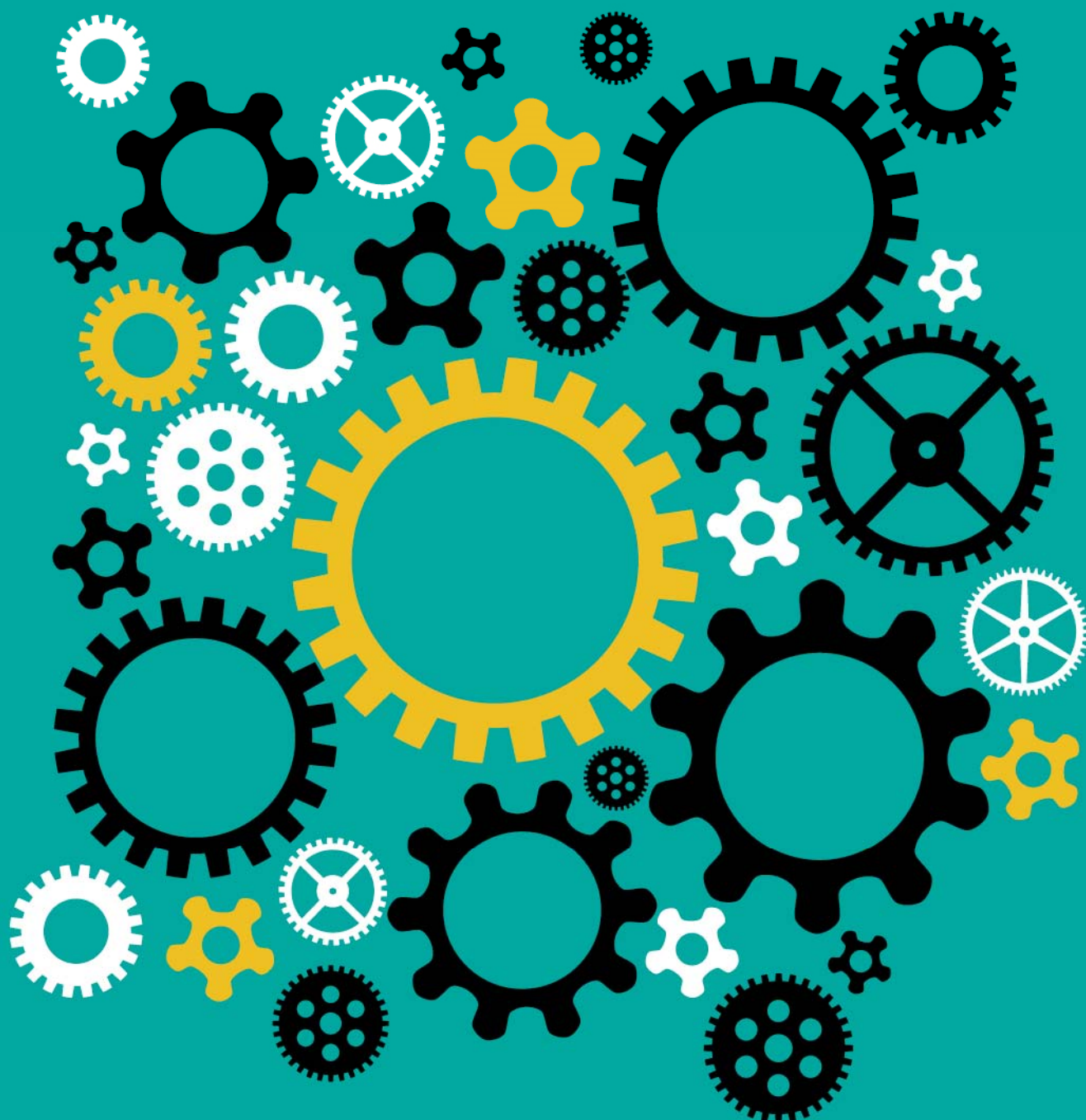


FINANCIAL REPORT 2016



CENIT Key Data 2012-2016

in million EUR	2016	2015	2014	2013	2012
Total revenue	123.77	121.47	123.39	118.92	118.85
EBITDA	14.06	12.69	11.66	10.63	11.04
EBIT	11.85	10.60	9.33	8.33	8.02
Net income	8.15	7.31	6.36	5.88	5.42
Earnings per share in EUR	0.97	0.87	0.76	0.70	0.65
Dividend per share in EUR	Proposal: 1.00	1.00	0.90	0.35	0.55
Equity ratio in %	56.2	59.6	58.8	59.5	58.7
Number of employees	615	628	659	671	675
Number of shares	8,367,758				

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PREFACE OF THE MANAGEMENT BOARD



Preface of the Management Board

Ladies and Gentlemen,

We are particularly delighted to introduce you to this year's annual report, as 2016 was the most successful year economically in the history of CENIT. It was a year shaped by a positive impetus and much buoyancy, from an economic, organizational and technical perspective. For example, we acquired new and very promising customer orders, achieved an even-closer integration of our specialist areas in the course of projects and received awards from our business partners for our strategic and operational excellence. There were of course also challenges to face, but we are still continuing on our growth trajectory.

Successful course of business in 2016

If we take a brief look at the facts and figures, we see that both sales and EBIT reached an all-time high in 2016. At EUR 124 m, sales rose by approximately 2% in a year-on-year comparison, while EBIT increased by 11.8% to EUR 11,849 k. There was an especially noteworthy rise in sales of proprietary CENIT software, with year-on-year growth in excess of 10% at EUR 17,572 k. This is particularly pleasing because a focus on the development and distribution of proprietary software solutions is one of our core objectives as part of the CENIT strategy program.

The positive business development in 2016 is enhanced in no small part by the successful contribution of the CENIT local companies, which generated roughly 28% of total sales. The fact that all local companies without exception, i.e. CENIT Switzerland, France, Romania USA and Japan, increased their sales year on year is worthy of special mention.

In 2017, CENIT will continue to focus on building on the success of the CENIT local companies in the long term as well as on taking advantage of the opportunities and potential of the respective customer markets. To do this, we continuously analyze and monitor the market and industry-relevant developments of the countries, and evaluate which regions offer further futureproof potential that promises success for CENIT. Emerging market economies such as China are investing in digital technologies in order to become more efficient and spur their growth. Consequently, CENIT entered into a cooperation agreement with "Baden-Württemberg International (bw-i) Economic and Scientific Cooperation (Nanjing) Co., Ltd." in the second quarter of 2016 with the aim of potentially tapping the Chinese market. As the competence center of the State of Baden-Württemberg for the internationalization of business and science, bw-i supports companies in all key aspects of gaining a cost and time-efficient foothold on the Chinese market. CENIT is now planning to establish two representative offices in Nanjing in cooperation with bw-i. These will be dedicated in the main to the sale and introduction of CENIT solutions relating to the digital factory.

CENIT 2020 – Rigorous continuation of the growth strategy

In order to take considered action that will secure the future of the enterprise in the era of Industry 4.0, companies are now faced with the challenge of revising and refining their strategies and business models, adjusting their processes or looking for new solutions and perspectives. In order to remain a reliable partner for digital transformation for our customers going forward, CENIT adjusted and rolled forward its overarching corporate strategy in 2016. The updated objective is entitled "CENIT 2020" and aims to ensure the agility and innovative power of CENIT in

the long term, to act as a guiding principle for all activities and to guarantee the continuous improvement of our competitive strength.

Alongside the constant desire to strengthen the competitiveness of our customers by means of optimum expertise, the core elements of CENIT 2020 include aspects such as the realization of potential and synergies through mergers and acquisitions as well as numerous internal strategic initiatives. The following examples bear testimony to our proactive approach to meeting these goals:

Mergers and acquisitions: In December 2016, CENIT announced its intention to take over the French software developer KEONYS. A successful acquisition will allow CENIT to continue to expand its international market force as a 3DEXPERIENCE and PLM-IT specialist and to tap into further customer potential in France and BENELUX. Actual implementation of the acquisition is expected in April 2017.

Strategic initiatives: “Innovative, competent, customer-focused” – these are the key concepts behind a range of internal projects at CENIT which in sum are geared to improving our market strength consistently and raising the profile of our reputation.

One of the projects involves the implementation of a new branding campaign. CENIT’s new appearance should represent an even-better visualization of our competency, expertise and consulting skills. This measure includes elements such as employer branding activities, a new website, a new company brochure, an image film, interior design activities at the CENIT locations and a new catalog of images for use in presentations, at trade fairs and in printed documents to give the brand a lasting tangible quality.

Greater innovative power and consulting strength

In the interest of promoting a vibrant culture of innovation that produces end-to-end, tailored solutions, we are always geared to the needs of our customers and to current market developments. Nowadays, the rapid pace of market and industry developments in connection with Industry 4.0 is calling for solutions that are only possible through the intelligent interlinking of different competency areas. We have recognized this challenge.

In 2016 we already exploited synergies resulting from an even-closer integration of our different specialist areas to make innovative solutions possible. Examples include the topics of predictive analytics and maintenance, where the expertise of the staff in the EIM business division can be used in the fields of Big Data and Business Intelligence in the PLM environment. Another example: As part of a joint project involving the SAP Solutions and 3DS-PLM divisions, teams at CENIT developed a solution based on the 3DEXPERIENCE platform and 3DEXPERIENCE SAP integration for redesigning the product development of a global market leader in the consumer field.

By connecting specialist expertise with industry experience and innovative power in this way – in combination with sales concepts aligned with market needs – CENIT is on the right path to proving itself as a reliable partner for digital transformation for all client companies. We will continue on this path in 2017.

Another factor that makes us certain we are on the right path is our intensive collaboration spanning many years with partners that are among the pioneers and innovation drivers in the digital economy, namely Dassault Systèmes, IBM and SAP. With WATSON (Artificial Intelligence),

SAP HANA platform (SAP) and 3DEXPERIENCE platform (Dassault Systèmes), these companies are offering some of today's most relevant software solutions and technologies in the realm of Industry 4.0. The close exchange of ideas with these partners will ensure that CENIT will continue to possess superior expertise and always be on the cutting edge in terms of innovation.

Together, we have achieved a lot

One of CENIT's strategic objectives is to provide our roughly 620 employees with the best-possible framework for their professional and personal development. We are entirely committed to this objective, because our employees are our most important success factor. HR work thus once again focused on continuing measures for personnel and executive development in 2016. For example, the employee training program CENIT Campus was expanded to include new specialist offerings.

The Company's health management offering in existence for several years now was also broadened, with the first in-house health training session carried out for CENIT staff in addition to the employee health awareness days.

The Management Board and the executives at CENIT see it as their task to move the Company forward in a successful and responsible manner. As a consequence, supporting the training of young people has been part of our corporate policy for many years now. As of the end of 2016, CENIT AG in Germany had a total of 40 young people in vocational training as well as students from different disciplines.

CENIT staff have already achieved a great deal, and helped a lot of people, through the internal company initiative "CENIT Cares". This initiative was launched in 2013 and bundles social responsibility at CENIT on a stable footing. It demonstrates our undertaking to help shape the world and society in which we live with sustainable and continuous projects. Within the framework of the program, CENIT supports community projects either by means of financial support or specific hands-on assistance. The Group provides a defined budget as well as special vacation days for employees each year for this purpose.

The initiative celebrated its 3rd anniversary in 2016. We are extremely proud of the result of those three years: Thanks to the dedication of CENIT employees, we have been able to support people in 8 countries with donations of around EUR 54,000 as well as hands-on assistance in the course of 46 different campaigns. This success has motivated us to want to achieve even more – we want to continue to achieve a lot together in the future.

We are taking the lead in the right direction.

Although there are a number of political uncertainties, the economic framework conditions indicate that 2017 will be a good year. The German economy is expected to grow by around 1.8% in 2017. According to BITKOM, the ITC sector will experience growth somewhere in the region of 1.2% in 2017. CENIT's plan for the fiscal year 2017 predicts sales growth of 2% and unchanged EBIT. As a result, we will primarily work on continuing to secure our established market position in 2017 and on setting the course for further growth in subsequent years. There are plans to spend slightly more on research and development again in the fiscal year 2017 in order to continue to enhance the innovative power of CENIT.

We look ahead to 2017 with great positivity. Thanks to its expertise, consulting and competitive strength, and not least its excellent team of employees, CENIT is in a very strong position. The uppermost objective of the Management Board once again in 2017 will be to open up all opportunities and potential to CENIT and its employees that are necessary to continue on our successful path.

We wish to thank our employees sincerely for their commitment and loyalty over the past year. We thank our customers and partners for the trust they have placed in us, and look forward to sharing more success to come. Last but not least, we wish to thank our shareholders for their appreciation and trust. Join us on our journey into the future once again in 2017.

Yours sincerely,
The Management Board

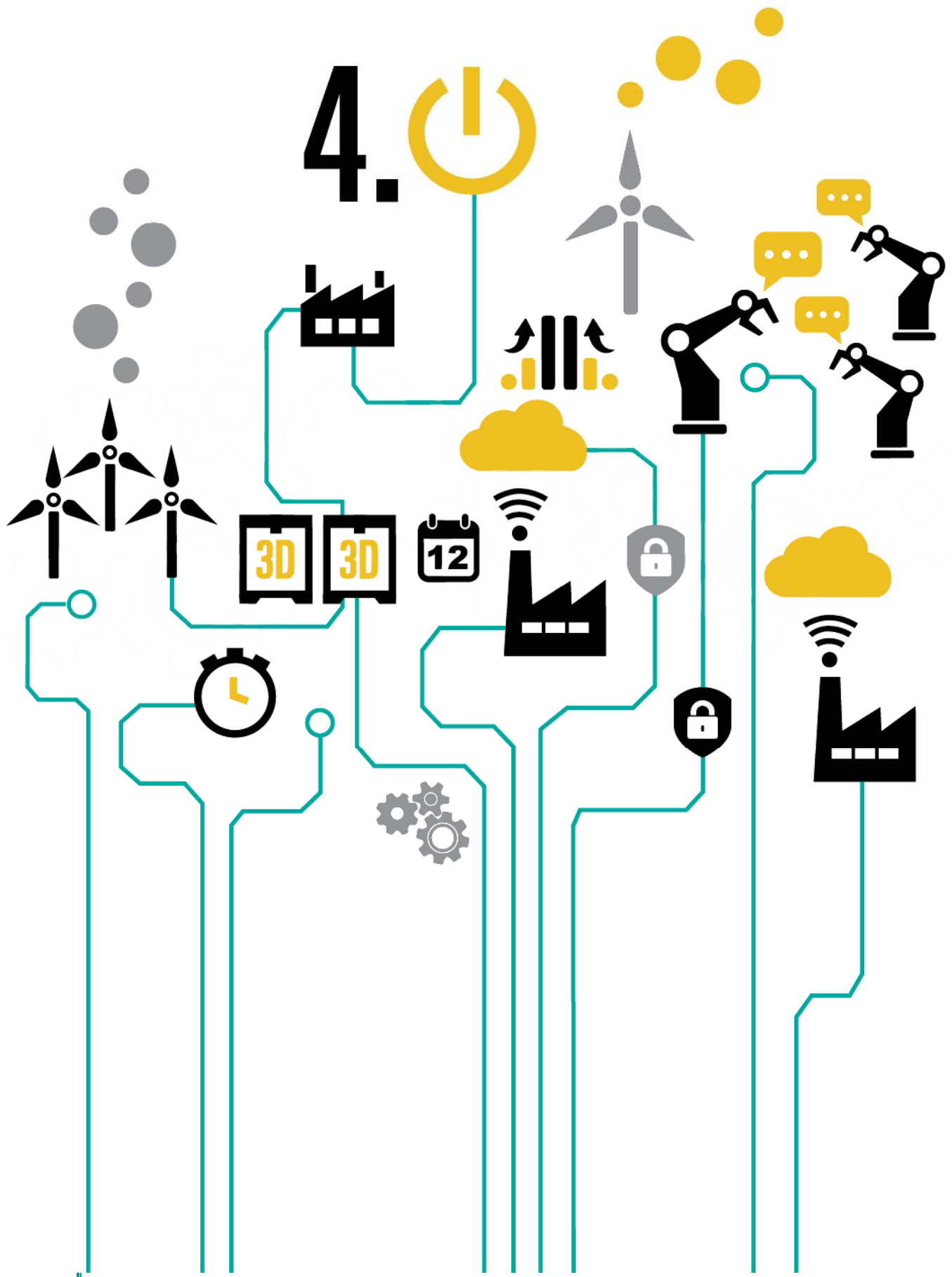


Kurt Bengel
Spokesman, Management Board



Matthias Schmidt
Member, Management Board

REPORT OF THE SUPERVISORY BOARD



Report of the Supervisory Board

Dear Shareholders,

During the past fiscal year, CENIT has continued its positive development. In the past fiscal year, the Supervisory Board duly and conscientiously performed all duties to which it is obliged by law and the articles of incorporation and bylaws. We regularly advised the Management Board on its governance of the Company, carefully and continually monitored its conduct of business and in doing so satisfied ourselves as to the lawfulness, expediency and correctness of its activities.

The Management Board directly involved the Supervisory Board in all decisions of fundamental importance to the Company. In the Supervisory Board meetings, the Management Board informed us orally and in writing on all relevant aspects of business strategy and enterprise planning, including financial, investment and personnel planning, the course of business and the financial situation and profitability of the Group. The reports from the Management Board also examined the risk situation as well as risk management and compliance matters. We were informed in a timely manner of variances between the business planning and the actual course of business.

Before the meetings, all members of the Supervisory Board were each provided with comprehensive written reports by the Management Board, excerpts from letters by the Company and in particular documents from the accounting department. Based on these as well as other information requested by the Supervisory Board at and outside of the meetings, the Supervisory Board was able to carry out its supervisory task in a due and timely manner.

Outside of the meetings, the Management Board kept the Supervisory Board constantly informed of the key performance indicators by providing monthly reports, and duly presented for our consideration such matters as required the approval of the Supervisory Board. The reports by the Management Board on the business situation and presentations on special matters of interest were supported by written presentations and documents; these were duly provided to each member of the Supervisory Board before each meeting. The collaboration between the Management and Supervisory Boards is characterized by close, trust-based cooperation and an open and constructive dialog.

Over the past year, the Supervisory Board held five regular meetings and five extraordinary telephone conferences for detailed discussions on the economic situation, the strategic development and the long-term positioning of the CENIT Group. All members of the Supervisory Board participated in each of these events. In its own estimation, the Supervisory Board has an appropriate number of members who maintain no business or personal relationships with the Company or members of the Management Board that could give rise to a conflict of interest. In Mr. Hubert Leyboldt, we have an independent financial expert acting as a member of the Supervisory Board. As in prior years, the Supervisory Board did not consider it necessary to form committees in view of the low number of members on the Supervisory Board. During the reporting period, no conflicts of interest arose on the part of members of the Supervisory Board.

Matters addressed by meetings of the Supervisory Board

The Management Board provided information on the development of sales and earnings in the CENIT Group to all meetings of the Supervisory Board held during the reporting year 2016. Additionally, it explained the course of business in the individual business segments and reported on the net assets, financial position and results of operations. In this context, the Supervisory Board placed particular emphasis on potential consequences for risk and liquidity management.

Financial reports / audits

During its balance sheet meeting on 18 March 2016 and in the presence of the auditor/group auditor, the Supervisory Board considered the annual financial statements of CENIT. The annual financial statements of CENIT Aktiengesellschaft and the consolidated financial statements for the fiscal year 2015, both prepared by the Management Board, were audited by BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed auditor at the ordinary General Meeting of Shareholders on 13 May 2015, including the accounting and the management report and group management report. In particular, and in detailed discussions with the Management Board and the auditor, the Supervisory Board reviewed the annual financial statements and consolidated financial statements presented as well as the management report and the group management report, also taking 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 Secs. 317, 321 HGB. The annual financial statements for 2015, prepared by the Management Board and on which an unqualified audit opinion was issued by the auditor, were conclusively reviewed during the balance sheet meeting. On 18 March 2016, the Supervisory Board approved the 2015 annual financial statements of CENIT Aktiengesellschaft and noted the 2015 consolidated financial statements with approval. Upon review, the Supervisory Board endorsed the Management Board's proposal for the appropriation of profits.

In its meeting on 18 March 2016, the Supervisory Board also considered the business situation during the first quarter of 2016. The meeting also focused on the planning and preparations for the General Meeting of Shareholders on 6 May 2016. The PLM - CenProCS business division also gave a presentation of the division.

Further matters addressed by the meetings

During the course of the year, the Supervisory Board was continually kept informed of periodic financial results and undertook detailed discussions with the Management Board on the 2016 semi-annual financial statements as well as interim reports for the individual quarters. A consistent focus of these discussions was on the review of developments in earnings and sales during 2016.

The second ordinary meeting of the Supervisory Board in the fiscal year was held on 6 May 2016 in follow-up to the General Meeting of Shareholders. The Management Board reported in detail on the current course of business and the outlook for the second quarter of 2016. The meeting also focused on the status of the EIM/ECM business division as well as current M&A activities. The

new rules under capital market law on the EU Market Abuse Regulation, which took effect in July 2016, were also the subject of discussion.

In an extraordinary telephone conference on 13 June 2016, the Management Board instructed us on the current business situation as well as on the status of M&A activities.

The third ordinary meeting of the Supervisory Board took place on 16 September 2016. The topics were the course of business of CENIT Aktiengesellschaft and the forecast for the third quarter of 2016. The meeting also considered scheduling matters for the year 2017 as well as the current status of M&A activities. Implementation of the EU Market Abuse Regulation (MAR) was also discussed.

At the ordinary meeting of the Supervisory Board on 11 November 2016, the Management Board presented among other things the current business situation in the third quarter and the business development in the fourth quarter. The meeting also focused on discussing various acquisition options.

In the four extraordinary telephone conferences on 30 November, 5 December, 9 December and 12 December 2016, the respective current progress in the negotiations with the takeover candidate “Keonys” were discussed.

At the last ordinary meeting of the year, on 16 December 2016, the Supervisory Board considered CENIT’s planning for the 2017 fiscal year as well as the strategic continuation of the five-year plan “CENIT 2020”. The Supervisory Board looked in detail at the planning of the Management Board for the 2017 fiscal year and at the Group’s medium-term alignment. The Supervisory Board was informed of the current status of the M&A project. In the further course of the meeting, representatives from Menold Bezler law firm gave a presentation with insights on the current topic “EU Market Abuse Regulation”.

