and consulting services that generate structured and unstructured data, both within the enterprise and externally. EIM ensures high availability and security of data and optimizes the exchange of data between users.<br>EIM is a holistic data management concept that ensures a consistent, transparent and reliable information structure.<br>It encompasses all current and previous solutions and consulting services related to Enterprise Content Management, Groupware, Infrastructure Management und Application Management Outsourcing, Systems Management, Hotline Service, and remote maintenance of hard- and software. |
| ENOVIA | PLM solution portfolio by Dassault Systèmes<br>ENOVIA supports cooperative enterprise-wide product development – in the true sense of holistic product lifecycle management (PLM). |

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| ERP | Abbreviation for Enterprise Resource Planning<br>A business strategy which supports enterprises in managing their core business fields: acquisitions, inventory, suppliers, customer service, and order tracking. ERP can also be used in financial and staff administration. An ERP system is usually based on a series of software modules linked to a relational database. |
| Expanded enterprise | A term used to describe all of the participants in product development. In addition to the individuals who are normally part of an enterprise (staff, managers, board), an expanded enterprise also includes business partners, suppliers, manufacturers (OEMs), and customers. To ensure that the expanded enterprise operates efficiently, participants must be able to exchange product data between one another and work on the data jointly. |
| Knowledgeware | Tools which support an enterprise by facilitating the gathering, exchange and reuse of knowledge. By way of a consistent reuse of valuable, already available information, enterprises can optimize Product Lifecycle Management and facilitate automated construction. |
| NC | Abbreviation for Numerical Control<br>Control of machinery or processes via numerical control commands. |
| PDM | Abbreviation for Product Data Management<br>A concept developed to store and manage product-defining and product presentation data and documents generated during product development, and to make these available in later phases of the product lifecycle. |
| PLM | Abbreviation for Product Lifecycle Management<br>A business strategy which assists enterprises in exchanging product data, applying uniform processes, and making use of the enterprise's product development knowledge, from initial concept to final redundancy, across the entire expanded enterprise. Thanks to the integration of all involved parties (enterprise divisions, business partners, suppliers, OEMs and customers), PLM offers the entire network the means to operate as a single entity and to jointly conceive, develop, build and service products. |
| SCM | Abbreviation for Supply Chain Management<br>A business strategy which assists enterprises in coordinating the flow of commodities, information and funds between the individual enterprises in a value chain. |

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| SLA | Abbreviation for Service Level Agreement<br>SLAs define the qualitative and quantitative customer-specific objectives in the field of AMO, with the aim of achieving long-term, successful cooperation. |