Risk management

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

Corporate Governance

On several occasions in the course of the fiscal year, we reviewed particulars of corporate governance matters with the 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 the Group. 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. In numerous discussions – also with the auditor – particular attention was paid to the continual lawfulness of business management and the efficiency of the organization. An awareness of continually responsible and lawful conduct and of its existential significance for CENIT are well entrenched within the Group and its corporate bodies. In accordance with Article

3.10 of the German Corporate Governance Code, the Management and Supervisory Boards report on corporate governance at CENIT in their Corporate Governance Report. On 15 February 2016, the Supervisory Board issued its Declaration of Conformity with the German Corporate Governance Code as amended on 5 May 2015 in accordance with Sec. 161 AktG, and has made this declaration available to the Company's shareholders on the Company's website.

Balance sheet meeting 2017 on the annual and consolidated financial statements 2016

The accounting, the annual financial statements with the management report for the 2016 fiscal year, the consolidated financial statements with explanations and the group management report for the 2016 fiscal year were audited by BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed as auditor of the annual financial statements and consolidated financial statements at the General Meeting of Shareholders on 6 May 2016. In accordance with its duties, the Supervisory Board reviewed the qualifications, independence and efficiency of the auditor.

The auditor issued unqualified audit opinions on the 2016 annual financial statements and consolidated financial statements of CENIT prepared by the Management Board, including the management report and group management report. The annual financial statements of CENIT Aktiengesellschaft were prepared in accordance with the principles of commercial law (HGB). The consolidated financial statements comply with the International Financial Reporting Standards (IFRS). All members of the Supervisory Board had full access to the financial statements documents and audit reports. The Supervisory Board has discussed the audit report intensively with both the Management Board and the auditor in order to satisfy itself as to its propriety. The Supervisory Board is confident that the audit reports for 2016 were fully compliant with statutory requirements.

During the balance sheet meeting on 24 March 2017, the auditor reported on the main findings of the audits of the separate financial statements of CENIT Aktiengesellschaft and was available to provide additional information and respond to queries. On that 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 reviews in accordance with Sec. 171 AktG, the Supervisory Board noted that it had no objections.

In its meeting on 24 March 2017, the Supervisory Board approved the annual financial statements prepared by the Management Board for CENIT Aktiengesellschaft for the 2016 fiscal year, thus ratifying the financial statements pursuant to Sec. 172 AktG. Likewise on 24 March 2017, the Supervisory Board approved the consolidated financial statements for the 2016 fiscal year.

Upon review, the Supervisory Board approves the Management Board's proposal for the appropriation of profits.

The Supervisory Board wishes to thank the Management Board and all CENIT employees throughout the world for their personal commitment, their achievements and their performance, which have contributed decisively to the successful conclusion of the past fiscal year.

Stuttgart, March 2017

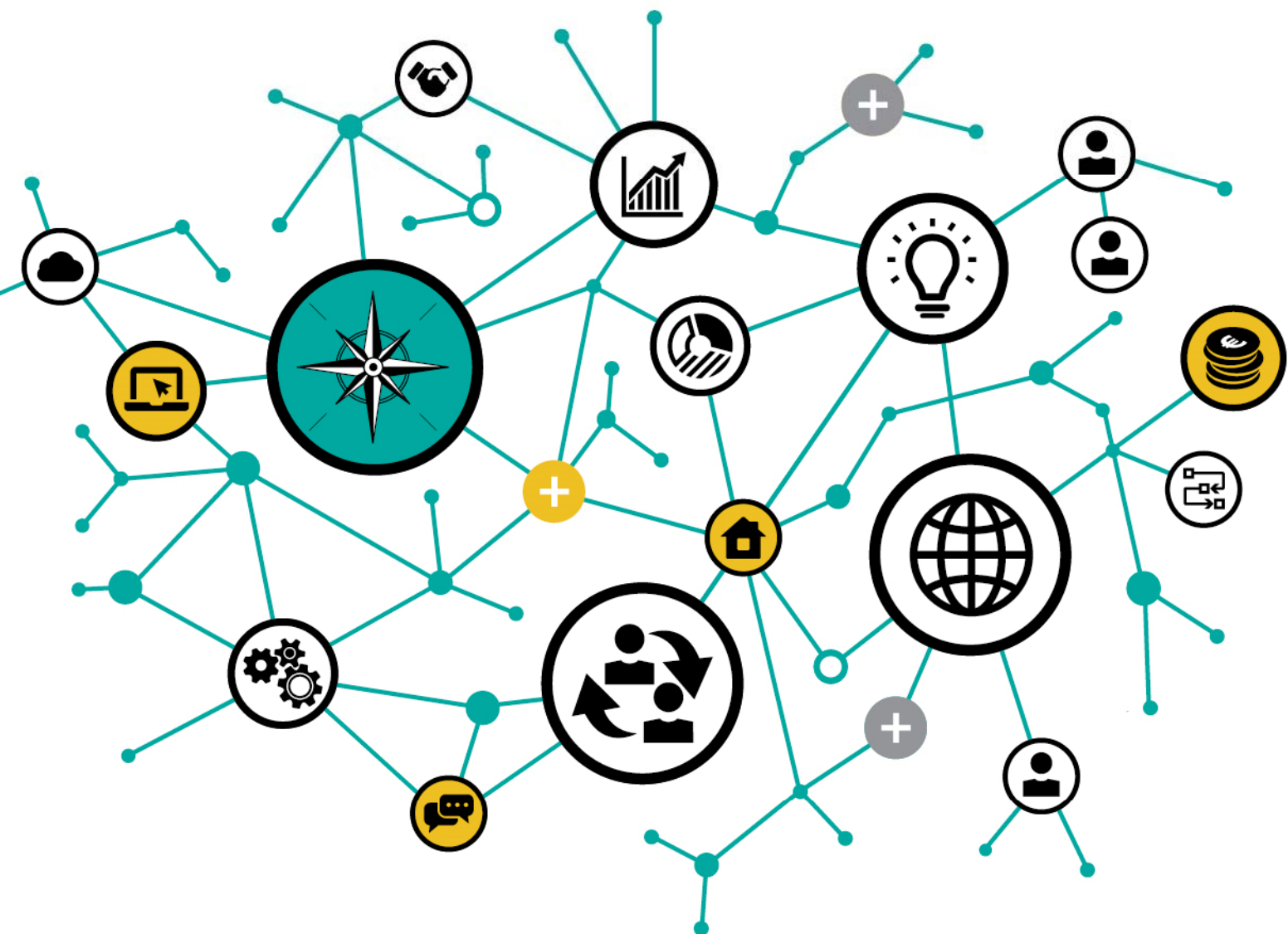
On behalf of the Supervisory Board

A handwritten signature in black ink, appearing to read 'A. Schmidt'. The signature is written in a cursive style with a large initial 'A'.

Dipl.-Ing. Andreas Schmidt

Chairperson of the Supervisory Board

MANAGEMENT REPORT



Combined Management Report of the Company and the Group for the Fiscal Year from 1 January 2016 to 31 December 2016

The CENIT Group is managed globally by the parent company CENIT AG as an operating company. The Group's economic situation is shaped by the economic situation of the parent, CENIT AG. For this reason, the Management Board of CENIT AG combines the management report of the Group and of CENIT AG together in one report.

Fundamental information about the Group

Business model of CENIT

CENIT has two business divisions - Product Lifecycle Management (PLM) and Enterprise Information Management (EIM).

CENIT is the specialist for the core processes of its customers, focusing on the manufacturing industry and the financial services industry. The consultancy, service and software offering of the CENIT Group is based on standard products by its software partners as well as CENIT's own solutions based on those standard products. Leading software providers such as Dassault Systèmes, IBM and SAP are partners to the Company. The employees in the CENIT Group have a deep understanding of the processes and technologies in the target industries and thus provide the customers with tailored industry support in the planning, implementation and optimization of their business and IT processes.

To allow the customers to concentrate on their core competences, the CENIT Group also manages the applications and the related IT infrastructures.

CENIT's strategy is geared to sustainable profitable growth. For this reason, we focus just as much on the employees and technology partnerships with the partners as on efforts to give the customers a competitive edge with CENIT solutions.

Equity investments / Subsidiaries

CENIT is headquartered in Germany (Stuttgart) and represented in the principal industrial centers there. In the current fiscal year, CENIT continued to expand its presence in Germany by acquiring the majority interest in Coristo GmbH, based in Mannheim. In addition, the US market is served by a subsidiary located near Detroit. CENIT has further locations in Switzerland, Romania, Japan and France. The French CENIT subsidiary based in Toulouse supports the leading aerospace company Airbus Group directly on site. The domestic and foreign companies included in the consolidated financial statements are consolidated in accordance with the uniform accounting and valuation methods in the CENIT Group. The companies use the same accounting and valuation methods as CENIT AG in Germany. The subsidiaries specialize in services and software. In addition, CENIT AG holds one third of the joint venture CenProCS AIRliance GmbH. The joint venture provides services and consulting for the joint major customer Airbus Group.

Control system

The Management Board of CENIT AG is responsible for the overall planning and the realization of the long-term objectives of the Group. The uppermost goal of corporate development is to raise the business value on a long-term basis by means of profitable growth. The planning required to control the operational units as well as the resulting measures are derived from the long-term corporate planning, taking into account the developments in the competitive and market environment.

The key performance indicators for the economic objectives are revenue and earnings before interest and taxes (EBIT). An individualized system of profit participation is in place to motivate employees to be committed to meeting the agreed targets. On an annual basis, the Management Board defines measures and measurable milestones for CENIT to use to reach its long-term objectives. Short-term control takes the form of a variance analysis with the annual plan. As part of this planning process, the persons responsible make an initial assessment of the development of major income statement items such as revenue, profit contribution, selling and administrative costs, EBIT as well as of the employment situation.

The fiscal year is planned by the business units and by the Management Board by means of a separate bottom-up and top-down planning process. At joint planning rounds, these assessments are tested for plausibility, supported and finally presented by the Management Board to the Supervisory Board for approval. As part of this planning process, the current five-year plan is also examined and rolled forward every two years.

To assess the business development at regular intervals – variance analysis – the operating units are provided with detailed reports in order to allow the best possible business control. The Management Board analyzes variance analyses every month together with each operating unit in order to initiate necessary adjustment measures on a timely basis.

However, many financial ratios that are critical to success are not quantifiable or can only be quantified indirectly. These include factors such as the reputation of the brand, customer satisfaction, employee qualifications, experience and motivation as well as their leadership qualities, and also the corporate culture. All of these factors can only be described in qualitative terms at best. To do this, CENIT uses tools such as customer surveys and the annual employee survey in order to counter adverse developments.

Research and development

A further goal is to continue to strengthen innovative power. For this reason, CENIT raised its R&D expenses to EUR 8,436 k in the fiscal year 2016. The business units of CENIT focus their R&D efforts on the next generation of their products and solutions and prepare for their successful market launch. The close cooperation with the product and client-facing areas allows CENIT to offer customized solutions. In addition to selling standard software, the CENIT Group develops its own programs to supplement and extend these solutions. The software expertise and decades of industry experience allow CENIT to optimize the productivity and data quality of its customers with its own CENIT solutions. The CENIT Group offers more than 20 of its own solutions in total in its business divisions.

Innovation is progress. Consequently, research and development are of central importance for the further achievement of the Group's objectives. CENIT's activities in this area are constantly being expanded. At the same time, CENIT thus enhances its position in relation to its competitors. A marginal rise in innovation costs is planned once again in the fiscal year 2017.

Report on economic position

Overall economic conditions

The global economy bottomed out in the course of 2016. After losing significant momentum in the winter half-year 2015/16, it regained impetus after the middle of the year, achieving the forecast growth for 2016 of 3.1%. Most members of the German Council of Economic Experts are in agreement as regards expectations for the next two years, forecasting gross domestic product (GDP) to rise by 3.4% in 2017 and 3.6% in 2018.

The economic experts state the reasons for the more dynamic growth of the global economy as increasing production in the USA, a continued expansive fiscal policy and the improved situation in the emerging countries. For example, the IMF is predicting growth of 2.3% in 2017 for the US economy, with GDP in the fastest-growing national economy, China, set to even grow by 6.5%.

There continues to be uncertainty regarding the USA's trajectory as the world's largest national economy. Experts are having trouble predicting the impact of the new US President on the economy. On the one hand, the infrastructure projects announced by US President Trump and the expansive monetary policy could lead to faster growth in the USA. On the other hand, the new administration's leaning towards protectionism and its critical stance on stepping up international trade further pose a major obstacle.

Germany

Despite disquiet at an international level, the economic situation in Germany was still characterized by robust and consistent economic growth in 2016, which rebounded once again at the end of the year in particular. According to the Federal Ministry for Economic Affairs and Energy, GDP rose by 1.9% on the prior year, the highest increase since 2011. Labor market figures remain at a record level in Germany. According to the Federal Labor Office, the average unemployment rate dropped to a 25-year low in 2016 to 6.1%. The number of employed persons working in Germany thus increased to 44.2 million. Once again, the positive development in the German economy was fueled by private consumption, which was up by 2.0%, thus accounting for 53.5% of total economic output. State spending also increased, by 4.2%, thus contributing significantly to the growth in the past year. Increased state spending was attributable among other things to expenses incurred in housing and integrating hundreds of thousands of refugees. The ongoing property boom lent additional impetus, as did the 1.7% rise in corporate investment in machinery and vehicles. However, the balance of trade had a slightly negative effect on GDP growth in the past year, as exports increased by 2.5% but imports rose at a higher rate over the same period (+3.4%).

Most economic experts are predicting a continued strong economic situation in Germany for 2017, forecasting GDP growth of between 1.4% and 1.8% year on year despite Brexit and the uncertainty after the US elections. The marginal drop in growth is not a sign of dampening economic prospects. Instead, it is principally due to a lower number of working days compared to

the prior year. The increase in employment is also likely to continue in the current year. For example, the German government expects the numbers of employed to continue to rise, not least on account of the high level of immigrant refugees but also of qualified workers from the EU.

Europe

The euro-zone economy grew by 1.7% in 2016, with similar growth expected for the current year. While Europe is in a phase of recovery, there are no signs of an economic boom. The main reasons for growth continued to be private and public-sector spending. Other drivers behind the development included the recovery on the labor market as well as the expansive monetary policy and low inflation. For example, increasing employment figures and decreasing unemployment figures are driving private consumption and ensuring strong domestic demand in the EU. Despite a fall in external demand, the weak euro is encouraging exports. Low interest rates are increasing the scope of the public sector but have less influence on corporate investment, which is suffering in view of global uncertainty. Structural reforms in the member states were slow to progress once again in the past year. This reform bottleneck obstructed growth, as did the ebbing effect of the low oil price.

Although the European economy has so far been more or less resistant to Brexit, the refugee crisis and the outcome of the US presidential elections, the increased uncertainty is resulting in a wait-and-see attitude to investment, and the political challenges remain in place. Because parliamentary elections will take place in four of the five largest member states in the EU (Germany, France, Italy and the Netherlands) in the current year, there is still considerable uncertainty surrounding the direction of economic policy.

USA

After growth of 2.4% in the years 2014 and 2015, the US economy only grew by 1.6% in 2016. This is chiefly due to the significantly weaker fourth quarter. Growth in the final quarter was considerably slowed by foreign trade, a fact likely to reinforce the new US President Donald Trump's critical stance to free trade. Consumer spending also rose at a weaker rate than most recently forecast. Overall growth was buoyed by state spending, however, which Donald Trump intends to increase further. Expenses for infrastructure projects in particular are set to increase sharply. The US Federal Reserve is adopting a cautious interest rate policy despite plans by the new administration to invest and cut taxes. For example, the Fed did not raise interest rates from 0.5 to 0.75% until December of last year.

Despite the weaker prior year, most economic experts are expecting GDP to increase by around 2.5% and unemployment figures to continue to fall in 2017. It remains to be seen what direction the new administration's economic policy and the Fed's interest policy will take.

Japan

Japan's GDP rose by 1.0% in 2016 on account of inflation. The moderate growth stemmed from a broad base, including consumer spending, construction of new homes, exporting activities and state spending. The only marked decrease was in spending on public-sector construction projects. At 3.1%, the rate of unemployment remained very low.

This moderate growth is expected to continue in 2017, with experts forecasting an increase in GDP of roughly 1.2%, a 0.5% rise in inflation and a continued low unemployment rate of 3.0%. Consequently, Japan's Economy Minister Nobuteru Ishihara spearheaded an improvement in the labor market and economic stimulus programs as a positive sign for the future. Nevertheless, there are still considerable risks, and the uncertainty surrounding the further course of the global economy and fluctuations on the financial markets continues. However, Japan's biggest concern involves possible trade barriers between Japan and the USA as well as potential victories by right-wing, anti-EU candidates in the upcoming parliamentary elections in some European countries.

Economic conditions in the industry

According to an EITO (European Information Technology Observatory) forecast, global sales of information and communication technology products and services rose by 1.8% in 2016 to EUR 3.1 trillion. Climbing 2.6% to EUR 1.3 trillion, the increase in IT was substantially higher than for telecommunications, which grew by 1.2% to EUR 1.8 trillion. The highest-growth markets in an international comparison were in India (+6.7% to EUR 64 billion) and Turkey (+6.1% to EUR 20 billion). The largest drop in sales was in Russia, where sales dropped 3.3% to EUR 32 billion. The USA remains the largest global ITC market by far, with sales up by 3.5% to EUR 956 billion.

According to BITKOM, German sales with ITC products and services rose 1.7% to EUR 160.5 billion in 2016. The main growth driver is IT, which rose 3.6% to EUR 84 billion. In particular business by software providers saw above-average growth of 6.2%. Sales with IT services, which strongly reflect orders from the digitalization of companies, also noted an increase of 2.7% to EUR 38.2 billion. There was a 2.8% rise in sales of IT hardware to EUR 24.3 billion. Sales of telecommunications services continued to decline, shrinking 0.4% to EUR 66.9 billion.

BITKOM President Thorsten Dirks emphasizes that it's good news that the forecast sales figures were reached in light of the economic turbulence caused by the UK's decision to leave the EU as well as more recent worries about the banking sector. The labor market also benefited from the sales growth, with at least 20,000 new jobs created in 2016. The ITC sector in Germany thus employed a total of around 1.03 million people at the end of 2016, therefore cementing the role of the second-largest industrial employer, just behind mechanical engineering. At the same time, Dirks warned that Germany would have to catch up to countries with a strong digital economy, like the USA. He said the IT market in the USA is growing twice as fast, and we need more investment in digital technologies in order to enable a digital transformation.

The industry association expects growth of 1.2% to EUR 162.4 billion in 2017 for the ITC market as a whole. BITKOM states the reasons for the somewhat lower growth rate as the slight weakening of growth in the economy as a whole, an expected downturn in the business with IT hardware and a stronger decline in sales with fixed network and mobile phone services.

Summary of business development

2016 was the most successful year in the history of the Company. While sales increased just marginally by 2% to EUR 124 million as part of the expectations for the CENIT Group, EBIT improved by 11.8% to EUR 11,849 k, more than ever before in the Company's history and better than in the prior-year forecast. The EBIT margin improved from 8.7% in 2015 to 9.5% in the reporting period. In 2016, CENIT came yet another step closer to its target of recording a double-digit EBIT margin.

PLM grew by 5.1% in the past year, which is attributable to the focus on CENIT software but also on third-party software. This is also reflected in the development of EBIT.

EIM made considerable progress in a realignment in favor of software in the past fiscal year, which is reflected in the significant improvement in profitability.

Earnings per share improved by 11.5% to 0.97 EUR per share. The focus on own software was a major contributory factor. The sale of own software also increased to more than 10% in the past year.

Business at CENIT AG developed in line with the CENIT Group. The planned sales target was successfully met. Waning sales in consulting were compensated by the sale of software. The continuing focus on profitability and the changed product mix in favor of software meant that EBIT grew 4% to EUR 7,656 k in the past fiscal year. The forecast was based on a large single-figure EBIT increase.

Results of operations of the CENIT Group (in accordance with IFRS)

Breakdown of sales by product/income type

in EUR k	2016	2015
CENIT consulting and service	48,420	50,862
CENIT software	17,572	15,949
Third-party software	57,588	54,391
Merchandise	194	277
Total	123,774	121,479

Breakdown of sales by business segment

in EUR k	2016	2015
EIM sales	20,872	23,540
PLM sales	102,902	97,939
Total	123,774	121,479

71.4% (prior year: 75.9%) of sales was generated in Germany, 13.4% (prior year: 10.7%) in other EU countries and 15.2% (prior year: 13.4%) in other countries.

The CENIT Group generated more or less stable revenue of EUR 123,774 k in the fiscal year 2016 (prior year: EUR 121,479 k/+1.9%). Revenue from CENIT consulting and services declined by 4.8% on account of the focus on higher-end services. Sales with third-party software rose by 5.9%. At EUR 17,572 k, sales with CENIT's own software were up substantially compared to EUR 15,949 k in the prior year (+10.2%). It was chiefly the software products FASTSUITE and CENITCONNECT in the area of PLM and IBM ECM System Monitor as well as ECLISO in the area of EIM that were marketed successfully to the end customers.

KPIs relating to the development of earnings

in EUR k	2016	2015
Gross profit	77,038	76,379
EBITDA	14,064	12,696
EBIT	11,849	10,601
Total financial result	-12	20
Net income for the year	8,145	7,316

Gross profit (operating performance less cost of materials) totaled EUR 77,038 k (prior year: EUR 76,379 k), thus up by 0.9%. The gross profit margin in relation to total performance fell marginally from 62.0% to 61.7%. Personnel expenses increased by EUR 326 k or 0.7% in the fiscal year compared to the prior year. Performance-related pay climbed to EUR 4,808 k (prior year: EUR 4,009 k). CENIT achieved EBITDA of EUR 14,064 k (prior year: EUR 12,696 k/+10.8%) and EBIT of EUR 11,849 k (prior year: EUR 10,601 k/+11.8%). As a percentage of operating performance, the EBITDA margin rose from 10.3% to 11.3%.

in EUR/share	2016	2015
EPS	0.97	0.87

Earnings per share (EPS) were up in a year-on-year comparison from EUR 0.87/share to EUR 0.97/share.

CENIT (Schweiz) AG, Effretikon, Switzerland

The subsidiary generated revenue of EUR 13,079 k in the past fiscal year (prior year: EUR 11,877 k) and EBIT of EUR 1,357 k (prior year: EUR 715 k). The business activities in Switzerland focus on PLM solutions from Dassault Systèmes and EIM solutions from IBM. The 19 employees in total from the branches in Effretikon and Yverdon-les-Bains mainly support customers from the manufacturing industry and the financial services industry.

CENIT North America Inc., Auburn Hills, USA

CENIT North America Inc. generated sales of EUR 16,870 k (prior year: EUR 14,860 k) and EBIT of EUR 3,510 k (prior year: EUR 2,780 k). In the USA, the focus is on marketing CENIT software products in the area of PLM. The company's attention centers on customers in the aerospace industry and the manufacturing industry. 37 employees work in service and sales units.

CENIT SRL, Iasi, Romania

CENIT SRL generated sales of EUR 2,766 k (prior year: EUR 2,401 k) and EBIT of EUR 474 k (prior year: EUR 385 k). It has 38 employees and primarily provides services and drives software developments. CENIT SRL's business activities also focus on marketing software of the strategic partner Dassault Systèmes in the PLM environment.

CENIT France SARL, Toulouse, France

CENIT France SARL generated sales of EUR 2,491 k (prior year: EUR 2,279 k) and EBIT of EUR 123 k (prior year: EUR -29 k).

CENIT Japan K. K., Tokyo, Japan

CENIT Japan K. K. generated sales of EUR 1,723 k (prior year: EUR 1,026 k) and EBIT of EUR 255 k (prior year: EUR -30 k). CENIT has already been selling its own software and consultancy products in Japan via local partners for some years now. The focus of CENIT Japan K.K. relates to digital factory solutions.

Coristo GmbH, Mannheim, Germany

In the first year of belonging to the Group, Coristo contributed to its success with sales of EUR 1,683 k and EBIT of EUR 558 k.

CenProCS AIRliance GmbH, Stuttgart, Germany

The joint venture between CS Communication & Systèmes, CENIT AG and PROSTEP AG was founded in 2007 and allows the major customer Airbus Group access to proven know-how and expert knowledge via just one contractual partner. CENIT AG holds a one-third share in the joint venture. It is reported at equity in the consolidated financial statements. CenProCS AIRliance GmbH publishes its own annual financial statements.

Development of orders

Order intake in the CENIT Group amounted to EUR 124,815 k in the past fiscal year 2016 (prior year: EUR 124,901 k). The order backlog as of 31 December 2016 amounted to EUR 35,223 k (prior year: EUR 37,914 k).

Results of operations in CENIT's separate financial statements (in accordance with HGB)

Breakdown of sales by product/income type

The prior-year figures for revenue are not comparable on account of the new version of Sec. 277 (1) HGB as a result of the BilRUG. Applying Sec. 277 (1) HGB in the version of the BilRUG would have resulted in revenue for the prior year of EUR 99,071 k.

in EUR k	2016	2015
CENIT software	15,078	13,742
Third-party software	43,835	42,957
CENIT consulting and service	39,818	41,839
Merchandise	189	276
Other revenue	257	0
Total	99,177	98,814

Breakdown of sales by business segment

in EUR k	2016	2015
EIM	18,745	21,915
PLM	80,432	76,898
Total	99,177	98,814

CENIT AG generated revenue of EUR 99,177 k in the fiscal year 2016 (prior year: EUR 98,814 k). Consulting and service experienced a year-on-year decline of 4.8% on account of focusing on higher-end services. The share of sales with third-party software amounted to EUR 43,835 k (prior year: EUR 42,957 k), while sales of CENIT's own software rose by 9.7% to EUR 15,078 k (prior year: EUR 13,742 k).

KPIs relating to the development of earnings at CENIT AG

in EUR k	2016	2015
Gross profit	59,152	60,320
EBITDA	8,907	8,612
EBIT	7,656	7,363
Total financial result	1,651	3,452
Net income for the year	6,824	8,406

The Company's gross profit amounted to EUR 59,152 k (prior year: EUR 60,320 k). The gross profit margin in relation to total performance stood at 59.8% (prior year: 59.9%).

CENIT AG achieved EBITDA of EUR 8,907 k after a figure of EUR 8,612 k in 2015 (3.4%). The EBITDA margin is 9.0% (prior year: 8.7%). EBIT stood at EUR 7,656 k compared to EUR 7,363 k in the prior year (3.9%). Amortization of intangible assets and depreciation of property, plant and equipment rose marginally by EUR 3 k to EUR 1,251 k.

In a year-on-year comparison, personnel expenses fell by EUR 979 k (-2.5%). The average headcount dropped from 519 to 496 in a year-on-year comparison.

The financial result contains distributions of the subsidiaries in Romania amounting to EUR 270 k (prior year: EUR 224 k) and Switzerland amounting to EUR 1,400 k (prior year: USA amounting to EUR 3,186 k).

Development of orders

Order intake at CENIT AG amounted to EUR 95,695 k in the past fiscal year 2016 (prior year: EUR 100,475 k). As of 31 December 2016, the order backlog at CENIT AG amounted to EUR 26,869 k (prior year: EUR 28,601 k).

Financial position of the CENIT Group (IFRS)

There are no liabilities of any kind to banks, either short-term or long-term. Credit lines of EUR 1,654 k granted are currently not being utilized. The amount of cash and cash equivalents that is temporarily not required to finance operations is invested on a short-term and sometimes also on a medium-term basis with an adequate risk/return ratio. All of the capital expenditure in non-current assets was financed without external funding in the reporting year. The strong financial position allows financing to come from company funds on a long-term basis.

KPIs from the statement of cash flows in the Group

in EUR k	2016	2015
Cash flow from operating activities	9,055	9,465
Capex (investments)	-1,221	-1,643
Free cash flow*	7,834	7,822
Free cash flow per share in EUR	0.94	0.93
Cash flow from financing activities	-8,368	-7,531
Cash and cash equivalents as of the balance sheet date	33,606	33,941

*operating cash flow less capex

The cash flow from operating activities decreased marginally on the prior year. The net cash used for investing activities dropped from EUR 1,643 k to EUR 1,221 k. Cash and cash equivalents at the end of the reporting period thus total EUR 33,606 k, decreasing by a total of EUR 335 k.

Securing liquidity

In addition to financial planning, CENIT carries out monthly liquidity planning. Any liquidity surplus is used in a targeted manner for the financing of projects, software developments, investments and the expansion of national companies.

Both CENIT AG and its group entities were always able to meet their payment obligations in the fiscal year 2016.

Financial position of CENIT AG (in accordance with HGB)

The liquidity as of the balance sheet date fell from EUR 26,727 k in the prior year to EUR 21,542 k in the past fiscal year. The drop in cash inflows from ordinary operations stems first and foremost from the increase in receivables as of the balance sheet date. The dividend of EUR 1.00 per share decided at last year's General Meeting of Shareholders led to a cash outflow of EUR 8,368 k.

Proposed dividend

The Management Board and Supervisory Board will propose to the General Meeting of Shareholders on 12 May 2017 that a dividend of EUR 0.50 and a base dividend of EUR 0.50 per share announced in the prior years be distributed from the retained earnings of EUR 8,393 k. The proposed dividend for 2016 is thus EUR 1.00 per share. The Group continues to assume that the economic development will be stable in the coming months. Experience has shown that it makes sense to secure liquidity for the long term and to maintain financial independence in times of crisis. Ultimately, CENIT's strong financial position also constitutes a decisive competitive advantage in the awarding of contracts, in that it lends the necessary security to customers' investment projects, also with a view to the services and software products of the CENIT Group. The other existing cash and cash equivalents should enable CENIT to continue to participate in the growth of the target markets going forward – in the interest of the Group and its shareholders and to the extent that this appears sensible. This includes, for example, measures to expand service and software activities. Interesting acquisitions will therefore be viewed and examined on a continuous basis. But the further technological expansion in terms of new areas and software development also requires capital.

Consequently, the financial strategy remains geared to maintaining a strong credit rating in the long term that does, however, also take into account the interests of the shareholders in receiving a dividend.

Net assets of the CENIT Group (in accordance with IFRS)

in EUR k	2016	2015
Non-current assets	7,923	6,575
Current assets	64,298	60,298
Total equity and liabilities	72,221	66,873
Equity ratio	56.2%	59.6%
Equity	40,578	39,843
Non-current liabilities	3,764	3,286
Current liabilities	27,879	23,744
Total equity and liabilities	72,221	66,873

As of the balance sheet date, equity came to EUR 40,578 k (prior year: EUR 39,843 k). The equity ratio stands at 56.2% (prior year: 59.6%). Bank balances and cash and cash equivalents totaled EUR 33,606 k as of the balance sheet date (prior year: EUR 33,941 k). In addition to the cash and cash equivalents, there are still sufficient overdraft facilities amounting to EUR 1,654 k.

Both the current assets and the current liabilities are in line with business development. Cash flow from operating activities came to EUR 9,055 k (prior year: EUR 9,465 k). In 2016, the cash flow was influenced by the payment of the dividend to the shareholders amounting to EUR 8,368 k in total and by investments of EUR 1,221 k.

Net assets in CENIT's separate financial statements (in accordance with HGB)

in EUR k	2016	2015
Fixed assets	7,183	5,314
Inventories and receivables and other assets	19,212	18,035
Cash and cash equivalents	21,542	26,727
Prepaid expenses	4,074	3,212
Total equity and liabilities	52,011	53,288
Equity ratio	61.7%	63.2%
Equity	32,108	33,652
Provisions	7,947	6,503
Liabilities	5,456	6,759
Deferred income	6,500	6,374
Total equity and liabilities	52,011	53,288

As of the balance sheet date, equity came to EUR 32,108 k (prior year: EUR 33,652 k). The equity ratio stands at 61.7% (prior year: 63.2%). Bank balances and cash and cash equivalents totaled EUR 21,542 k as of the balance sheet date (prior year: EUR 26,727 k). In addition to the cash and cash equivalents, there are still sufficient overdraft facilities amounting to EUR 1,654 k. Like prepaid expenses and deferred income, both the trade receivables of EUR 17,914 k (prior year: EUR 15,436 k) and the trade payables of EUR 2,610 k (prior year: EUR 2,260 k) were in line with business development. The increase in fixed assets and provisions is attributable to the acquisition of Coristo GmbH.

This financial independence constitutes a future competitive advantage for CENIT AG and guarantees customers the necessary investment security.

Financial and non-financial performance indicators

Capital expenditures

Investments in property, plant and equipment generally play a lesser role at CENIT. They mainly involve investments in the furniture and fixtures of the sales branches and the administrative headquarters. Of these, most investments were replacement investments in the technical infrastructure.

In the CENIT Group (IFRS)

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 875 k in 2016 (prior year: EUR 1,667 k). Amortization of intangible assets and depreciation of property, plant and equipment came to EUR 2,215 k (prior year: EUR 2,096 k).

Investments break down by segment as follows:

Investments by business segment in the Group

in EUR k	2016	2015
EIM	194	339
PLM	681	1,328
Total	875	1,667

In CENIT AG, Germany (HGB)

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 756 k in 2016 (prior year: EUR 1,403 k). Amortization of intangible assets and depreciation of property, plant and equipment came to EUR 1,251 k (prior year: EUR 1,248 k).

Investments (in intangible assets and property, plant and equipment) break down by segment as follows:

in EUR k	2016	2015
EIM	194	335
PLM	562	1,068
Total	756	1,403

Investments were financed in full by the cash flow from operating activities.

Foreign exchange management

The high level of volatility on the foreign exchange markets and the resulting uncertainty surrounding exchange rate developments also have an influence on CENIT. Among others, the business activities of the CENIT Group also generate cash in US dollars (USD), Swiss francs (CHF), Romanian leu (RON) and Japanese yen (JPY). CENIT is thus exposed to a certain currency risk. Risk management monitors and assesses the respective foreign exchange fluctuations and ensures hedging on a timely basis as needed.

Procurement and purchasing policy

CENIT trusts its partners and suppliers and expects fair and long-term cooperation. Performance, counterperformance and risks are appropriately balanced. Partners and suppliers are expected to participate in recognizing potential for reducing costs. CENIT thus applies a purchasing policy that is precisely tailored to the specific requirements of each project.

CENIT's procurement staff members have a wealth of experience in the provision of goods and services for all customer projects. The Group works with reputable partners in procurement that are either market or industry leaders in their product area. Currency risks from procurement in the CENIT Group occur when goods and services are procured in a currency other than the functional currency of the respective company. We minimize this risk by concluding corresponding purchase and sales agreements in the same currency. Our purchasers try to prevent this through their purchasing policy. Since procurement focuses primarily on the euro zone, foreign exchange risks are negligible at CENIT AG, Germany. The cost of goods and purchased services amounted to EUR 47,808 k in 2016 in the CENIT Group (prior year: EUR 46,886 k) and to EUR 39,694 k (prior year: EUR 40,397 k) at CENIT AG, Germany. At EUR 396 k in the CENIT Group as of year end (prior year: EUR 76 k), the inventory value and the amount of capital tied up as a result is kept at a low level thanks to project-based procurement.

Quality assurance

The success of CENIT hinges primarily on meeting customer requirements. In the field of business process consulting, we want to win customers with high-quality and economical solutions. By carrying out operating activities for the customer or at the customer, we want to raise the efficiency of the processes assumed.

The motivation of each and every employee lies in exceeding customer objectives. To achieve this, CENIT has designed its own processes to meet these requirements. To this end, CENIT has drafted and enforced key process descriptions applicable to the entire Group. All employees are instructed to implement these processes and to constantly improve them by means of specified methodical procedures.

Continuous monitoring and improvement thus forms an important component of the quality management system. This ongoing process allows potential for improvement to be identified, evaluated and implemented.

Quality management is headed up by a member of the Management Board. This ensures that the Management Board has direct influence and control over the Group's quality management system and that any management errors can be detected and corrected immediately.

CENIT has documented quality management rules in a management manual. It takes account of the ISO 9001:2008 standard.

The Management Board defines the corporate policies, strategy and objectives while ensuring awareness and implementation at all levels of the Group. Furthermore, the Management Board defines the organization and areas of responsibility and provides the necessary financial and human resources.

Each year, management specifies detailed targets for the next year – as well as a five-year plan as a guideline.

The annual targets are then broken down at the level of the individual employees.

The Management Board examines regularly – but at least once a year – whether the agreed targets have been met or whether they have been missed or exceeded, and whether the process descriptions, laws and standards have been complied with.

Compliance with the requirements of ISO 9001:2008 is assessed annually, both by internal audits and by an independent external certification body.

Information safety

To ensure compliance with legal, official and contractual requirements and to safeguard the protection of customer information and CENIT's own information, an information safety management system was installed based on ISO/IEC 27001:2013. ISO 27001 is an internationally recognized standard and involves a systematic process-based approach for implementing an information safety management system that takes into account both the technology and the employees while at the same time establishing a continuous monitoring and optimization process.

The information safety management system is thus a combination of a management system and specific measures, such as physical and personnel safety, the security of IT operations as well as physical and virtual access protection.

The employees are informed of current company developments at regular information events. The information required for day-to-day business is either communicated at regular meetings or during individual meetings. Open communication that is based on dialog is valued.

Compliance with the requirements of ISO/IEC 27001:2013 is assessed annually, both by internal audits and by an independent external certification body.

Employees

Breakdown of employees by local companies:

	31 Dec. 2016	31 Dec. 2015
CENIT AG	488	515
Coristo	6	0
CENIT NA	37	37
CENIT CH	19	17
CENIT F	22	20
CENIT RO	38	35
CENIT J	5	4
CENIT Group	615	628

Employees

One focus of personnel work in 2016 was on continuing the measures for employee and executive development. For example, the CENIT Campus, the training program for employees, was consistently expanded. There was a keen uptake of technical training and soft skill offerings alike. Based on the leadership model of CENIT, the three-year program for all executives was also continued and successfully completed. Inspired by the program for executives, a development program for top employees was introduced and continued in its second year.

The area of health management was also extended within the Group. In addition to healthy living days for the employees, the first in-house health-related training for employees was carried out. Employees were also encouraged to take part in running events.

Once again in 2016, another focus area was recruiting highly qualified staff for CENIT AG in Germany and around the world. One of the measures initiated includes a major project on the topic of employer branding, with the aim of presenting the Company to its own employees and potential new employees in a sustainable and transparent way.

The Group's total headcount as of 31 December 2016 stood at 615 (prior year: 628). CENIT AG, Germany, had 488 employees as of 31 December 2016 (prior year: 515). The majority of those employees have third-level qualifications. Employee turnover stood at around 9% (prior year: 10%). The Group continues to record a very low number of sick days. The average length of service was 10 years with an average age of 43.

In 2016, the Management Board and Supervisory Board spoke out in favor of qualifications being the decisive criterion for appointing a Supervisory Board member, a Management Board member or for hiring or appointing executives. As a result, the Supervisory Board defined a target share of women of minimum 0% for appointment to the Supervisory Board or Management Board and of minimum 6% for executive positions. CENIT has already met these targets.

Personnel expenses in the reporting period came to EUR 48,880 k in the CENIT Group (prior year: EUR 48,554 k) and to EUR 37,486 k at CENIT AG (prior year: EUR 38,465 k).

Vocational training has been one of the strategic investment areas of CENIT AG for many years. The Group considers this to be part of its responsibility to society and is actively involved in making it easier for young people to start their career through qualified training. In 2016, CENIT AG in Germany had trained a total of 40 young people in various professions by the end of the year. There are plans to increase this number further in the coming years. The apprentices include students from the DHBW (Duale Hochschule Baden-Württemberg – University of Cooperation Education) in the areas of computer science and business and trainees in the IT field. In addition, the Group continuously hires university graduates as well as interns and students who are working on their undergraduate, master's or bachelor's thesis.

Advanced training

CENIT offers a comprehensive advanced training program to broaden the qualifications of its employees and provide them with access to current knowledge and expertise. A large number of employees took advantage of the various advanced training programs and participated in courses and seminars in the reporting year in order to improve their qualifications. These focused on the topics of quality management, project management, certification for products of the strategic software partners and training for executives.

Social responsibility

Social and societal responsibility is an important matter for the Management Board, executives and employees of CENIT and is actively supported. In order to extend the Group's social involvement, which itself has a long tradition, on a long-term basis and to anchor it as a fixed part of CENIT's corporate culture, the Group launched the initiative "CENIT Cares" in November 2013.

As part of the initiative, CENIT and its employees provide financial support or specific hands-on assistance to community projects. The Group provides a defined budget as well as time-based resources (special vacation day) each year for this purpose. All CENIT employees are given the opportunity to propose projects worthy of support as well as the type of support required (financial or hands-on assistance). A committee comprising CENIT employees and executives decides on the approval of the project applications. One of the most important criteria is the personal relationship of an employee to the proposed project.

The CENIT Cares Initiative now boasts roughly 50 projects realized through donations and/or hands-on support. In addition to numerous campaigns across Germany, projects in Africa, Chile, Serbia and Moldova received support.

Remuneration system / Profit sharing

Apart from performance-based career opportunities and assumption of responsibility at an early stage, CENIT offers its employees an attractive remuneration policy. Remuneration comprises a fixed salary, which is governed by individual employment agreements, and remuneration components in amounts based on EBIT and on other quantitative and qualitative targets.

The remuneration system for the Management Board of CENIT AG comprises a performance-based component and a component that is independent of performance. The performance-based part is based on the Group's earnings for the year.

Pursuant to the articles of incorporation and bylaws, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives a fixed amount of EUR 15,000 payable after the end of the fiscal year. The chairperson of the Supervisory Board receives twice that amount, while the deputy chairperson receives one and a half times that amount.

Forecast for 2017

The German economy is forecast to grow by approximately 1.8% in 2017. According to BITKOM, the ITC industry itself is cautious about 2017 and expects growth in information technology to amount to roughly 1.2%.

Based on these expectations, the picture for CENIT is as follows:

Expected results of operations

CENIT has a solid basis with an equity ratio well in excess of 50%. This allows CENIT to be a strong and reliable partner to its customers.

The following comments do not take into account the potential acquisition of Keonys S.A.S. Successful conclusion of that takeover would change the planning considerably and be reported in an ad hoc notification.

In the CENIT Group, the planning for the fiscal year 2017 assumes sales growth of 2% and unchanged EBIT. The year 2017 will be a year of transition to more growth in sales and earnings.

For CENIT AG, the year 2017 is expected to yield sales in line with the reporting year. EBIT will be marginally below the 2016 level.

The Company is using its own products and solutions to cover a market that is currently very significant. Developments have to be implemented more and more quickly, and existing processes have to be optimized on a constant basis. This is exactly where CENIT AG supports its customers. CENIT AG's products are competitive and are subject to constant further development. CENIT will step up capital expenditure on software development in 2017. The employees of CENIT AG are competent and possess a high level of technical understanding as well as excellent industry knowledge. With their know-how and their customer gearing, they are essential for the success of the Group.

As was already the case in 2016, 2017 will also see a special focus on further alignment in software development. In order to be competitive on this market in the long term, it is essential to act innovatively and to integrate new technologies in development.

In this way, the Company wants to raise its share of its own software in earnings in the long term. The cooperation with the partners Dassault Systèmes, IBM and SAP will be continued on a lasting basis in order to position the Group as a long-term strategic partner.

Employees

The personnel expenses will be adjusted in accordance with growth. In 2017, the Group will continue to search for more skilled staff for various areas. CENIT has been successfully training apprentices for years, and training young people is still very important to the Company. Education and training is a component of the long-term personnel policy and the social responsibility toward the young people in our country.

Expected financial position and liquidity

CENIT's liquidity is very healthy, both in the separate financial statements and at group level. The Group's financial situation gives it a competitive edge in tenders and the awarding of projects. It gives CENIT's customers the security they require for their investment decisions.

The CENIT Group's financing is on a secure basis. The finance policy has been managed conservatively for years now, and this is reflected in the continued strong and long-term credit rating as well as the short-term and medium-term provision of sufficient liquidity for a positive development of the Group. The investments in property, plant and equipment and intangible assets in 2017 will be at a similar level to 2016. They will be funded by cash flow from operating activities.

The liquidity lost by paying a dividend can be funded from existing cash and cash equivalents and from the expected cash flow from operating activities in 2017.

Risks/Opportunities report

Risks/Opportunities management

With a group-wide opportunities and risk management system, the Group identifies any risks at an early stage in order to assess them correctly and limit them to the extent possible. CENIT observes the risks continuously in order to always assess the probable overall status on a systematic and timely basis and to better judge the effectiveness of corresponding countermeasures. In doing so, the Group takes into account operational risks as well as financial, economic and market-related risks. Opportunities result from the complementary view of the operational and functional risk structure in all risk areas.

CENIT makes appropriate provision at an early stage for all recognizable and accountable risks. Currency risks and default risks are monitored systematically on the basis of guidelines that set out the fundamental strategy, the rules on the structure and organization of procedures and competence rulings.

The Management Board of CENIT has installed a systematic risk management system. Operational risk management encompasses early warning, risk communication and the sustainability of risk control. Risk reporting means that the managers responsible for the business units inform the Management Board continuously of the current risk situation. Moreover, risks that occur suddenly and risk with implications for the Group as a whole are communicated directly to the risk

managers responsible at CENIT in urgent cases, bypassing normal reporting channels. In accordance with the statutory provisions, the Management Board and the Supervisory Board of CENIT are informed in detail of the risk situation of the business divisions. These reports are supplemented with up-to-date notices as soon as risks change or no longer exist or if new risks emerge. This ensures a continuous flow of information to the Management Board and the Supervisory Board. Compliance with the risk management system by the group companies and their risk management is reviewed using internal quality inspections. The findings obtained in this manner are used for the further improvement of the early detection and controlling of risk.

CENIT is well positioned in its target markets. The Company has a strong market position in Product Lifecycle Management (PLM) and in Enterprise Information Management (EIM) with regard to medium-sized and larger customers. The risk policy is based on exploiting existing opportunities to the full and only entering into the risks associated with operating activities if the opportunities for creating corresponding added value outweigh the risks. The Group implements this concept by regularly and continuously identifying, assessing and monitoring risks in all material business transactions and processes. Risk management is part of company management and reporting takes place directly to the Management Board. The functioning of the system is examined at regular intervals. A risk inventory is also carried out regularly. The six-month or annual risk reporting documents and assesses the risks identified. An ad hoc risk report is also available to ensure that action can be taken rapidly and informally. A detailed report on the status of the material risks to be monitored documents the assessment, the action taken and planned as well as the persons responsible.

The Management Board examines the classified risks together with the department heads and the employees responsible in that business unit. The Supervisory Board is also informed regularly of the risk situation.

The receivables portfolio may bear risks with respect to recoverability of the receivables (default risk). CENIT counters this risk by ensuring strict receivables management, credit ratings, requesting advance payments and classifying risks at an early stage.

The Group is not dependent on financing by commercial banks. Therefore, there is no liquidity risk according to the Management Board. There were no lines of credit available to the subsidiaries in the USA, Switzerland, France, Romania or Japan, and none were required.

Thanks to the excellent capital gearing and available liquidity, the focus is on the acquisition of new technologies for extending and supplementing the Group's own software portfolio.

Through expanding our international market coverage, e.g. by local sales partners, there are additional potentials to further increase the part of CENIT software.

To secure and strengthen the competencies and the commitment of its executives, CENIT will continue to position itself as an attractive employer and strive to keep the executives in the Group for the long term. The elements of consistent management development include in particular creating opportunities, support and advice geared toward specific target groups, early identification and promotion of high-potential staff as well as attractive incentive systems for executives. CENIT employs specialists with several years of professional experience in all of its business units.

Risk monitoring

Risk monitoring is the task of decentralized and centralized risk management. To do this, the decentralized risk manager defines early warning indicators for the critical success factors. The task of centralized risk management is to monitor the defined early warning indicators. As soon as the specified thresholds are met, a risk report is prepared by the decentralized risk manager, i.e. a forecast of the expected impact on CENIT if the risk occurs. Ideally these forecasts are supplemented with scenario analyses that take into account different constellations of data. Using this information and the measures proposed by the decentralized risk managers and the central risk management system, the Management Board decides whether and to what extent measures should be taken to mitigate the risk or whether it is perhaps necessary to adjust the corporate objectives. Tracking the early warning indicators and monitoring the corresponding threshold values as well as carrying out the scenario analyses is the responsibility of decentralized risk management.

Finally, it should be noted that the Company uses numerous management and control systems that are continually refined to measure, monitor and control risks. These include a uniform group-wide strategy, planning and budgeting process dealing mainly with opportunities and risks from operations. The risks identified and the risk management measures defined within the strategy, planning and budgeting process are monitored. Tracking and mitigating risks pays off, for example in the change request process for certainty as regards deadlines and technical risks. With large projects in particular, the certainty that the contract will be continued is checked.

Further growth and, in turn, lasting economic success are affected not just by the economic risks on global markets, but to a large extent also by the successful marketing of CENIT solutions and consultancy services as well as of the IT services. Among other things, this is to be achieved by expanding the Group's own sales and consultancy know-how and by entering into strategic partnerships. Two thirds of the customers come from the manufacturing industry. Fluctuations in the business cycle in the manufacturing industry can, in some cases, have an impact on the business situation. The Company has concluded insurance policies to cover potential cases of damage and liability risks and to ensure that the financial consequences of any potential risks are limited. The scope of these policies is regularly reviewed and adjusted if required. With respect to the necessary IT security, CENIT has also made extensive risk provision and continually develops this further.

Risks relating to future development

A review of the current risk situation has shown that there were no risks in the reporting period that jeopardized the continued existence of the Group as a going concern and that no such risks are foreseeable at present for the future. Provisions have been recorded for all recognized risks. Furthermore, as of the balance sheet date there are no other risks that could have a material impact on the net assets, financial position or results of operations. The risk management and early warning system makes transparent corporate governance and early detection of risks possible. Due to the fact that most purchase and sales contracts are denominated in euro and in light of the current financing structure, no use has currently been made of derivative financial instruments to hedge currency risks.

An overall analysis of risk shows that CENIT is primarily exposed to market risks. These mainly include price and quantity developments linked to the business cycle, dependence on the development of key accounts or important industries and dependence on strategic suppliers. The Group is also dependent on the general economic situation, the development of which currently hinges on the events in the finance and banking sectors. There is also a risk in specializing with technology partners and the related dependence on their business development.

The risk of price erosion observed on the market is countered by means of high-quality service.

In order to continue to provide high-quality service, we are reliant on well-trained staff. We are responding to the current lack of skilled labor with increased dedication to the basic and advanced training of our employees.

Internal control and risk management system in relation to the accounting and group financial reporting process, Sec. 315 (2) No. 5 HGB (CENIT AG: Sec. 289 (5) HGB)

The main features of the internal control system and the risk management in place at CENIT in relation to the accounting and group financial reporting process can be described as follows:

There is a clear management and company structure at the Company and in the other group companies. The functions of the main areas in terms of the accounting and group financial reporting process, namely accounting and taxes, consolidation and controlling as well as investor relations, are clearly separated. The areas of responsibility are clearly allocated.

The financial systems used are protected from unauthorized access by corresponding IT systems. Standard software is used in the finance area in as far as possible. An appropriate system of guidelines ensures uniform treatment within the Company/Group and is constantly updated.

The departments and areas involved in the accounting/group financial reporting process are suitably equipped from both a quantitative and a qualitative perspective. Accounting data received or passed on are checked constantly for completeness and accuracy, e.g. by means of spot checks. The software used carries out automatic plausibility checks.

The principle of dual control is complied with for all accounting-related processes. In terms of the propriety and reliability of the internal accounting and external financial reporting, the corresponding supervisory committees (Supervisory Board) are in place.

The internal control and risk management system in relation to the accounting and group financial reporting process, the main features of which were described above, ensures that company matters are always recorded, compiled and evaluated correctly and transferred to the accounting and financial reporting. Appropriate personnel capacities, the use of suitable software and clear statutory as well as internal company regulations provide the basis for an orderly, uniform and consistent accounting and financial reporting process. The clear demarcation of the areas of responsibility as well as various control and monitoring mechanisms ensure specific and responsible accounting. In detail, this ensures that business transactions are recorded, processed and documented in accordance with the statutory provisions, the articles of incorporation and bylaws as well as internal guidelines and that they are recorded correctly for accounting purposes and on a timely basis. At the same time it ensures that assets and liabilities are disclosed,

recognized and valued accurately in the annual and consolidated financial statements and that reliable and relevant information is provided in full and on a timely basis.

Disclosures pursuant to the ÜbernRLUG [“Übernahmerrichtlinie-Umsetzungsgesetz”]: German Takeover Directive Implementation Act]

Sec. 315 (4) No. 1 HGB (CENIT AG: Sec. 289 (4) No. 1 HGB)

As per the most recent entry in the commercial register on 14 August 2006, the capital stock of the Company amounts to EUR 8,367,758.00 and has been fully paid in. It is divided into 8,367,758 no-par value shares of EUR 1.00 each. The shares are made out to the bearer and are all no-par value common shares. The rights and duties relating to possession of the common shares stem from the AktG.

Sec. 315 (4) No. 6 HGB (CENIT AG: Sec. 289 (4) No. 6 HGB)

The appointment and dismissal of Management Board members is regulated in Sec. 84 AktG. Furthermore, Article 7 Nos. 1 and 2 of the articles of incorporation and bylaws states that the Supervisory Board appoints the Management Board members and determines the number of Management Board members. Pursuant to Article 7 No. 1 of the articles of incorporation and bylaws, the Management Board comprises at least two persons.

The provisions to amend the articles of incorporation and bylaws are regulated in Secs. 133, 179 AktG. Additionally, Article 21 No. 1 of the articles of incorporation and bylaws states that resolutions of the General Meeting of Shareholders require a simple majority of the votes cast and, where required, the simple controlling interest, unless legal regulations or the articles of incorporation and bylaws prescribe otherwise. The Supervisory Board is entitled pursuant to Article 16 of the articles of incorporation and bylaws to make amendments to the articles of incorporation and bylaws that only affect the version.

Authorized capital

The authorized capital shown here last year was not used by 25 May 2016 and therefore expired.

Secs. 289a, 315 (5) HGB – Corporate governance statement

The Management Board and Supervisory Board of the Company have issued the corporate governance statement for 2016 prescribed by Sec. 289a HGB and have made it available on the homepage at: http://www.cenit.com/en_EN/investor-relations/corporate-governance.html.

Stuttgart, 3 March 2017

CENIT Aktiengesellschaft

The Management Board



Kurt Bengel
Spokesman, Management Board



Matthias Schmidt
Member, Management Board

GROUP FINANCIAL STATEMENT



CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in accordance with IFRS)

in EUR k		31 Dec. 2016	31 Dec. 2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	F1	5,230	3,381
Property, plant and equipment	F2	2,208	2,656
Investments in joint ventures	F3	61	53
Income tax receivable	F9	0	85
Deferred tax assets	F4	424	400
NON-CURRENT ASSETS		7,923	6,575
CURRENT ASSETS			
Inventories	F5	396	76
Trade receivables	F6	19,631	17,947
Receivables from joint ventures	F6	3,292	3,112
Current income tax assets	F9	442	611
Other receivables	F7	209	164
Cash and cash equivalents	F10	33,606	33,941
Prepaid expenses	F11	6,722	4,447
CURRENT ASSETS		64,298	60,298
TOTAL ASSETS		72,221	66,873

CENIT Aktiengesellschaft, Stuttgart			
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in accordance with IFRS)			
in EUR k		31 Dec. 2016	31 Dec. 2015
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital	F12	8,368	8,368
Capital reserves	F12	1,058	1,058
Currency translation reserve	F12	1,279	1,096
Legal reserve	F12	418	418
Other revenue reserves	F12	13,099	14,807
Retained earnings	F12	15,293	14,096
Equity attributable to shareholders of the parent company		39,515	39,843
Non-controlling interests		1,063	0
TOTAL EQUITY		40,578	39,843
NON-CURRENT LIABILITIES			
Other liabilities	F15	3,106	2,512
Deferred tax liabilities	F4	658	774
NON-CURRENT LIABILITIES		3,764	3,286
CURRENT LIABILITIES			
Trade payables	F14	3,679	2,788
Liabilities to joint ventures	F14	39	37
Other liabilities	F15	14,169	12,148
Current income tax liabilities	F13	416	403
Other provisions	F13	211	360
Deferred income		9,365	8,008
CURRENT LIABILITIES		27,879	23,744
TOTAL EQUITY AND LIABILITIES		72,221	66,873

CENIT Aktiengesellschaft, Stuttgart				
CONSOLIDATED INCOME STATEMENT (in accordance with IFRS)				
in EUR k			2016	2015
1. REVENUE	E1		123,774	121,479
Total operating performance			123,774	121,479
2. Other operating income	E3		1,072	1,786
Operating performance			124,846	123,265
3. Cost of materials	E4	47,808		46,886
4. Personnel expenses	E5	48,880		48,554
5. Amortization of intangible assets and depreciation of property, plant and equipment	F1+F2	2,215		2,096
6. Other operating expenses	E7	14,094		15,128
			112,997	112,664
NET OPERATING INCOME			11,849	10,601
7. Other interest and similar income	E8	5		61
8. Interest and similar expenses	E8	24		41
9. Profit share of joint ventures accounted for using the equity method	E8	7		0
			-12	20
NET PROFIT OR LOSS FOR THE PERIOD BEFORE TAXES (EBT)			11,837	10,621
10. Income taxes	E9		3,692	3,305
NET INCOME OF THE GROUP FOR THE YEAR			8.145	7.316
thereof attributable to the shareholders of CENIT			8,080	7,316
thereof attributable to non-controlling interests			65	0
Earnings per share in EUR				
basic	E10		0.97	0.87
diluted	E10		0.97	0.87

CENIT Aktiengesellschaft, Stuttgart			
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in accordance with IFRS)			
in EUR k		2016	2015
Net income for the year		8,145	7,316
Other comprehensive income			
Items that will be reclassified to the income statement in the future under certain circumstances			
Currency translation reserve of foreign subsidiaries	183		547
Items that will not be reclassified to the income statement in the future			
Actuarial gains/losses from defined benefit obligations and similar obligations	-286		204
Deferred taxes recognized on other comprehensive income	63		-45
Other comprehensive income after tax		-40	706
Total comprehensive income		8,105	8,022
thereof attributable to the shareholders of CENIT		8,040	8,022
thereof attributable to non-controlling interests		65	0

CENIT Aktiengesellschaft, Stuttgart								
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in accordance with IFRS)								
	Equity attributable to shareholders of the parent company							
in EUR k	Subscribed capital	Capital reserves	Currency translation reserve	Revenue reserves		Retained earnings	Non-controlling interests	Total
				Legal reserve	Other reserves			
As of 31 December 2014	8,368	1,058	549	418	14,648	14,311	0	39,352
Total comprehensive income			547		159	7,316	0	8,022
Dividend distribution						-7,531	0	-7,531
As of 31 December 2015	8,368	1,058	1,096	418	14,807	14,096	0	39,843
Total comprehensive income			183		-223	8,080	65	8,105
Acquisition of a subsidiary							998	998
Dividend distribution						-8,368	0	-8,368
Withdrawals from / addition to the revenue reserves					-1,485	1,485	0	0
As of 31 December 2016	8,368	1,058	1,279	418	13,099	15,293	1,063	40,578

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED STATEMENT OF CASH FLOWS (in accordance with IFRS)

in EUR k	2016	2015
Cash flow from operating activities		
Earnings before interest and taxes	11,849	10,601
Adjusted for:		
Amortization of intangible assets and depreciation of property, plant and equipment	2,215	2,096
Gains (-) and losses (+) on disposals of assets	-3	-4
Earnings from joint ventures	-7	0
Increase/decrease in other non-current assets and liabilities and provisions	298	430
Interest paid	-24	-41
Interest received	5	61
Income tax paid	-3,938	-3,064
Cash flow before changes in net working capital	10,395	10,079
Increase/decrease in trade receivables and other current non-cash assets	-3,688	730
Increase/decrease in inventories	-320	-66
Increase/decrease in current liabilities and provisions	2,668	-1,278
Net cash flows from operating activities	9,055	9,465
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	-875	-1,667
Purchase of shares in fully consolidated entities (net cash outflow)	-351	0
Income from the sale of property, plant and equipment	5	24
Net cash paid for investing activities	-1,221	-1,643
Cash flow from financing activities		
Dividends paid to shareholders	-8,368	-7,531
Net cash paid for financing activities	-8,368	-7,531
Net decrease/increase in cash and cash equivalents	-534	291
Change in cash and cash equivalents due to foreign exchange differences	199	400
Cash and cash equivalents at the beginning of the reporting period	33,941	33,250
Cash and cash equivalents at the end of the reporting period	33,606	33,941

Notes to the consolidated financial statements of CENIT AKTIENGESELLSCHAFT for 2016

A Commercial register and purpose of the Group

The parent company of the Group, CENIT Aktiengesellschaft (hereinafter the “Company” or “CENIT”), has its registered offices at Industriestrasse 52 - 54, 70565 Stuttgart, Germany, and is filed in the commercial register of Stuttgart district court, department B, under No. 19117. The shares of CENIT are publicly traded.

The business purpose of the group entities is to provide all types of services in the field of introducing and operating information technology and to sell and market information technology software and systems. With a focus on product life cycle and document management solutions and IT outsourcing, CENIT and its subsidiaries (hereinafter the “CENIT Group”) in the two business units PLM (Product Lifecycle Management) and EIM (Enterprise Information Management) offer tailored consultancy services from a single source. The focus of the CENIT Group is on business process optimization and computer-aided design and development technologies.

B Accounting principles

The consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, are prepared and published in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code], and are released by the Management Board to the Supervisory Board for approval. The consolidated financial statements are thus approved for publication. This will take place on 24 March 2017.

The consolidated financial statements are prepared in euro. To aid clarity, all figures are presented in thousands of euro (EUR k) unless otherwise indicated. The end of the reporting period is 31 December of any given year.

For the classification for the statement of financial position, a distinction is made between current and non-current assets and liabilities; in the notes, they are broken down in detail by their term to maturity in some cases. The income statement is classified using the nature of expense method.

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

The annual financial statements of the entities included in the consolidated financial statements have been prepared on the basis of the parent company’s uniform accounting policies as of the end of its reporting period.

The significant accounting policies are explained below.

Amended or new IFRSs issued by the EU and the resulting reporting, recognition and measurement changes

Compared with the consolidated financial statements as of 31 December 2015, the following standards and interpretations were mandatory for the first time but did not have any material effects on the consolidated financial statements:

- Annual improvements to IFRS – 2010 to 2012 cycle
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual improvements to IFRS – 2012 to 2014 cycle
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

Outlook on upcoming IFRS amendments

The following IFRSs adopted by the EU were issued by the end of the reporting period but are not mandatory until later reporting periods. The CENIT Group decided not to early adopt the standards and interpretations that are not mandatory until later reporting periods.

Amendment/Standard	Date of publication	Date of transposition into EU law	Effective date
IFRS 15 Revenue from Contracts with Customers (including amendments to IFRS 15 Effective date of IFRS 15)	11 September 2015	22 September 2016	1 January 2018
IFRS 9 Financial Instruments	24 July 2014	22 November 2016	1 January 2018

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 replaces IAS 11, Construction Contracts, and IAS 18, Revenue, as well as the corresponding interpretations. In July 2015, the IASB decided to postpone the effective date for the standard to reporting periods beginning on or after 1 January 2018; early adoption is permitted. CENIT assessed the effects of applying IFRS 15 in the Company's consolidated financial statements. For example, CENIT already subdivided multiple element arrangements into individual transactions in the past and measured them accordingly. CENIT does not currently expect any material changes from the adoption of IFRS 15.

In July 2014, the IASB published the final version of IFRS 9, Financial Instruments, which replaces all previous versions and thus concludes the project for replacing IAS 39, Financial Instruments. IFRS 9 introduces a standardized approach for classifying and measuring financial assets. It also introduces a new impairment model based on the expected credit losses. In addition, IFRS 9 contains new rules on hedge accounting. The standard provides an option for the date of first-time adoption of IFRS 9 whereby hedging relationships can either be recognized in accordance with the rules in IFRS 9 or continue to be recognized in accordance with the rules in IAS 39. The new standard is applicable to reporting periods commencing on or after 1 January 2018. To the extent foreseeable to date, this will not have any material impact on CENIT.

Published IFRS not yet endorsed by the EU and not yet adopted

IFRS 16 was published by the IASB in January 2016 and replaces IAS 17 and IFRIC 4. For lessees, IFRS 16 removes the previous classification of leases into operating and finance leases. Instead, IFRS 16 introduces a standardized measurement model where lessees are obliged to recognize assets for the right of use and lease liabilities for leases with a term of more than twelve months. This means that lease relationships not recognized in the past will have to be recognized in future – in a manner broadly comparable with the current accounting for finance leases. For lessors, IFRS 16 will not result in any material changes in accounting compared with the current IAS 17. IFRS 16 is applicable to reporting periods commencing on or after 1 January 2019. Early adoption is permissible, but not until the Company also applies IFRS 15. The Group is planning to assess the potential impact of IFRS 16 on the consolidated financial statements in 2017.

Otherwise we refer to the disclosures on rental and lease obligations in E7 and I1.

The other published standards not yet endorsed by the EU are not expected to have a material impact on the financial position or performance of the Group.

Changes in the presentation of the consolidated financial statements

The following accounting policies principally used in the prior year have been used without change to prepare the consolidated financial statements.

C Consolidation principles

1. Consolidation principles and basis of consolidation

The consolidated financial statements include the financial statements of the parent and of the entities it controls (its subsidiaries).

CENIT obtains control when it has power over the investee, is exposed to variable returns from its involvement with the investee and has the ability to affect the amount of those returns through its power over the investee. If CENIT does not hold the majority of voting rights, it still controls the investee if it has the unilateral ability to direct relevant activities of the investee through its voting rights in practice.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control by the parent ceases.

As of 1 January 2016, CENIT acquired 51% of Coristo GmbH, based in Mannheim. Coristo GmbH is a leading consultancy company for SAP product structure management. With the acquisition of Coristo GmbH, CENIT is expanding its competency and solution portfolio for end-to-end SAP ERP/PLM solutions and strengthening its position as a reliable partner to the manufacturing industry for digital transformation in the Industry 4.0 context.

The purchase price comprises a fixed payment and a variable portion that is based on future company performance. The cash outflow on account of this acquisition amounted to EUR 351 k to date and stemmed from the outflow through the payment of the fixed purchase price installment of EUR 1,450 k and the acquired cash and cash equivalents of Coristo GmbH amounting to EUR 1,099 k. The variable purchase price payment is determined by the earnings of Coristo GmbH in the 2016 to 2018 reporting periods. As of the measurement date, CENIT assumes that the forecast figures can be exceeded. Based on this assessment, a variable purchase price payment of EUR 860 k was recognized as a liability. This corresponds to the expected purchase price payments, each discounted to the measurement date at 5%. The purchase price liability will fall due for payment pro rata temporis after ratification of each of the 2016 to 2018 annual financial statements. As a result, the purchase price liability is still recognized as a liability at the same amount as of the end of the reporting period. The ancillary costs incurred in connection with the acquisition were already recognized in other operating expenses in the 2015 annual financial statements.

Coristo GmbH has recorded revenue of EUR 1,683 k and profits of EUR 386 k since belonging to the Group.

The fair values of the identifiable assets and liabilities of Coristo GmbH as of the acquisition date and the corresponding carrying amounts directly before the acquisition date are as follows:

in EUR k	Fair value as of the acquisition date	Carrying amount to date
Intangible assets	1,458	5
Property, plant and equipment and financial assets	6	6
Trade receivables, other receivables	328	328
Prepaid expenses	1	1
Cash and cash equivalents	1,099	1,099
Total assets	2,892	1,439
Trade payables, other liabilities and other provisions	419	419
Deferred tax liabilities	436	0
Total liabilities	855	419
Total net assets acquired (51%)	1,038	520
Consideration (excluding ancillary costs)	2,310	
Goodwill arising from the acquisition	1,272	

The non-controlling interest was recognized at EUR 998 k as of the acquisition date, thus corresponding to 49% of net assets.

The new goodwill arising from the business combination is not recognized under German tax law rules and is thus not deductible for tax purposes. Deferred taxes on the goodwill did not arise as part of the purchase price allocation and will not arise in future either.

The Group's investments in joint ventures are accounted for using the equity method.

Intercompany sales, income and expenses and all intercompany assets and liabilities as well as equity between the consolidated entities were eliminated in full as part of the consolidation.

The following entities have been included in the consolidated financial statements of CENIT in accordance with IFRS 10 or IFRS 11/IAS 28 respectively (shareholdings pursuant to Sec. 313 (2) HGB):

No.	Entity	Currency	%	from	Sub-scribed capital LC	Date of purchase accounting
1	CENIT Aktiengesellschaft Stuttgart, Germany	EUR	---	---	8,368	Parent
2	CENIT (Schweiz) AG Effretikon, Switzerland	CHF	100	1	500	26 October 1999
3	CENIT NORTH AMERICA Inc. Auburn Hills, USA	USD	100	1	25	29 November 2001
4	CENIT SRL Iasi, Romania	RON	100	1	344	22 May 2006
5	CENIT France SARL Toulouse, France	EUR	100	1	10	26 April 2007
6	CENIT Japan K.K. Tokyo, Japan	YEN	100	1	34,000	13 May 2011
7	Coristo GmbH Mannheim, Germany	EUR	51	1	25	1 January 2016
8	CenProCS AIRliance GmbH Stuttgart, Germany	EUR	33.3	1	150	16 November 2007

2. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

The goodwill resulting from the acquisition of a subsidiary or of an entity under common control is initially measured at cost, being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the acquirer's share in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of acquiring the company, the excess amount remaining after reassessment is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of the impairment test, the goodwill acquired as part of the business combination is allocated from the acquisition date to the Group's cash-generating units that are expected to benefit from the business combination. This applies regardless of whether other assets or liabilities of the acquiree are allocated to these cash-generating units.

Each impairment loss on goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill cannot be reversed in future periods.

3. Investment in a joint venture

CENIT has held a 33.33% investment in a joint venture, CenProCS AIRliance GmbH (CenProCS), since 16 November 2007. A contractual agreement has been signed by the shareholders, CENIT AG Stuttgart, PROSTEP AG Darmstadt and CS SI LePlessis Robinson, France, on the provision of packaged services by the shareholders in the area of information technology as well as the coordination and marketing of these services.

The CENIT Group accounts for its investment in CenProCS using the equity method. Under the equity method, the investment in CenProCS is carried in the statement of financial position at cost plus post-acquisition changes in the CENIT Group's share of net assets of CenProCS. During formation of the entity, CENIT AG made a cash contribution of EUR 50 k.

The income statement reflects the CENIT Group's share of CenProCS's profit. Where there has been a change recognized directly in equity, the Group recognizes its share of such changes and discloses this, when applicable, in the statement of changes in equity. Gains and losses on transactions between the Group and the joint venture are eliminated in proportion to the investment in CenProCS.

The financial statements of CenProCS are prepared with the same end of the reporting period as the financial statements of the parent. Where necessary, adjustments are made to comply with the Group's uniform accounting policies.

After application of the equity method to the CENIT Group's investment in CenProCS, the parent company determines whether it is necessary to recognize an additional impairment loss on the investment. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the investment in CenProCS and the acquisition cost and recognizes the amount in the income statement.

4. Foreign currency translation

The presentation currency is the parent company's functional currency. The functional currency concept is applied to translate the financial statements prepared in foreign currency by the entities included in the basis of consolidation. The functional currency of the group entities is their respective local currency. Financial statements prepared in functional currency are translated to the Group's presentation currency using the modified closing rate method. Using this method, assets and liabilities are translated at the closing rate, while equity is translated at the historical rate and income and expenses at the annual average rate.

The difference arising from translation of the individual financial statements is recognized directly in equity. When subsidiaries are sold, the exchange differences recognized in equity relating to these entities are released to profit or loss.

Foreign currency transactions are generally translated at the current rate of the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign

currencies are translated to the functional currency at the annual closing rate. Non-monetary items that were measured at their historical cost are translated at the rate as of the transaction date, while non-monetary items that were measured at their fair value are translated at the rate which was current at the time the fair value was determined. Differences arising from currency translation at closing rates are recognized in profit or loss.

The following exchange rates were used for currency translation:

in EUR	Closing rate		Annual average rate	
	31 Dec. 2016	31 Dec. 2015	2016	2015
CHF	1.0739	1.0835	1.0902	1.0679
USD	1.0541	1.0887	1.1069	1.1095
RON	4.5390	4.5240	4.4904	4.4454
YEN	123.40	131.07	120.20	134.31

D Accounting policies

Purchased intangible assets with finite useful lives are recognized at cost less accumulated amortization and impairment. Amortization not acquired as part of a business combination is performed systematically using the straight-line method over the expected economic useful life, which is generally three years.

In the case of intangible assets acquired for consideration in connection with a business combination, the acquisition costs of the intangible assets are equal to their fair value. They are reduced by amortization over the expected useful life using the straight-line method. The useful life of the identified customer base is seven or ten years, ten years for software and one year for the identified order backlog as well for other intangible assets generally three years

Purchased intangible assets with indefinite useful lives are recognized at cost less accumulated impairment. These intangible assets are not amortized. They are tested for impairment at least once a year for the individual asset or at the level of the cash-generating unit. The useful life of an intangible asset with an indefinite useful life is checked once a year to determine whether the assessment of an indefinite useful life is still justified. If this is not the case, a prospective change of the assessment from an indefinite to a definite useful life is made.

As in the prior year, there are no intangible assets with indefinite useful lives as of the reporting date.

Gains or losses from the derecognition of intangible assets are determined as the difference between the net realizable value and the carrying amount of the asset and are recognized in income in the period in which the asset is derecognized.

Internally generated intangible assets are not capitalized due to non-fulfillment of the cumulative criteria in IAS 38.57. Like costs incurred for research activities, non-capitalizable development costs are also recognized in the period incurred.

Property, plant and equipment are recognized at cost, net of accumulated straight-line depreciation and/or accumulated impairment losses. Maintenance costs are recorded directly as expenses. Items of property, plant and equipment are depreciated on the basis of their estimated useful lives. The useful life of plant and machinery is 3 to 5 years, and 5 to 10 years for furniture and fixtures. Buildings on the Group's premises are depreciated over a period of 33 years, or 8 to 15 years for land improvements. Buildings on third-party land (leasehold improvements) are depreciated over the terms of the lease agreements. No material residual values had to be considered when determining the amount of depreciation.

Residual values, depreciation and amortization methods and the useful life of property, plant and equipment and intangible assets are reviewed annually and adjusted if changes take place. Any changes required are taken into account prospectively as changes in estimates.

Intangible assets or property, plant and equipment are derecognized either upon disposal or when no further economic benefits are expected from their further use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the asset is derecognized in the items for other operating income or other operating expenses.

An **impairment test** is performed at the end of each reporting period for all intangible assets and property, plant and equipment if events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in profit or loss for items of property, plant and equipment and intangible assets carried at cost.

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an estimate of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases if substantially all risks and rewards incidental to ownership are transferred to the lessee as part of the lease. All other leases are classified as operating leases.

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

Financial instruments

Pursuant to IAS 39, a financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables and other loans and receivables originated by the entity, held-to-maturity investments and primary and derivative financial instruments held for trading. Financial liabilities generally give rise to the right to receive settlement in cash or another financial asset. Financial instruments are recognized as soon as CENIT becomes party to the contractual provisions of the financial instrument.

Investments and other financial assets

Financial assets as defined by IAS 39 are broken down into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. All financial assets are recognized initially at fair value plus, in the case of investments which are not at measured fair value through profit or loss, any transaction costs directly attributable to the purchase of the financial asset. The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, reassesses this designation at the end of each reporting period.

Regular way purchases and sales of financial assets are recognized as of the trading date, i.e. the date on which the entity entered into the obligation to purchase the asset (“trade date accounting”).

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes financial assets held for trading and financial assets classified upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivative financial instruments are also classified as held for trading unless they are designated as a hedging instrument and are effective as such. Gains or losses on financial assets held for trading are recognized in profit or loss. The net gain or loss recognized includes any dividends and interest of the financial asset. The Group does not have any financial assets at fair value through profit or loss.

Financial assets held to maturity

Non-derivative financial assets with fixed or at least determinable payments and fixed maturity are classified as held-to-maturity if the Group intends and is able to hold these to maturity. Investments intended to be held for an indefinite period are not included in this category.

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 using the effective interest method. Gains and losses are recognized in net profit or loss for the period when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest income over the relevant periods. The effective interest rate is the

rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Available-for-sale financial assets

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

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset have expired or the financial asset and substantially all the risks and rewards of the asset are transferred to a third party. If the Group has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group recognizes an asset to the extent of the Group's continuing involvement in the asset and a corresponding liability for any consideration that the Group could be required to pay. If the Group retains substantially all risks and rewards of a transferred financial asset, the Group must continue to recognize the financial asset and a secured loan for the consideration received.

Financial liabilities are derecognized when the obligations specified in the contract have been discharged, cancelled, or have expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired. Any impairment losses as a result of fair value falling short of the carrying amount are recognized in profit or loss.

Financial assets carried at amortized cost

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

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. The amount of the reversal is recognized in profit or loss provided the carrying amount of the asset at the time of reversal does not exceed amortized cost.

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

Financial assets carried at cost

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

Available-for-sale financial assets

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

Derivative financial instruments are generally used to increase the return on investment and for hedging purposes. These derivative financial instruments are initially carried at the fair value on the date on which the relevant contract was concluded and are then subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

As in the prior year, there are no derivative financial instruments as of the reporting date.

The **inventories** reported are measured at the lower of cost and net realizable value. Costs of conversion are determined on the basis of full production-related costs. Net realizable value is the estimated sales proceeds less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents are measured at cost. They comprise cash on hand, bank balances and short-term deposits with an original maturity of less than three months.

Pension obligations and similar obligations result from obligations to employees. The amounts payable in connection with defined contribution plans are expensed as soon as the obligation to pay arises and reported as personnel expenses. Prepayments of contributions are capitalized to the extent that these prepayments will lead to repayment or a reduction in future payments.

The LOB pension plans in place in Switzerland qualify as defined benefit plans in accordance with IAS 19 due to the statutory minimum interest and conversion rate guarantees. The cost of providing benefits under these benefit plans is determined using the projected unit credit method. The Group recognizes actuarial gains and losses in full in other comprehensive income in the period in which they occur. Such actuarial gains and losses are also immediately recognized in revenue reserves and are not reclassified to profit or loss in subsequent periods. The plan assets available to cover the pension obligations are offset against the pension obligations in accordance with the rules in IAS 19.

Financial liabilities

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

Financial liabilities are measured at fair value upon addition.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as at fair value through profit or loss. Transaction costs are recognized directly in the income statement.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in profit and loss.

Other financial liabilities are initially recognized at fair value less transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expenses recognized based on 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 expenses to the respective periods.

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

Liabilities are disclosed in the notes to the financial statements as **contingent liabilities** for 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.

A contingent liability is not disclosed if the possibility of an outflow of resources embodying economic benefits is remote.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods should be measured at the amount expected to be recovered from or paid to the taxation authorities. The **current tax expense** is determined on the basis of the taxable income for the year. Taxable income differs from the net profit taken from the consolidated income statement in that it does not include expenses and income that are never taxable or tax deductible or only taxable or tax deductible in later years. The calculation is based on the tax rates and tax laws applicable as of the end of the reporting period.

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

Deferred tax liabilities are recognized in principle for all taxable temporary differences.

Deferred tax assets are recognized in principle for all deductible temporary differences, unused tax losses and unused tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses and unused tax assets can be utilized.

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

Deferred taxes on temporary differences are calculated at the tax rate that is expected to apply for the period when the asset is realized or the liability is settled. Deferred tax assets and deferred tax liabilities are calculated according to the laws and regulations enacted or substantively enacted at the end of the reporting period.

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

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

Value added tax (VAT)

Revenue, expenses and assets are recognized net of VAT. The following are exceptions to this rule:

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

The amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Revenue recognition

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

Sale of goods and provision of services

Revenue is reported at the fair value of the consideration received or to be received net of VAT and after deduction of any rebate or discount granted. Sales of goods are recognized when the substantial risks and rewards of ownership of the goods are transferred to the purchaser, no rights of disposal or effective power of disposal is retained, the amount of revenue can be measured reliably and the costs incurred or yet to be incurred in connection with the sale can be measured reliably. Income received for the provision of services is recognized in accordance with the percentage of completion to the extent that the result of a service transaction can be measured reliably.

Construction contracts

When the outcome of a service contract can be estimated reliably, contract revenue and contract costs associated with the service contract should be recognized as part of the contract costs incurred for the work in relation to the expected contract costs by reference to the stage of completion of the contract activity at the end of the reporting period. Changes to contracted work, claims and bonus payments are included to the extent that they are agreed with the customer. If the outcome of a service contract cannot be measured reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. An expected loss on a service contract is recognized as an expense immediately as soon as this loss is probable.

Royalties

Revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement. Time-based usage fees are recognized on a straight-line basis over the term of the agreement.

Dividends and interest income

Dividend income is recognized when the Group's right to receive the payment is established.

Interest income is recognized as the interest accrues (using the effective interest method, i.e. the rate used to discount estimated future cash flows over the expected life of the financial instrument to the net carrying amount of the financial asset). Interest paid or received is disclosed as interest income and interest expenses.

Significant accounting judgements, assumptions and estimates

According to the opinion of the Management Board, the following judgements had the most significant effect on the amounts recognized in the consolidated financial statements.

- It is not permissible to recognize research costs as assets. Development costs may only be recognized as an asset if all of the conditions for recognition pursuant to IAS 38.57 are satisfied, if the research phase can be clearly distinguished from the development phase and material expenditure can be allocated to the individual project phases without overlap. On account of numerous interdependencies within development projects and uncertainty about whether some products will reach marketability, some of the conditions for recognition pursuant to IAS 38 are not currently satisfied. Development costs are consequently not capitalized.
- Determining the percentage of completion is subject to certain discretionary decisions with regard to calculating the contract costs yet to be incurred. The estimate is made conscientiously based on the knowledge available as of the end of the reporting period.
- Floating-rate investments are classified and measured at fair value through profit or loss. Further explanations are contained in note F8.
- The cost and present value of defined benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that can differ from actual developments in the future. These include the determination of the discount rates, future wage and salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period.
- When determining provision amounts to be recognized, assumptions must be made on the probability that there will be an outflow of resources. These assumptions constitute the best estimate of the situation underlying the matter, but are subject to uncertainty because of the necessary use of assumptions. When measuring the provisions, assumptions also have to be made on the amount of the possible outflow of resources. A change in the assumptions can therefore lead to a difference in the amount of the provision. Thus the use of estimates also leads to uncertainties here.

Determining the recoverable amount of the cash-generating unit "SAP-PLM" for testing the recoverability of the goodwill is based on a value in use calculation using cash flow projections based on 5-year financial plans approved by management. The discount rate is 6%. Cash flows after the period of 5 years are extrapolated using a growth rate of 1%. We refer to further explanations in note F1.

Decisions based on estimates mainly relate to provisions, for which the best estimate of the amount expected to be required to settle the obligation is recognized, and to valuation allowances. Further explanations are contained in notes F6 and F13.

E Income statement

1. Revenue

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

Revenue is essentially composed of the following income items:

in EUR k	2016	2015
CENIT consulting and service	48,420	50,862
CENIT software	17,572	15,949
Third-party software	57,588	54,391
Merchandise	194	277
Total	123,774	121,479

Revenue includes sales from construction contracts (PoC) totaling EUR 1,123 k (prior year: EUR 3,828 k). This income is subject to contract costs of EUR 689 k (prior year: EUR 2,224 k). This results in a profit from construction contracts of EUR 434 k (prior year: EUR 1,604 k).

2. Research and development costs

Pursuant to IAS 38, non-project-related development costs must be capitalized if the prerequisites of IAS 38.57 are fulfilled.

In 2016, all of the product development was non-project-related, which does not, however, meet the recognition criteria in IAS 38.57. The development costs for the projects of EUR 8,436 k (prior year: EUR 8,049 k) must be expensed in the reporting period.

3. Other operating income

Other operating income breaks down as follows:

in EUR k	2016	2015
Income from the cross-charging of marketing and administrative costs	202	194
Income from pre-school subsidy, investment subsidy	29	28
Income from sub-lets, including incidental costs	17	17
Income from insurance refunds/damages	110	183
Income from exchange differences	320	478
Income from the reversal of provisions	238	776
Income from receivables written off	28	4
Income from the sale of non-current assets	5	24
Other income	123	82
Total	1,072	1,786

The income from exchange differences stemmed in particular from the translation of US dollars and Swiss francs.

4. Cost of materials

This item contains the cost of purchased third-party software of EUR 41,972 k (prior year: EUR 40,696 k) and the cost of purchased services of EUR 5,837 k (prior year: EUR 6,190 k).

5. Personnel expenses

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

in EUR k	2016	2015
Wages and salaries	41,687	41,087
Social security, pension and other benefit costs	7,193	7,467
Total	48,880	48,554

Pension costs mainly include employer contributions to statutory pension insurance. Statutory pension insurance in Germany is organized as a defined contribution plan. CENIT also offers its employees the option of making contributions to a pension trust fund or direct insurance by means of deferred compensation. For these defined contribution plans, the employer does not enter into any obligations. The value of future pension payments is based exclusively on the value of the contributions paid by the employer for the employees to the external welfare provider, including income from the investment of said contributions.

The Swiss LOB pension plans are designed as defined benefit plans in accordance with IAS 19. We refer to the comments in note F16.

An annual average (on a quarterly basis) of 620 (prior year: 632) persons were employed by the Group, plus 40 trainees (prior year: 43).

The number of employees as of the end of the reporting period came to 615 (prior year: 628). 494 of those were employed in Germany, 60 in other EU countries and 61 in other countries.

Personnel expenses comprise termination benefits totaling EUR 99 k (prior year: EUR 718 k). EUR 17 k (prior year: EUR 352 k) are reported under liabilities and EUR 82 k (prior year: EUR 243 k) under provisions as of the end of the reporting period, as they did not yet affect cash. In the reporting period, the liabilities include severance payments of EUR 4 k from earlier reporting periods (prior year: EUR 98 k).

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

Amortization and depreciation is broken down in the statement of changes in non-current assets presented in notes F1 and F2.

7. Other operating expenses

in EUR k	2016	2015
Motor vehicle costs	1,215	1,495
Travel expenses	2,560	2,857
Advertising costs	1,664	1,373
Telecommunication and office supplies	690	679
Premises expenses	838	813
Rent and lease expenses	3,031	3,290
Exchange rate losses	314	952
Other personnel expenses	352	255
Legal and consulting fees	1,357	1,085
Commission	16	146
Training	319	325
Insurance	374	360
Repairs and maintenance	909	955
Payment of the Supervisory Board	72	72
Impairment losses and bad debts	21	9
Other	362	462
Total	14,094	15,128

8. Interest result

The total interest income and total interest expenses for financial assets and financial liabilities measured both at amortized cost and at fair value through profit or loss break down as follows:

in EUR k	2016	2015
Interest income from bank balances	5	46
Interest income from business taxes	0	15
Total interest income	5	61
Utilization of credit lines and guarantees	10	14
Interest expenses for business taxes	5	9
Interest expenses from unwinding of the discount on accrued liabilities	-3	-2
Net interest from the measurement of pension obligations	5	20
Total interest expenses	17	41
Interest result	-12	20

9. Income taxes

Income taxes contain German corporate income tax including solidarity surcharge and trade tax. Comparable taxes of foreign subsidiaries are also shown in this item.

Expenses from income taxes break down as follows:

in EUR k	2016	2015
Current tax expense	4,193	3,368
Change in deferred taxes	-501	-63
Total	3,692	3,305

The current tax expense includes income of EUR 157 k relating to other periods (prior year: EUR 275 k).

Deferred taxes are calculated using the individual company tax rate. These are as follows:

in %	2016	2015
CENIT	31.00	30.00
CENIT CH	22.00	22.00
CENIT NA	37.00	37.00
CENIT RO	16.00	16.00
CENIT F	33.00	33.00
CENIT J	39.43	39.43

We refer to note F4 with respect to the change in deferred taxes. The expected tax burden on the taxable profit is 31% as of the end of the reporting period (prior year: 30%) and is calculated as follows:

in %	2016	2015
Trade tax at a rate of 433.6% (prior year: 404.9%)	15.17	14.17
Corporate income tax	15.00	15.00
Solidarity surcharge (5.5% of corporate income tax)	0.83	0.83
Effective tax rate	31.00	30.00

The difference between the current tax expense and the theoretical tax expense that would result from a tax rate of 31% (prior year: 30%) for CENIT AG breaks down as follows:

in EUR k	2016	2015
Net profit or loss for the period before taxes (EBT)	11,837	10,621
Theoretical tax expense based on a tax rate of 31% (prior year: 30%)	-3,669	-3,186
Non-deductible expenses	-97	-198
Tax-free income	56	83
Income relating to other periods	174	275
Effects of different tax rates within the Group and tax rate changes	-152	-331
Non-deductible/creditable taxes	14	36
Other	-18	16
Income tax expense according to the consolidated income statement	-3,692	-3,305
Tax rate	31.2%	31.1%

10. Earnings per share

Earnings per share are calculated in accordance with the rules in IAS 33, Earnings per Share, by dividing the group earnings by the weighted average number of shares outstanding during the reporting period. Basic earnings per share do not take into account any options, and are calculated by dividing the net earnings attributable to shares after non-controlling interests by the average number of shares. Earnings per share are diluted if, in addition to ordinary shares, equity instruments are issued from capital stock that could lead to a future increase in the number of shares. Options or warrants are taken into account only if the average share price for the ordinary shares during the reporting period exceeds the strike price of the options or warrants. This effect is calculated and stated accordingly.

The following reflects the underlying amounts used to calculate the basic and diluted earnings per share:

in EUR k	2016	2015
Net profit/loss attributable to ordinary shareholders of the parent	8,080	7,316
Weighted average number of ordinary shares used to calculate basic earnings per share	8,367,758	8,367,758

No treasury shares were held as of the end of the reporting period.

There have been no transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and the date of preparing the consolidated financial statements. Based on IAS 33.49, basic and diluted earnings per share total EUR 0.97 (prior year: EUR 0.87).

11. Dividends paid and proposed

Declared and paid dividends on ordinary shares during the reporting period:

in EUR k	2015	2014
Final dividend for 2015: EUR 1.00 (2014: EUR 0.90)	8,368	7,531

The Management Board and Supervisory Board will propose to the General Meeting of Shareholders on 12 May 2017 that a dividend of EUR 0.50 and a base dividend of EUR 0.50 per share announced in 2014 be distributed from the retained earnings of CENIT AG. The proposed dividend for 2016 is thus EUR 1.00 per share.

in EUR k	2016	2015
Final dividend for 2016: EUR 1.00 (prior year: EUR 1.00)	8,368	8,368

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

F Statement of financial position

1. Intangible assets

Intangible assets developed as follows in 2016:

in EUR k	Software and licenses	Customer base	Order backlog	Goodwill	Payments on account	Total
Cost						
As of 1 January 2016	4,621	6,465	0	0	0	11,086
Exchange difference	5	18	0	0	0	23
Additions from business acquisition	13	1,365	88	1,272	0	2,738
Additions	496	0	0	0	0	496
Reclassifications	0	0	0	0	0	0
Disposals	23	0	0	0	0	23
As of 31 December 2016	5,112	7,848	88	1,272	0	14,320
Accumulated amortization						
As of 1 January 2016	2,473	5,232	0	0	0	7,705
Exchange difference	4	19	0	0	0	23
Additions from business acquisition	8	0	0	0	0	8
Additions	610	679	88	0	0	1,377
Disposals	23	0	0	0	0	23
As of 31 December 2016	3,072	5,930	88	0	0	9,090
Net carrying amounts	2,040	1,918	0	1,272	0	5,230
Cost						
As of 1 January 2015	4,432	6,262	0	0	185	10,879
Exchange difference	9	203	0	0	0	212
Additions	672	0	0	0	0	672
Reclassifications	185	0	0	0	-185	0
Disposals	677	0	0	0	0	677
As of 31 December 2015	4,621	6,465	0	0	0	11,086
Accumulated amortization						
As of 1 January 2015	2,529	4,440	0	0	0	6,969
Exchange difference	5	139	0	0	0	144
Additions	615	653	0	0	0	1,268
Disposals	676	0	0	0	0	676
As of 31 December 2015	2,473	5,232	0	0	0	7,705
Net carrying amounts	2,148	1,233	0	0	0	3,381

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

The customer base from purchase accounting of Conunit GmbH has a remaining amortization period of 3 years and 6 months as of the end of the reporting period. The net carrying amount as of the end of the reporting period totals EUR 826 k. In addition, software acquired as part of the business combination was capitalized which has a net carrying amount of EUR 75 k as of the end of the reporting period. The remaining amortization period also amounts to 3 years and 6 months.

The customer base from purchase accounting of Transcat PLM AG was amortized in full in the 2016 reporting period.

The software from purchase accounting of SPI Numérique SARL has a net carrying amount of EUR 507 k as of the end of the reporting period. The remaining amortization period as of the end of the reporting period is 7 years and 3 months.

As part of purchase accounting of Coristo GmbH, a customer base was identified with an amortization period of 4 years as of the end of the reporting period. The carrying amount is EUR 1,092 k as of 31 December 2016. The order backlog likewise identified of EUR 88 k was amortized in full in the 2016 reporting period.

The goodwill of EUR 1,272 k acquired as part of the acquisition of Coristo GmbH was allocated to the cash-generating unit "PLM-SAP" to test for recoverability, which also constitutes a reportable business segment.

Impairment losses

The Group carried out an impairment test for goodwill.

The recoverable amount of the cash-generating unit "PLM-SAP" is determined based on a value in use calculation using cash flow projections based on 5-year financial plans approved by management. The discount rate before taxes used for the cash flow projections is 6%. Cash flows after the period of five years are extrapolated using a growth rate of 1%. This growth rate corresponds to the long-term average growth rate based on the market environment. The test showed that the fair value is higher than the value in use. As a result, there was no indication of a need to recognize an impairment loss since the date of purchase accounting, and goodwill remains unchanged. Management is of the opinion that no reasonably possible change in the basic assumptions made to determine the value in use could lead to the carrying amount of the cash-generating unit significantly exceeding its recoverable amount.

As far as intangible assets with a finite useful life are concerned, there was no indication of impairment in the current 2016 reporting period.

2. Property, plant and equipment

Property, plant and equipment developed as follows in 2016:

in EUR k	Buildings including buildings on third-party land	Plant and machinery	Furniture and fixtures	Payments on account	Total
Cost					
As of 1 January 2016	1,953	5,500	740	0	8,193
Exchange difference	4	12	4	0	20
Additions from business acquisition	0	11	24	0	35
Additions	10	254	115	0	379
Reclassification	0	0	0	0	0
Disposals	0	54	86	0	140
As of 31 December 2016	1,967	5,723	797	0	8,487
Accumulated depreciation					
As of 1 January 2016	1,075	3,914	548	0	5,537
Exchange difference	1	10	3	0	14
Additions	78	613	147	0	838
Additions from business acquisition	0	8	21	0	29
Disposals	0	54	85	0	139
As of 31 December 2016	1,154	4,491	634	0	6,279
Net carrying amounts	813	1,232	163	0	2,208
Cost					
As of 1 January 2015	1,815	6,677	1,058	0	9,550
Exchange difference	9	47	13	0	69
Additions from business acquisition	0	0	0	0	0
Additions	209	647	139	0	995
Reclassification	0	0	0	0	0
Disposals	80	1,871	470	0	2,421
As of 31 December 2015	1,953	5,500	740	0	8,193
Accumulated depreciation					
As of 1 January 2015	1,068	5,152	842	0	7,062
Exchange difference	4	34	11	0	49
Additions	83	595	150	0	828
Disposals	80	1,865	455	0	2,400
As of 31 December 2015	1,075	3,914	548	0	5,537
Net carrying amounts	878	1,586	192	0	2,656

3. Investments in joint ventures

CENIT AG holds a share of 33.3% in CenProCS AIRliance GmbH, an entity domiciled in Stuttgart. This entity specializes in providing packaged services in the field of IT, as well as coordinating and marketing said services.

The joint venture listed above is included in these consolidated financial statements using the equity method.

The share of the assets, liabilities, revenue and earnings of the joint venture that is included in the consolidated financial statements as of 31 December 2016 breaks down as follows:

in EUR k	2016	2015
Current assets (thereof cash: EUR 64 k (prior year: EUR 61 k))	2,159	1,977
Non-current assets	0	0
Current liabilities	-2,098	-1,927
Non-current liabilities	0	0
Net assets	61	50
Revenue	4,947	5,368
Total comprehensive income	7	0
Carrying amount of the investment	61	53

As of 31 December 2016, CenProCS AIRliance GmbH reported a profit of EUR 21 k (prior year: EUR 0 k).

4. Deferred taxes

The recognition and measurement differences determined between the profit in the tax accounts and the financial statements under German commercial law and the adjustments of the financial statements under German commercial law of the consolidated entities to IFRS led to deferred taxes of the following amounts in the following items:

in EUR k	Deferred tax assets		Deferred tax liabilities	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Deferred tax assets on unused tax losses	56	150	0	0
Property, plant and equipment	0	0	67	73
Intangible assets	0	0	598	385
General valuation allowances	0	0	67	45
Receivables from service agreements	0	0	140	498
Other provisions and accrued liabilities	169	177	0	0
IAS 19 pension obligations	386	287	0	0
Consolidation procedures	27	13	0	0
Total	638	627	872	1,001
Netting	-214	-227	-214	-227
Total	424	400	658	774

The change in deferred taxes on actuarial gains/losses from defined benefit obligations recognized in other comprehensive income of EUR 63 k (prior year: EUR 45 k) was recognized directly in equity. The other changes in deferred tax assets and liabilities had an effect on income in the reporting year and in the prior year.

As of 31 December 2016, no deferred income tax payables for taxes on untransferred profits were recognized (outside basis differences). As of the end of the reporting period, the latter amount to EUR 83 k (prior year: EUR 52 k).

As of the end of the reporting period, the Group had unused tax losses of EUR 141 k (prior year: EUR 380 k) for which deferred tax assets of EUR 56 k (prior year: EUR 150 k) were recognized. These relate to CENIT Japan. If business volume expands profitably, it is assumed that this deferred tax asset can be realized in future periods.

5. Inventories

in EUR k	31 Dec. 2016	31 Dec. 2015
Merchandise (measured at cost)	47	35
Payments on account made	349	41
Total	396	76

No write-downs to the net realizable value were recorded in the 2016 reporting period (prior year: EUR 0 k).

6. Receivables

Trade receivables totaling EUR 19,631 k (prior year: EUR 17,947 k) are due from third parties, as well as EUR 3,292 k (prior year: EUR 3,112 k) from joint ventures.

Receivables include receivables from construction contracts (PoC) totaling EUR 1,123 k (prior year: EUR 3,828 k). Contract costs of EUR 689 k (prior year: EUR 2,224 k) were incurred on these receivables. This results in a profit from construction contracts of EUR 434 k (prior year: EUR 1,604 k). Payments on account received for receivables from construction contracts amounted to EUR 4,390 k (prior year: EUR 4,960 k). Because these are payments on account and not progress billings based on the stage of completion, they are reported as other liabilities in the statement of financial position.

Specific valuation allowances not tied to any periods were recognized for specific default risks (settlement, insolvency). As of the end of the reporting period, specific valuation allowances were recognized for EUR 7 k of trade receivables (prior year: EUR 18 k).

The age structure of trade receivables and receivables from joint ventures was as follows at the end of the reporting period:

in EUR k	Total	thereof: impaired	thereof: neither past due nor impaired at the end of the reporting period	thereof: past due but not impaired			
				less than 30 days	between 30 and 60 days	between 61 and 90 days	between 91 and 180 days
2016	22,930	7	15,202	5,076	1,455	282	908
2015	21,077	18	16,990	3,480	261	132	196

The ten largest accounts receivable represent a receivables balance of EUR 7,532 k as of the end of the reporting period. This represents a share of 34%. The credit quality of the receivables as of the end of the reporting period which were neither past due nor impaired is seen as appropriate.

There are no indications of impairment. The credit ratings of the debtors are monitored on an ongoing basis.

As of the end of the reporting period, EUR 7 k of trade receivables was impaired (prior year: EUR 18 k). The allowance account developed as follows:

in EUR k	Individually determined to be impaired
As of 1 January 2015	26
Addition (+)/reversal (-)	-8
As of 31 December 2015	18
Addition (+)/reversal (-)	-11
As of 31 December 2016	7

When testing trade receivables for impairment, any change in the credit rating that has occurred by the end of the reporting period since the payment term was granted is taken into account. There is no notable concentration of credit risk, as the customer base is diverse and there is no overlapping.

There are no trade receivables due in more than 1 year that are reported under non-current assets.

A breakdown of receivables by country is as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
Germany	16,376	16,016
Europe	3,314	2,238
Third countries	3,233	2,805
Total	22,923	21.059

7. Other receivables

Other receivables break down as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
Receivables from staff	2	7
Receivables from deposits	91	61
Receivables from damages	0	5
Repayment receivable	108	81
Other	8	10
Total	209	164

Other receivables are short term, not past due and not impaired. There are no non-current assets from claims for damages in the reporting period (prior year: EUR 0 k).

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

There are no financial assets at fair value through profit or loss as of the end of the reporting period (prior year: EUR 0 k).

9. Tax receivables

The long-term income tax receivables relate to the capitalized corporate income tax credit. This is recognized at its present value. The present value was determined using a discount rate of 4.0%.

The short-term current income tax receivables of EUR 442 k in total (prior year: EUR 611 k) relate to claims for prepayments for corporate income tax and trade tax of EUR 350 k in total (prior year: EUR 354 k), the short-term portion of capitalized corporate income tax credits of EUR 91 k (prior year: EUR 94 k) and receivables from VAT prepayments of EUR 1 k (prior year: EUR 163 k).

10. Cash and cash equivalents

Cash and cash equivalents break down as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
Bank balances	33,600	33,931
Cash on hand	6	10
Total	33,606	33,941

Bank balances earn interest at the floating rates based on daily bank deposit rates. The fair value of cash amounts to EUR 33,606 k (prior year: EUR 33,941 k).

The Group has credit lines of EUR 1,654 k as of the end of the reporting period (prior year: EUR 2,500 k). Of this amount, there is a figure of EUR 1,500 k that can be availed of either as a loan or as a guarantee. The Group utilized EUR 846 k of this amount as a guarantee as of the end of the reporting period.

Cash is a component of cash and cash equivalents pursuant to IAS 7. The composition of cash and cash equivalents is presented in note G.

11. Prepaid expenses

Prepaid expenses break down as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
Prepaid maintenance fees	5,780	3,448
Prepaid rights of use and car insurance	942	999
Total	6,722	4,447

The prepaid maintenance fees involve prepayments by the CENIT Group for the 2017 period that will be recorded as expenses in the following year.

12. Equity

Capital stock

Since the resolution adopted on 13 June 2006 to increase capital from company funds and entry in the commercial register on 14 August 2006, the capital stock (issued capital) of the Company amounts to EUR 8,367,758.00 and is fully paid in. It is divided into 8,367,758 no-par value shares of EUR 1.00 each (prior year: 8,367,758 no-par value shares of EUR 1.00 each). The shares are bearer shares and are no-par value common shares only.

The Company still holds no treasury shares.

Authorized capital

The authorized capital shown here last year was not used by 25 May 2016 and therefore expired.

Notes on the components of equity

The capital reserves contain the share premium realized from issuing shares of the parent company in excess of their nominal value. If the legal reserve and the capital reserves pursuant to Sec. 272 (2) Nos. 1 to 3 HGB together do not exceed a tenth of the capital stock or any higher amount stipulated in the articles of incorporation and bylaws, they may only be used in accordance with Sec. 150 AktG to offset a net loss for the year or an unused tax loss that is not covered by net income for the year or an unused tax profit respectively, and cannot be offset by releasing other revenue reserves. The capital reserves were last increased in the 2007 reporting period by EUR 195 k by pro rata posting of the stock options granted under the stock option plan 2002/2006.

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

The unrealized actuarial gains/losses from defined benefit obligations included in other revenue reserves developed as follows in the 2016 reporting period:

in EUR k	
As of 1 January 2016	633
Addition/disposal	286
Deferred taxes	-63
As of 31 December 2016	856

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

As of the end of the reporting period, there are total non-controlling interests of EUR 1,063 k in equity amounting to EUR 40,578 k.

13. Current income tax liabilities and other provisions

in EUR k	31 Dec. 2016	31 Dec. 2015
Current income tax liabilities	416	403
Other provisions	211	360
Total	627	763

Other provisions include the expenses for the General Meeting of Shareholders of EUR 80 k (prior year: EUR 80 k), payment obligations from the return of leased vehicles amounting to EUR 49 k (prior year: EUR 37 k) and provisions from personnel-related measures of EUR 82 k (prior year: EUR 243 k). The provisions are measured based on a best estimate of the settlement amount needed. There are estimation uncertainties surrounding the amount of the cash outflow.

The current income tax liabilities developed as follows:

in EUR k	
As of 1 January 2016	403
Utilization	238
Addition from changes in the basis of consolidation	18
Reversal	183
Addition	416
As of 31 December 2016	416

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

in EUR k	General Meeting of Shareholders	Return of vehicles	Personnel-related measures	Total
As of 1 January 2016	80	73	243	396
Utilization	78	37	161	276
Reversal	2	0	0	2
Addition	80	44	0	124
As of 31 December 2016	80	80	82	242
of which long-term	0	31	0	31
of which short-term	80	49	82	211

The provisions will mainly be used in the following reporting period. Due to the volume involved, long-term provisions are reported under other non-current liabilities.

14. Trade payables and liabilities to joint ventures

The liabilities are subject to customary retentions of title to the delivered goods.

in EUR k	31 Dec. 2016	31 Dec. 2015
Trade payables	3,679	2,788
Liabilities to joint ventures	39	37
Total	3,718	2,825

Of the total liabilities, EUR 3,718 k is due within one year (prior year: EUR 2,825 k). These are not subject to interest.

15. Other liabilities

Other current liabilities break down as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
VAT/wage tax payables	836	751
Liabilities for social security	98	124
Employer's liability insurance, compensatory levy in lieu of employing severely disabled persons	190	200
Vacation and bonus entitlements	4,264	3,685
Long-service awards	34	57
Personnel adjustment measures	17	352
Supervisory Board compensation	68	68
Outstanding purchase invoices	1,725	750
Payments on account received	5,028	4,960
Financial statements costs	98	125
Purchase price liability	999	270
Other	812	806
Total	14,169	12,148

Other non-current liabilities break down as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
Long-service awards	322	333
Pension obligations	1,753	1,302
Long-term Management Board remuneration	936	806
Other	95	71
Total	3,106	2,512

The long-service awards total EUR 356 k. Of this figure, EUR 322 k is reported in non-current and EUR 34 k in current other liabilities. There are no written commitments to the employees for the long-service awards. These were recognized as liabilities on account of the payment method and the resulting indication of company practice.

16. Pension plans

Defined contribution plans

The Group offers all employees in Germany with an untermiated and permanent employment relationship the possibility to participate in an employer-funded pension scheme. CENIT voluntarily pays, with a right of revocation, a pre-defined fixed amount each month into a defined contribution pension insurance policy of an insurance firm. This resulted in expenses of EUR 200 k (prior year: EUR 202 k) for CENIT in the reporting period.

In addition, for all employees in Germany there is a defined contribution plan as part of German statutory pension insurance. The employer has to pay an applicable contributory rate of currently 9.35% (employer contribution) of the remuneration subject to pension contributions.

Defined benefit plans

The LOB old-age pension in Switzerland is designed as a defined benefit plan pursuant to IAS 19 and thus presented in the statement of financial position. Actuarial gains and losses are recognized in other comprehensive income.

The following tables summarize the components of net benefit expense recognized in the income statement and amounts recognized in the statement of financial position for the respective plans.

The total obligation recognized in the statement of financial position from the defined benefit plans is as follows:

in EUR k	2016	2015
Present value of the defined benefit obligation	6,728	5,574
Fair value of plan assets	4,975	4,272
Benefit liability	1,753	1,302

The net liability developed as follows:

in EUR k	2016	2015
Net liability as of 1 January	1,302	1,219
Net expense recognized	332	340
Contributions by the employer	-181	-183
Actuarial losses/gains	286	-204
Net foreign exchange difference	14	130
Net liability as of 31 December	1,753	1,302

Changes in the present value of the defined benefit obligation are as follows:

in EUR k	2016	2015
Present value of defined benefit obligation as of 1 January	5,574	5,187
Current service cost	317	320
Interest expense	58	84
Contributions by plan participants	172	174
Actuarial gains/losses	199	-133
Benefits paid/reimbursed	340	-628
Past service cost	3	0
Net foreign exchange difference	65	570
Present value of defined benefit obligation as of 31 December	6,728	5,574

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

in EUR k	2016	2015
Fair value of plan assets as of 1 January	4,272	3,968
Expected return on plan assets	46	65
Actuarial gains/losses	-86	71
Contributions by the employer	181	183
Contributions by plan participants	172	174
Benefits paid	340	-628
Net foreign exchange difference	50	439
Fair value of plan assets as of 31 December	4,975	4,272

All of the plan assets come from other investments. The total return expected on plan assets is calculated on the basis of past experience. This is reflected in the principal assumptions (see below). The actual return on plan assets came to EUR 139 k in total (prior year: EUR 137 k).

in EUR k	2016	2015
Current service cost	317	320
Interest expense	58	84
Expected return on plan assets	-46	-65
Net benefit expense	329	339

The Group expects to contribute EUR 185 k in total to its defined benefit pension plans in the 2017 reporting period.

Actuarial gains and losses recognized in other comprehensive income are as follows:

in EUR k	2016	2015
Cumulative amount recognized in revenue reserves as of 1 January	811	1,015
Amount recognized in the current year	396	-204
Cumulative amount recognized in revenue reserves as of 31 December	1,207	811

The principal assumptions used in determining the pension obligation are shown below:

%	2016	2015
Discount rate	0.5	1.0
Expected return on plan assets	1.0	1.0
Anticipated rate of salary increase	1.0	1.0

The amounts for the current and prior reporting periods are as follows:

in EUR k	2016	2015	2014	2013	2012
Present value of the defined benefit obligation	6,728	5,574	5,187	4,463	4,104
Plan assets	4,975	4,272	3,968	3,889	3,379
Deficit	-1,753	-1,302	-1,219	-574	-725
Experience adjustments on plan liabilities	119	-228	-107	-148	93
Experience adjustments on plan assets	-86	71	-445	207	-99

The authoritative actuarial assumptions used to calculate the defined benefit obligation are the discount rate and the rate of salary increase. The sensitivity analyses presented below were carried out on the basis of the changes in the respective assumptions as of the end of the reporting period that are reasonably possible, with the other assumptions remaining unchanged in each case.

If the discount rate were to go up by 0.5% or down by 0.5%, the obligation would decrease by 5.2% and increase by 5.8% respectively.

If the rate of salary increase were to rise by 0.4% or drop by 0.4%, the obligation would increase by 0.4% or fall by 0.4% respectively.

17. Financial risk management objectives and policies

The aim of the disclosures required in accordance with IFRS 7 is to provide information relevant for decision making on the amount, timing and probability of occurrence of future cash flows that result from financial instruments, and to assess 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. Apart from cash, financial assets primarily involve non-securitized receivables, such as trade receivables, loans and loan receivables, and securitized receivables, such as cheques, bills of exchange or debenture bonds. Financial assets can also include held-to-maturity investments and derivatives held for trading. Financial liabilities on the other hand generally give rise to a contractual obligation to return cash or other financial assets. These include in particular trade payables, liabilities to banks, bonds, liabilities on bills accepted and drawn as well as written options and derivative financial instruments with a negative fair value.

The Group's principal financial instruments, other than derivatives, comprise trade receivables, receivables from joint ventures as well as cash and cash equivalents, overdrafts and trade payables. The main purpose of these financial instruments is to finance the Group's business activities. The Group has various financial assets such as trade receivables, securities, cash and short-term deposits which arise directly from its business activities.

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

The Group is exposed to credit and liquidity risks as well as interest and exchange rate fluctuations in the course of its operations.

The general regulations for the group-wide risk policy are contained in the group guidelines. The group-wide risk policy also provides for the use of derivative financial instruments. The corresponding financial transactions are only concluded with counterparties with excellent credit ratings.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risks, such as the equity price risk. The Group does not envisage

any material market price risk. For the other market risks listed above, we refer to the following comments.

Credit risk

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

The Group obtains credit ratings from external agencies before accepting a new customer in order to assess the creditworthiness of prospective customers and define their credit limits.

Credit ratings for major new customers are made by Creditreform e.V. For new and existing customers, the credit risk is reduced among other things by issuing invoices for downpayments. The payment behavior of existing customers is analysed on a constant basis. In addition, the credit risk is controlled using limits for each contractual party, which are examined annually.

No credit rating is carried out for contracts won by our contractual partners, since this is already done at contractual partner level.

In addition, receivables balances are monitored by us on an ongoing basis, with the result that the Group's exposure to risk of default is not significant.

As we do not conclude any general netting agreements with our customers, the sum of the amounts reported under assets also represents the maximum credit risk. There are no identifiable concentrations of credit risk from business relationships with single debtors or groups of debtors. With respect to the other financial assets of the Group, such as cash, the Group's maximum exposure to credit risk arising from default of the counterparty is equal to the carrying amount of these instruments.

Apart from customary retention of title, the Group does not have any collateral or other credit enhancement measures that would reduce this default risk.

Currency risk

The currency risk exposure mainly arises where receivables or liabilities exist or will be generated in the ordinary course of business in a currency other than the local currency of the Company.

In addition, there are currency risks from domestic bank balances denominated in USD. The resulting risks amount to EUR 158 k (prior year: EUR 165 k) with a total volume of USD 1,665 k (prior year: USD 1,800 k) and a change of +/- 10%. The risk from cash on hand is considered immaterial on the whole. The currency risk from other bank balances mainly involves figures of CHF 2,999 k (prior year: CHF 2,863 k) and USD 7,090 k (prior year: USD 3,770 k) and amounts to EUR 952 k (prior year: EUR 611 k) with a change of +/- 10%.

There are no other risks from foreign currencies.

Interest rate risk

The Group is generally not exposed to any risk from changes in market interest rates because it has not borrowed any non-current financial liabilities with floating interest rates. The Group only sees an interest rate risk from investing cash and cash equivalents. This risk is not deemed

material. With average cash and cash equivalents of EUR 35,101 k, this would result in an effect on profit of EUR +/- 351 k if the interest rate were to fluctuate by +/- 1%.

The CENIT Group's policy is to manage its interest income using a mix of fixed and floating-rate investments. The Group uses financial instruments where necessary to achieve this goal.

As of the end of both reporting periods, there were no derivative financial instruments for hedging against interest risks.

Liquidity risk

The Group needs sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Group under normal trading conditions. The Group manages liquidity risk by maintaining adequate reserves, credit lines from banks and by constantly monitoring forecast and actual cash flows and reconciling the maturity profiles of financial assets and liabilities. The credit rating of the Group allows sufficient cash to be procured. Moreover, the Group has lines of credit that have not yet been used.

Thanks to the large amount of cash and cash equivalents, there are currently no liquidity or refinancing risks at group level.

The financial liabilities all fall due within a maximum of one year.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a maximum equity ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group can adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies and methods as of 31 December 2016 and 31 December 2015.

The Group monitors its capital in relation to total assets.

in EUR k	31 Dec. 2016	31 Dec. 2015
Total assets	72,221	66,873
Equity	40,578	39,843
Equity as a percentage of total assets (%)	56.2	59.6

18. Financial instruments

The table below shows the carrying amounts and fair values of all of the Group's financial instruments included in the consolidated financial statements.

in EUR k	Carrying amount	Carrying amount	Fair value	Fair value
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	33,606	33,941	33,606	33,941
Loans and receivables	23,132	21,223	23,132	21,223
thereof:				
• Trade receivables	19,631	17,947	19,631	17,947
• Receivables from a joint venture	3,292	3,112	3,292	3,112
• Other receivables	209	164	209	164
	56,738	55,163	56,738	55,163

Financial liabilities				
Other financial liabilities	3,718	2,825	3,718	2,825
thereof:				
• Trade payables	3,679	2,788	3,679	2,788
• Liabilities to a joint venture	39	37	39	37
	3,718	2,825	3,718	2,825

The fair value of the financial assets and financial liabilities corresponds to their carrying amount at amortized cost because they are current assets and liabilities only. The fair value of financial assets measured at fair value results from the observable prices on the market.

G Statement of cash flows

The statement of cash flows shows how the cash and cash equivalents of the CENIT Group changed during the course of the reporting period and the prior year as a result of cash inflows and outflows. Cash flows were broken down into cash flow from operating, investing and financing activities in accordance with IAS 7. The amounts reported from foreign entities are generally translated at the annual average rates. However, as in the statement of financial position, liquidity is reported at the closing rate. The effects of exchange rate changes on cash are shown separately if they are material.

The cash flow from investing activities and financing activities is determined directly on the basis of payments made or received. The cash flow from operating activities, on the other hand, is

derived indirectly from the Group's net income or loss for the year. When performing the indirect calculation, changes in items in the statement of financial position considered in connection with ordinary activities are adjusted for effects from currency translation and changes in the basis of consolidation. There are therefore differences compared to changes in the relevant items in the consolidated statement of financial position.

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

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

Cash and cash equivalents include all cash and cash equivalents reported in the statement of financial position provided they have an original maturity of less than three months. As of the end of the reporting period, cash and cash equivalents break down as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
Bank balances	33,600	33,931
Cash on hand	6	10
Cash and cash equivalents	33,606	33,941

H Segment reporting

Pursuant to IFRS 8, business segments must be demarcated based on the internal reporting from group divisions that are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

For management purposes, the Group is organized into business units based on its products and services, and has two reportable operating segments as follows:

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

The presentation is based on internal reporting.

The PLM (Product Lifecycle Management) segment focuses on industrial customers and the corresponding technologies. Its industry focus is on the automotive, aerospace, mechanical engineering and shipbuilding industries. Special emphasis is placed on products and services in product lifecycle management, such as CATIA from Dassault Systèmes or SAP, and internally developed software such as cenitCONNECT and FASTSUITE. The Enterprise Information Management (EIM) segment focuses on the customer segment of trade and commerce, banks, insurance firms and utilities. The focus here is on products of the strategic software partner IBM and internally developed software and consultancy services in the fields of document management and business intelligence.

In the segmentation by business unit and by region, those financial assets and tax reimbursement rights as well as current and deferred income tax liabilities and other liabilities are disclosed in the

SEGMENT REPORTING BY BUSINESS UNIT (in accordance with IFRS)					
in EUR k		EIM	PLM	Reconciliation	Group
External revenue	2016	20,872	102,902	0	123,774
	2015	23,540	97,939	0	121,479
EBIT	2016	2,277	9,572	0	11,849
	2015	1,475	9,126	0	10,601
Share of profit of the joint venture	2016	0	7	0	7
	2015	0	0	0	0
Other interest result and financial result	2016	0	0	-19	-19
	2015	0	0	20	20
Income taxes	2016	0	0	3,692	3,692
	2015	0	0	3,305	3,305
Group earnings	2016	2,277	9,572	-3,704	8,145
	2015	1,475	9,126	-3,285	7,316
Segment assets	2016	8,067	29,601	34,492	72,160
	2015	5,898	25,866	35,056	66,820
Investment in a joint venture	2016	0	61	0	61
	2015	0	53	0	53
Segment liabilities	2016	6,520	24,012	1,110	31,642
	2015	6,766	19,085	1,179	27,030
Investments in property, plant and equipment and intangible assets	2016	194	681	0	875
	2015	339	1,328	0	1,667
Amortization and depreciation	2016	520	1,696	0	2,215
	2015	555	1,541	0	2,096
EIM = Enterprise Information Management; PLM = Product Lifecycle Management					

“Not allocated” column for segment assets and segment liabilities respectively that could not be attributed to the respective business units.

The segmentation by region is based on the location of the Group’s assets. Sales to external customers disclosed in geographical segments are based on the geographical location of the customer of the individual segment.

In the 2016 reporting period, 8.1% of sales was recorded with a single customer (prior year: 8.5%). These sales are attributable first and foremost to the PLM segment.

The segmentation by region is shown below:

SEGMENT REPORTING BY COUNTRY (in accordance with IFRS)										
in EUR k		Germany	Switzerland	North America	Romania	France	Japan	Reconciliation	Consolidation	Group
External revenue	2016	90,311	12,978	16,281	1,965	567	1,672	0	0	123,774
	2015	91,939	11,813	14,794	1,536	439	958	0	0	121,479
Segment assets	2016	32,922	4,156	4,664	357	401	676	34,492	-5,508	72,160
	2015	28,491	2,498	4,452	311	222	351	35,056	-4,561	66,820
Investment in a joint venture	2016	61	0	0	0	0	0	0	0	61
	2015	53	0	0	0	0	0	0	0	53
Investments in property, plant and equipment and intangible assets	2016	759	13	57	38	5	3	0	0	875
	2015	1,403	5	136	21	102	0	0	0	1,667

The reconciliation of segment assets breaks down as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
Deferred tax assets	424	400
Long-term income tax receivable	0	85
Current income tax assets	442	611
Other receivables	20	19
Cash and cash equivalents	33,606	33,941
Total	34,492	35,056

The reconciliation of segment liabilities breaks down as follows:

in EUR k	31 Dec. 2016	31 Dec. 2015
Deferred tax liabilities	658	774
Current income tax liabilities	416	403
Other liabilities	36	2
Total	1,110	1,179

There were no material non-cash expenses in the reporting period or in the prior year except amortization and depreciation and additions to provisions.

I Other notes

1. Contingent liabilities and other financial obligations

As of the end of the reporting period there were no contingent liabilities that would require disclosure in the statement of financial position or in the notes.

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

in EUR k	2016	2015
Rental and lease obligations		
Due in less than 1 year	2,913	2,907
Due in 1 to 5 years	6,315	6,058
Due in more than 5 years	0	1,123
Total	9,228	10,088

Other financial obligations principally consist of tenancy obligations of EUR 5,873 k (prior year: EUR 6,972 k) entered into for the office buildings rented in Germany and vehicle lease agreements of EUR 1,439 k (prior year: EUR 1,702 k). The agreements include options to extend the terms and price escalation clauses as are customary in the industry.

The company cars and communications equipment were also leased by means of lease agreements in order to guarantee that these are always up to date and to avoid tying up liquidity. These agreements result in cash outflows in future periods that are included in the above list.

No material income from sublease agreements is expected in future periods.

2. Related party disclosures

Balances and transactions between CENIT and its subsidiaries that are related parties were eliminated as part of consolidation and are not explained in the notes.

Related parties of the CENIT Group within the meaning of IAS 24 thus only concern the members of the Management Board and Supervisory Board, their dependents and joint ventures.

Transactions with related parties were conducted by CENIT with one member of the Supervisory Board. This resulted in consulting expenses of EUR 17 k in the 2016 reporting period (prior year: EUR 18 k) due to CENIT and consulting expenses of EUR 1 k (prior year: EUR 2 k) due to a joint venture. The business was transacted at arm's length conditions. Furthermore, CENIT recorded sales with joint ventures amounting to EUR 10,067 k (prior year: EUR 10,379 k).

As of the end of the reporting period, there were liabilities to related parties of EUR 2 k (prior year: EUR 2 k). The receivables from a joint venture are recognized separately in the statement of financial position.

The Company's Management Board members were:

- Dipl.-Ing. Kurt Bengel, Waiblingen, spokesman of the Management Board of CENIT AG. Responsible for: operations, investor relations and marketing.
- Dipl.-Wirt.-Inf. Matthias Schmidt, Bad Liebenzell, member of the Management Board of CENIT AG. Responsible for: finance, organization and personnel.

The Company's Supervisory Board members were:

- Dipl.-Ing. Andreas Schmidt (independent management consultant), Ahrensburg, chairman, since 16 May 2013
- Dipl.-Kfm. Hubert Leypoldt (independent German public auditor, tax advisor, legal counsel), Dettingen/Erms, deputy chairman, since 16 May 2013
- Dipl.-Ing. Andreas Karrer (Head of Department at CENIT Aktiengesellschaft, Stuttgart), Leinfelden-Echterdingen, employee representative, since 16 May 2013

In the reporting period, the remuneration of the Management Board members was as follows:

in EUR k	2016	2015
Kurt Bengel		
Fixed	267	267
Performance-based	176	157
Long-term incentive	180	161
Matthias Schmidt		
Fixed	236	232
Performance-based	176	157
Long-term incentive	180	161
Total	1,215	1,135

The variable remuneration component breaks down into a short-term and long-term component, with the short-term portion being paid out in the subsequent year. The long-term portion is paid out after three years provided that other criteria have been met. Total annual remuneration is capped in each case to EUR 750,000.00.

The employment contracts of Mr. Bengel and Mr. Schmidt provide for compensation payments pursuant to Sec. 74 HGB for the term of a one-year ban on competition and full remuneration paid to the surviving dependants of deceased Management Board members for a six-month period.

No further pension obligations or benefits were promised in the event of termination of service. In the event that the Company terminates the agreement before its expiry without good reason, the Management Board member receives a severance payment of no more than twice the annual fixed remuneration agreed in the agreement for the remainder of the employment agreement. In any case, no more than the remaining term of the employment agreement will be remunerated.

In accordance with Article 14 of the articles of incorporation and bylaws, the amounts paid to the Supervisory Board were as follows in 2016:

in EUR k	2016		2015	
	Fixed	Performance-based	Fixed	Performance-based
Andreas Schmidt	30.0	0	30.0	0
Hubert Leypoldt	22.5	0	22.5	0
Andreas Karrer	15.0	0	15.0	0
Total amount	67.5	0	67.5	0

The D&O insurance was continued in 2016 for Management Board members, Supervisory Board members as well as other executives. The premiums of EUR 32 k (prior year: EUR 32 k) were borne by the Company.

The Management Board held 7,670 shares as of the end of the reporting period (0.09% of capital stock). The Supervisory Board members held 111,392 shares, i.e. 1.33% of the Company's capital stock.

3. Changes at shareholder level

Hauck & Aufhäuser Investment Gesellschaft S.A., Munsbach, Luxembourg, informed us on 28 June 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% of voting rights on 23 June 2016 and amounted to 3.30% on that date (corresponding to 276,236 voting rights).

Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany, informed us on 21 July 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% on 2 July 2016 and amounted to 3.43% on that date (287,000 voting rights).

Invesco Ltd., Hamilton, Bermuda, informed us on 5 September 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 5% on 30 August 2016 and amounted to 4.94% on that date (413,072 voting rights).

Hauck & Aufhäuser Investment Gesellschaft S.A., Munsbach, Luxembourg, informed us on 5 December 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 3% of voting rights on 1 December 2016 and amounted to 1.62% on that date (corresponding to 135,682 voting rights).

LOYS AG, Oldenburg, Germany, informed us on 12 December 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% on 5 December 2016 and amounted to 3.06% on that date (255,795 voting rights).

Invesco Ltd., Hamilton, Bermuda, informed us on 14 December 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 3% of voting rights on 12 December 2016 and amounted to 2.90% on that date (corresponding to 242,427 voting rights).

4. Group auditor's fees

in EUR k	2016	2015
Audit fees (annual financial statements and consolidated financial statements)	97	114
Fees for other services	3	3
Total	100	117

5. Events after the reporting period

CENIT AG is carrying out contractual negotiations concerning the acquisition of all of the shares in Keonys S.A.S., Paris, France, one of the leading European reference partners for software integration in the areas of Product Lifecycle Management (PLM) and 3D design based on software products from Dassault Systèmes. Through a takeover, CENIT would obtain improved market access in France and in the Benelux countries. Keonys has roughly 160 employees and generated sales of approximately EUR 56 million in the 2016 reporting period. CENIT will finance the purchase price for the company shares of an expected figure in the region of EUR 6 million from existing cash and cash equivalents.

6. Declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code

The Management Board and Supervisory Board of the Company have issued the declaration for 2015 required by Sec. 161 AktG and made it available on the Company's homepage (http://www.cenit.com/en_EN/investor-relations/corporate-governance.html).

Stuttgart, 3 March 2017

CENIT Aktiengesellschaft

The Management Board



Kurt Bengel
Spokesman, Management Board



Matthias Schmidt
Member, Management Board

Auditor's report

We have audited the consolidated financial statements prepared by the CENIT Aktiengesellschaft, Stuttgart comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the 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 financial year from January 1, 2016 to December 31, 2016. 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 § 315a(1) of the HGB and the supplementary provisions of the shareholder agreement are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and the 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 financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the 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 § 315a(1) of the HGB and the supplementary provisions of the shareholder agreement 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, complies with legal requirements 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 17, 2017

BDO AG

Wirtschaftsprüfungsgesellschaft

gez. Boris Weber
Wirtschaftsprüfer

gez. Stefan Anderer
Wirtschaftsprüfer

Corporate Governance Report

At CENIT AG, good corporate governance is a core component of management. The Management 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 the CENIT Group. In this way, CENIT AG documents the fact that responsible, value-based corporate governance, and its consistent monitoring, are given top priority within the 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 management that focuses on creating added value all already form important components of CENIT AG's 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 Sec. 161 AktG

The Management and Supervisory Boards of CENIT AG have issued the Declaration of Conformity with the Corporate Governance Code as prescribed by Sec. 161 AktG ["Aktengesetz": German Stock Corporation Act], and made it accessible on the Company's homepage (www.cenit.com)

Declaration on Corporate Governance

For the year 2016, the Management and Supervisory Boards of the Company have issued the Declaration on Corporate Governance prescribed by Sec. 289a HGB ["Handelsgesetzbuch": German Commercial Code] and have made it permanently accessible on the CENIT homepage via the following link: http://www.cenit.com/en_EN/investor-relations/corporate-governance.html. The Declaration on Corporate Governance (Sec. 289a HGB) includes the Declaration of Conformity, information on corporate governance practices and a description of the operating principles of the Management and Supervisory Boards.

Operating principles of the Management and Supervisory Boards

The Supervisory Board and the Management Board work in close cooperation for the greater benefit of the Company.

The Management 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 business 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 Management Board. Employee interests are appropriately represented by the employee representative on the Supervisory Board. Supervisory Board meetings are held on a regular basis, and where required supplemented by telephone conferences. Due to the low number of Supervisory Board members, committees have not been formed.

In filling management positions and when taking other personnel decisions, the Supervisory and Management 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 Company's bodies. Members are selected primarily based on suitability and qualifications. 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 Management/Supervisory Boards. The fact that the Management 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 Management 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 Management 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 Company. The Chairperson of the Supervisory Board is elected from among its members.

The Supervisory Board appoints the members of the Management Board. It supervises and advises the Management Board in its governance of the Company. Substantial decisions by the Management Board require the approval of the Supervisory Board. Members of the Supervisory Board receive compensation that is not performance-based. During the reporting year, there were no changes in the composition of the Supervisory Board.

In accordance with Article 14 of the articles of incorporation and bylaws, the amounts paid to the Supervisory Board were as follows in 2016:

in EUR k	2016	2016	2015	2015
	Fixed remuneration	Performance-based remuneration	Fixed remuneration	Performance-based remuneration
Andreas Schmidt	30.0	0	30.0	0
Hubert Leyboldt	22.5	0	22.5	0
Andreas Karrer	15.0	0	15.0	0
Total	67.5	0	67.5	0

Management Board

The Management Board is the management body of the Company. It conducts the business of the Company on its own responsibility and within the framework determined by stock corporation law. It is obliged to further the interests of the Company 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, business strategy and potential risks. The remuneration of members of the Management Board is made up of fixed and performance-

related components. During the reporting year, there were no changes in the composition of the Management Board.

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

in EUR k	2016	2015
Kurt Bengel		
Fixed remuneration	267	267
Performance-based remuneration	176	157
Long-term incentive	180	161
Matthias Schmidt		
Fixed remuneration	236	232
Performance-based remuneration	176	157
Long-term incentive	180	161
Total	1,215	1,135

The variable remuneration component breaks down into a short-term and long-term component, with the short-term portion being paid out in the subsequent year. The long-term portion is paid out after three years provided that other criteria have been met. Total annual remuneration is capped in each case to EUR 750,000.00.

The employment contracts of Mr. Bengel and Mr. Schmidt provide for compensation payments pursuant to Sec. 74 HGB for the term of a one-year ban on competition and full remuneration paid to the surviving dependents of deceased Management Board members for a six-month period.

No further pension obligations or benefits were promised in the event of termination of service. In the event that the Company terminates the agreement before its expiry without good reason, the Management Board member receives a severance payment of no more than twice the annual fixed remuneration set out in the agreement for the remainder of the employment agreement. In any case, no more than the remaining term of the employment agreement will be remunerated.

Shares held by the Management and Supervisory Boards

Share portfolios as of 31 December 2016

Total number of shares: 8,367,758

Management Board:

Kurt Bengel: 6,000

Matthias Schmidt: 1,670

Supervisory Board:

Andreas Schmidt: 108,792

Hubert Leypoldt: 1,600

Andreas Karrer: 1,000

Shareholders and General Meeting

Our shareholders exercise their rights during the Company's General Meeting of Shareholders. The annual General Meeting of Shareholders takes place during the first six months of the fiscal year and is chaired by the Chairperson of the Supervisory Board. The General Meeting of Shareholders decides on all matters assigned to it by law (including election of the members of the Supervisory Board, amendments to the articles of incorporation and bylaws, appropriation of profits, capital measures).

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

Accounting and auditing

The consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, are prepared by the Management Board in accordance with the International Financial Reporting Standards (IFRSs) as adopted in the EU and in compliance with the supplementary provisions of commercial law that apply pursuant to Sec. 315a (1) HGB. The consolidated financial statements are audited by the auditor and approved by the Supervisory Board. The consolidated financial statements are made publicly available within 90 days of approval.

The auditor is BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

An agreement was reached with the auditor to the effect that the Chairperson of the Supervisory Board will 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 auditor will also immediately inform the Supervisory Board of any and all matters and events related 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 statements. The respective dates of publication are published at the beginning of each fiscal year in our financial calendar. The articles of incorporation and bylaws, presentations, press releases and ad hoc notifications are also made accessible. All reports and communications can be accessed online at www.cenit.com/en_EN/investor-relations.html. CENIT AG has also prepared the prescribed insider directory. The individuals concerned have been informed as to their statutory duties and fines.

Development of CENIT shares on the financial markets

Chart: Share price development in 2016 (Source: wallstreet online CENIT Aktiengesellschaft, Stuttgart)



CENIT shares began the 2016 stock market year at a price of EUR 20.30 and ended the year at EUR 19.97. The 52 weeks of the year saw an average trading volume of 15,273 shares per day on all German stock markets (prior year: 19,669 shares per day). The annual average price of CENIT AG shares for 2016 was EUR 19.32, with an annual high of EUR 23.50 and an annual low of EUR 15.45. Around 4 million shares were traded in total. Due to the high free-float level, only rough data is available regarding shareholder structure. This yields the following overview in terms of shareholder size and composition:

Distribution of the shares by shareholder group as of 31 December 2016

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

Company	Reported on	Number	Percent
Mainfirst	28 October 2015	422,792	5.05
Allianz Global Investors	1 July 2014	420,958	5.03
LBBW Asset Management	15 November 2011	385,421	4.61
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte	21 July 2016	287,000	3.43
LOYS AG	12 December 2016	255,795	3.06

Source: CENIT AG, Stuttgart

Currently, three banking and analysis agencies publish research reports on CENIT. These include recommendations from Oddo Seydler, Frankfurt, Hauck & Aufhäuser, Hamburg, and GBC AG, Augsburg. The CENIT share is listed on the Prime Standard of the German stock exchange and fulfills the applicable international transparency requirements.

Responsibility Statement in the Annual Financial Report

(Group Financial 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

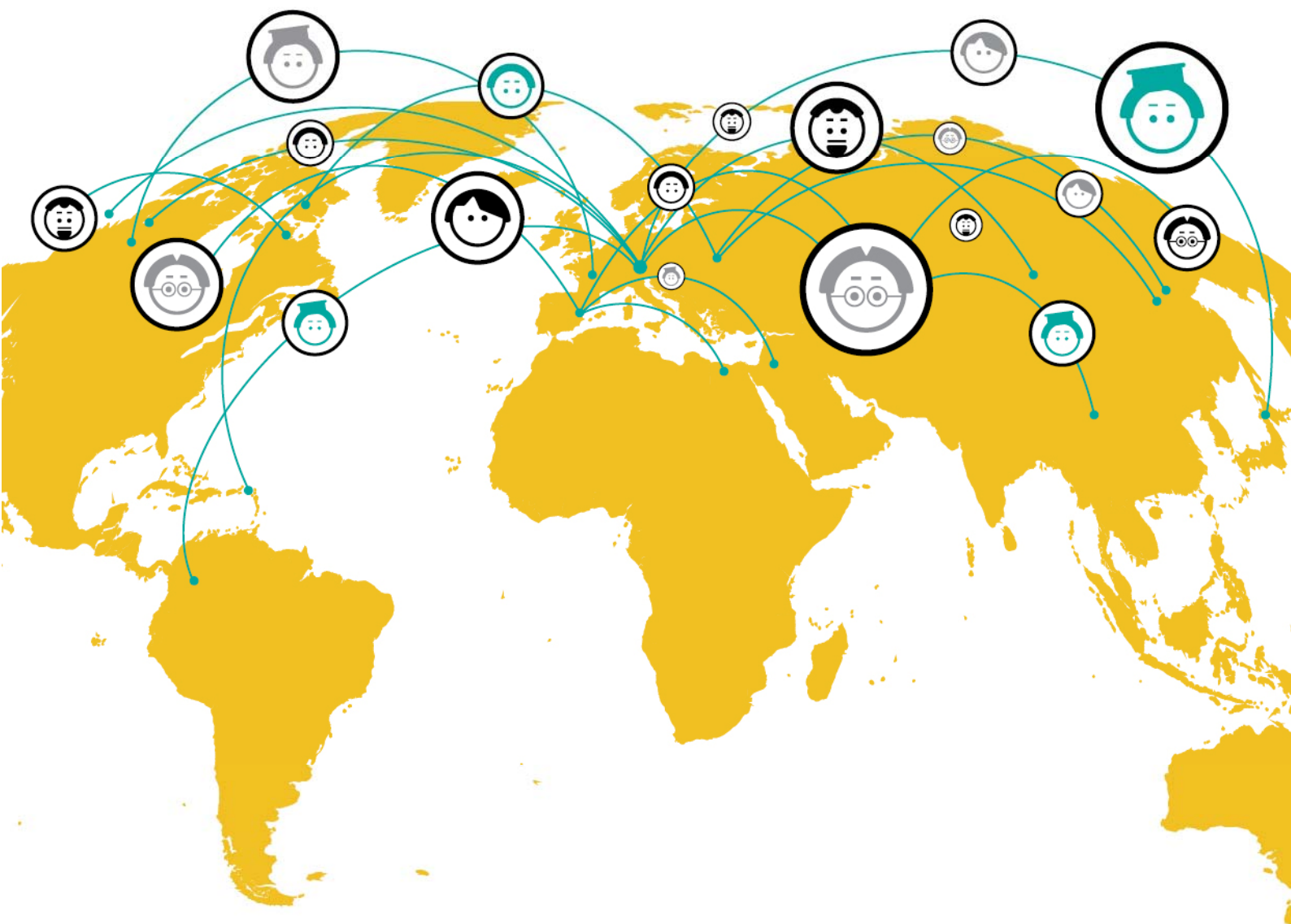


Kurt Bengel
Spokesman, Management Board



Matthias Schmidt
Member, Management Board

FINANCIAL STATEMENT AG



CENIT Aktiengesellschaft, Stuttgart
BALANCE SHEET

		31 Dec. 2016	31 Dec. 2015
ASSETS	EUR	EUR	EUR
A. FIXED ASSETS			
I. Intangible assets			
Franchises, industrial and similar rights and assets and licenses in such rights and assets	1,931,759.31		2,051,628.38
		1,931,759.31	2,051,628.38
II. Property, plant and equipment			
1. Land and buildings, including buildings on third-party land	711,283.05		774,752.94
2. Plant and machinery	1,125,548.12		1,441,686.99
3. Other equipment, furniture and fixtures	72,858.86		69,809.60
		1,909,690.03	2,286,249.53
III. Financial assets			
1. Shares in affiliates	3,289,013.04		923,314.22
2. Equity investments	52,554.25		52,554.25
		3,341,567.29	975,868.47
B. CURRENT ASSETS			
I. Inventories			
1. Work in process	580,900.69		1,839,799.55
2. Merchandise	0		29,318.85
3. Payments on account	337,176.65		42,191.74
		918,077.34	1,911,310.14
II. Receivables and other assets			
1. Trade receivables	13,279,451.42		10,996,945.27
2. Receivables from affiliates	1,370,201.97		1,349,850.85
3. Receivables from other investees and investors	3,263,989.96		3,089,522.59
4. Other assets	379,849.44		688,106.98
		18,293,492.79	16,124,425.69
III. Cash on hand, bank balances		21,542,438.29	26,726,799.22
C. PREPAID EXPENSES			
		4,074,430.61	3,212,007.35
		52,011,455.66	53,288,288.78

CENIT Aktiengesellschaft, Stuttgart			
BALANCE SHEET			
		31 Dec. 2016	31 Dec. 2015
EQUITY AND LIABILITIES	EUR	EUR	EUR
A. EQUITY			
I. Subscribed capital		8,367,758.00	8,367,758.00
II. Capital reserves		1,058,017.90	1,058,017.90
III. Revenue reserves			
1. Legal reserve		418,387.90	418,387.90
2. Other revenue reserves		13,870,955.48	15,370,955.48
IV. Net retained profit		8,393,203.61	8,437,195.70
		32,108,322.89	33,652,314.98
B. PROVISIONS			
1. Tax provisions	92,832.00		0.00
2. Other provisions	7,854,122.43		6,502,903.98
		7,946,954.43	6,502,903.98
C. LIABILITIES			
1. Payments received on account of orders	1,703,947.29		3,193,794.04
2. Trade payables	2,610,000.06		2,259,899.84
3. Liabilities to affiliates	183,192.46		169,175.97
4. Liabilities to other investees and investors	38,933.24		37,099.74
5. Other liabilities	919,755.12		1,099,059.10
thereof for social security: EUR 0.00 (prior year: EUR 0 k)			
thereof for taxes: EUR 530,737.05 (prior year: EUR 600 k)			
		5,455,828.17	6,759,028.69
D. DEFERRED INCOME			
		6,500,350.17	6,374,041.13
		52,011,455.66	53,288,288.78

CENIT Aktiengesellschaft, Stuttgart			
INCOME STATEMENT			
		2016	2015
	EUR	EUR	EUR
1. Revenue	99,177,182.51		98,813,888.29
2. Decrease (prior year: increase) in inventories of work in process	-1,258,898.86		166,009.68
3. Other operating income	927,300.44		1,737,638.98
thereof income from currency translation: EUR 194,128.18 (prior year: EUR 259 k)			
Total operating performance		98,845,584.09	100,717,536.95
4. Cost of materials			
a. Cost of raw materials, consumables and supplies and of merchandise	32,430,478.57		32,918,730.33
b. Cost of purchased services	7,263,037.91		7,478,573.73
		39,693,516.48	40,397,304.06
5. Personnel expenses			
a. Salaries	32,269,144.31		32,891,328.99
b. Social security and pension costs	5,216,919.81		5,574,094.61
		37,486,064.12	38,465,423.60
6. Amortization of intangible assets and depreciation of property, plant and equipment	1,250,878.93		1,248,266.32
7. Other operating expenses	12,758,794.23		13,243,160.02
thereof from currency translation: EUR 186,623.49 (prior year: EUR 134 k)			
Operating result		7,656,330.33	7,363,382.95
8. Income from equity investments		1,670,423.60	3,410,286.42
thereof from affiliates: EUR 1,670,423.36 (prior year: EUR 3,410 k)			
9. Other interest and similar income		23,830.62	79,264.89
thereof from affiliates: EUR 18,750.00 (prior year: EUR 19 k)			
10. Interest and similar expenses		42,782.36	38,035.81
thereof from unwinding of the discount on provisions: EUR 32,912.41 (prior year: EUR 24 k)			
11. Income taxes		2,427,992.66	2,349,007.91
12. Earnings after taxes		6,879,809.53	8,465,890.54
13. Other taxes		56,043.62	60,042.91
14. Net income for the year		6,823,765.91	8,405,847.63

Notes to the financial statements for 2016

A. General

CENIT AG has its registered offices in Stuttgart and is entered in the commercial register at Stuttgart local court (HRB 19117).

These financial statements have been prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code] in the version of the BilRUG [“Bilanzrichtlinie-Umsetzungsgesetz”: German Act to Implement the EU Accounting Directive] as well as in accordance with the relevant provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act] and the supplementary provisions in the articles of incorporation and bylaws. The Company is subject to the requirements for large corporations. The standards of the German Accounting Standards Committee e.V., Berlin, (GASC) have been observed to the extent that they are relevant for the financial statements of the Company.

The income statement is classified using the nature of expense method.

B. Accounting principles

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

Acquired **intangible assets** are recognized at acquisition cost and are amortized over their useful lives using the straight-line method if they have a limited life. Additions are amortized pro rata temporis. The depreciation tables published by the German Ministry of Finance serve as a guide here. The rates provided are maximum rates.

Property, plant and equipment are recognized at acquisition cost and are depreciated if they have a limited life. Depreciation is recorded over the customary useful life using the straight-line method. The depreciation tables published by the German Ministry of Finance serve as a guide here. The rates provided are maximum rates.

Low-value assets with an individual net value not exceeding EUR 150 were fully expensed in the year of acquisition. Assets with an individual net value not exceeding EUR 410 in value are fully expensed in the year of acquisition with their immediate disposal being assumed.

Financial assets are recognized at acquisition cost.

Work in process is valued at production cost or, in the case of third-party work, at acquisition cost. Own work comprises direct labor and appropriate, proportionate overheads for personnel, write-downs and rent as well as general and administrative expenses.

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

Receivables and other assets are stated at their nominal value. All recognizable specific risks are taken into account with specific bad debt allowances. A general bad debt allowance of 1% (prior year: 1%) was established for the general credit risk. Non-interest bearing receivables due in more than one year are discounted.

Cash on hand and bank balances are each stated at nominal value.

In accordance with Sec. 250 (1) HGB, expenses paid before the balance sheet date that represent an expense for a certain period after that date are accrued as **prepaid expenses**.

Provisions account for all foreseeable risks and contingent liabilities and are recognized at the settlement value deemed necessary according to prudent business judgement. Expected future price and cost increases are included in valuing the provisions. Provisions with a residual term of more than one year were discounted at the average market interest rate of the last seven fiscal years published by the German Central Bank for their respective residual term. The provision for general warranties is recorded in the reporting year at a lump sum of 0.5% (prior year: 0.5%) of sales. A provision of EUR 118 k was recognized in the fiscal year for individual cases of warranty (prior year: EUR 114 k).

Liabilities are recorded at the settlement value.

In accordance with Sec. 250 (2) HGB, income received before the balance sheet date that represents income for a certain period after that date is deferred as **deferred income**.

To determine **deferred taxes** arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts, the resulting tax burden and relief are valued using the company-specific tax rate at the time the differences reverse; these amounts are not discounted. The option not to recognize deferred tax assets was exercised.

Foreign currency assets and liabilities were translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

Revenue is generated by the sale of soft- and hardware and the provision of services. Revenue is reported as a net figure, i.e. excluding VAT and less sales deductions. Revenue is recognized when the transfer of risk to the customer has taken place in the case of a supply of goods, or when the contractually owed performance has been provided in the case of services. The recognition of revenue from license transactions depends on whether a temporary or permanent right of use is granted. If license transactions are carried out that grant the licensee a temporary right of use, revenue is recognized on a straight-line basis over the performance period. If the licenses grant a permanent right of use, the once-off primary license charge (PLC) payable is reported on the date of obtaining control and the annual license charge (ALC) is reported as revenue pro rata temporis.

C. Notes to the balance sheet and income statement

I. Balance sheet

1. Fixed assets

The development of fixed asset items is presented separately in the statement of changes in fixed assets (page 120 f.).

2. Financial assets

The information on shareholdings breaks down as follows:

No.	Name and location of registered offices	Currency	Shareholding in %	Subscribed capital LC k	Equity LC k	Earnings LC k
1	CENIT (Schweiz) AG Effretikon, Switzerland	CHF	100.0	500	2,455	1,705
2	CENIT North America Inc. Auburn Hills, USA	USD	100.0	25	5,561	2,425
3	CENIT SRL Iasi, Romania	RON	100.0	344	2,832	1,788
4	CENIT France SARL Toulouse, France	EUR	100.0	10	72	104
5	CENIT Japan K.K. Tokyo, Japan	YEN	100.0	34,000	16,626	32,593
6	Coristo GmbH Mannheim, Germany	EUR	51	25	1,405	386
7	CenProCS AIRliance GmbH Stuttgart, Germany	EUR	33.3	150	172	21

3. Receivables and other assets

Trade receivables are all due in less than one year.

Receivables from affiliates include receivables of EUR 750 k from granting a loan to CENIT France SARL (prior year: EUR 750 k). The remaining receivables from affiliates of EUR 620 k (prior year: EUR 600 k) and the **receivables from other investees and investors** valued at EUR 3,264 k (prior year: EUR 3,090 k) stem from trade and are due in less than one year.

Other assets primarily consist of EUR 254 k (prior year: EUR 614 k) of assets relating to tax refund claims. This includes EUR 163 k (prior year: EUR 272 k) in tax refund claims from corporate income tax, solidarity surcharge and trade tax as well as the credit balance of EUR 91 k (prior year: EUR 179 k) from the tax moratorium. The credit balance from the moratorium has a term of less than one year (prior year: EUR 85 k long term, with a residual term of more than one year). The credit balance from the moratorium came into existence as of 31 December 2006. It is not subject to interest and has thus been discounted by 4% to its present value. Payment is due between 2008 and 2017 in ten equal annual amounts. There are no receivables from VAT prepayments as of the balance sheet date (prior year: EUR 164 k).

4. Prepaid expenses

in EUR k	31 Dec. 2016	31 Dec. 2015
Accrued rights of use for licenses	3,614	2,630
Other prepaid expenses	460	582
Total	4,074	3,212

This mainly concerns prepaid expenses for licenses and for rights of use and insurance.

5. Deferred taxes

Deferred taxes stem chiefly from accounting and valuation differences between the statutory accounts and the tax accounts. These differences relate mostly to other provisions.

On the whole there are net deferred tax assets, and the option to capitalize these deferred tax assets was not exercised.

Deferred tax assets must be calculated based on a tax rate of 31% (prior year: 30%).

6. Equity

Capital stock

As per the most recent entry in the commercial register on 14 August 2006, the capital stock of the Company amounts to EUR 8,367,758.00 and has been fully paid in. It is divided into 8,367,758 no-par value shares of EUR 1.00 each. The shares are made out to the bearer and are all no-par value common shares.

Authorized capital

The authorized capital shown here last year was not used by 25 May 2016 and therefore expired.

7. Capital reserves

The capital reserves remained unchanged in the fiscal year, at EUR 1,058 k.

8. Legal reserve

At EUR 418 k, the legal reserve has also remained unchanged in comparison to the prior year.

9. Other revenue reserves

EUR 1,500 k was withdrawn from the revenue reserves in the fiscal year and added to the profit carryforward. Other revenue reserves amount to EUR 13,871 k as of the balance sheet date.

10. Net retained profit

Net retained profit developed as follows:

in EUR k	2016	2015
Net income for the year	6,824	8,406
Net retained earnings in the prior year	8,437	7,562
Dividend	-8,368	-7,531
Profit carryforward from the prior year	69	31
Withdrawals from the revenue reserves	1,500	0
Net retained profit	8,393	8,437

11. Provisions

Tax provisions contain EUR 93 k (prior year: EUR 0 k) for back taxes for corporate income tax and trade tax for the past fiscal year.

Other provisions essentially comprise provisions for personnel expenses of EUR 3,993 k (prior year: EUR 4,133 k), provisions for warranties of EUR 608 k (prior year: EUR 619 k), provisions for outstanding supplier invoices of EUR 1,585 k (prior year: EUR 875 k), provisions for long-service bonuses of EUR 356 k (prior year: EUR 358 k) and a provision for contingent payments of a purchase price in connection with a business acquisition of EUR 945 k (prior year: EUR 0 k).

12. Liabilities

As in the prior year, **trade payables** have a remaining term of less than one year.

Liabilities to affiliates include trade payables of EUR 183 k (prior year: EUR 141 k). No prepayments had been received as of the balance sheet date (prior year: EUR 28 k). As in the prior year, liabilities to affiliates are due within one year.

The **liabilities to other investees and investors** contain trade payables amounting to EUR 39 k (prior year: EUR 37 k). As in the prior year, the corresponding liabilities are due within one year.

Other liabilities include deferred items of EUR 157 k (prior year: EUR 175 k). As in the prior year, these amounts related in full to deferred rent.

EUR 688 k (prior year: EUR 834 k) of other liabilities is due within one year, while EUR 232 k (prior year: EUR 265 k) is due in more than one year. Liabilities due in more than one year include liabilities due in more than five years of EUR 0 k (prior year: EUR 23 k). In the prior year, the long-term portion stemmed from the deferral of rent.

II. Income statement

1. Revenue

The prior-year figures for revenue are not comparable on account of the new version of Sec. 277 (1) HGB as a result of the BilRUG. Applying Sec. 277 (1) HGB in the version of the BilRUG would have resulted in revenue for the prior year of EUR 99,071 k.

in EUR k	2016	2015
CENIT software	15,078	13,742
Third-party software	43,835	42,957
CENIT consulting and service	39,818	41,839
Merchandise	189	276
Other revenue	257	0
Total	99,177	98,814

85% (prior year: 85%) of sales was generated in Germany, 5% (prior year: 6%) in other EU countries and 10% (prior year: 9%) in other countries.

2. Other operating income

Other operating income includes income relating to other periods from the reversal of provisions of EUR 179 k (prior year: EUR 635 k).

Other operating income also includes income from cross-charged salary and other costs of EUR 203 k (prior year: EUR 443 k), insurance refunds of EUR 0 k (prior year: EUR 4 k), rental income from subletting of EUR 17 k (prior year: EUR 17 k), marketing and sales subsidies from partner companies of EUR 95 k (prior year: EUR 92 k) and exchange gains of EUR 194 k (prior year: EUR 259 k).

In addition, extraordinary income from a payment of damages of EUR 40 k as well as from a supplier credit of EUR 22 k is included here.

3. Personnel expenses

in EUR k	2016	2015
Salaries	32,269	32,891
Social security contributions	5,217	5,574
Total	37,486	38,465

Social security contributions include pension costs of EUR 200 k (prior year: EUR 202 k).

4. Other operating expenses

At EUR 12,759 k, total other operating expenses are down marginally compared to the prior year (EUR 13,243 k). Other operating expenses essentially relate to premises expenses of EUR 2,336 k (prior year: EUR 2,417 k), vehicle costs of EUR 2,132 k (prior year: EUR 2,410 k), travel expenses of EUR 1,570 k (prior year: EUR 1,958 k), marketing costs of EUR 1,336 k (prior year: EUR 1,061 k) and exchange losses of EUR 187 k (prior year: EUR 134 k).

5. Financial and interest result

The financial and interest result breaks down as follows:

in EUR k	2016	2015
Income from equity investments		
Dividend CENIT (Schweiz) AG, Switzerland	1,400	0
Dividend CENIT SRL, Romania	270	224
Dividend CENIT North America Inc., USA	0	3,186
Total	1,670	3,410

in EUR k	2016	2015
Other interest and similar income		
Bank interest and interest from securities	0	35
Interest on loans granted to subsidiary	19	19
Income from the tax moratorium	5	10
Interest income for company taxes	0	15
Total	24	79

in EUR k	2016	2015
Interest and similar expenses		
Guarantee commission	10	14
Interest expense from unwinding the discount on provisions/liabilities	33	24
Total	43	38

6. Income taxes

in EUR k	2016	2015
Current corporate income tax expense	1,107	1,098
Current solidarity surcharge expense	61	61
Current trade tax expense	1,200	1,172
Withholding tax	60	-15
Taxes in prior years	0	33
Total	2,428	2,349

Taxes mainly include corporate income tax and the solidarity surcharge of EUR 1,168 k (prior year: EUR 1,159 k) as well as trade tax of EUR 1,200 k (prior year: EUR 1,172 k) on the taxable income for the fiscal year 2016.

7. Proposal for the appropriation of profit

The following appropriation of retained earnings will be proposed at the General Meeting of Shareholders:

in EUR k	
Net retained profit	8,393
Dividend distribution (EUR 1.00 per 8,367,758 participating no-par value shares)	8,368
Profit carryforward	25

8. Auditor's fees

The information on auditors' fees pursuant to Sec. 285 No. 17 HGB is provided in the consolidated financial statements of CENIT AG.

D. Other notes

1. Personnel

An average of 496 (prior year: 519) members of staff were employed during the fiscal year, plus 40 (prior year: 43) trainees.

2. Other financial obligations

There are other financial obligations in connection with rental agreements and leases. The resulting financial obligations are included in the following table:

in EUR k	2016	2015
Rental and lease obligations		
Due within 1 year	2,608	2,651
Due in 1 to 5 years	5,675	5,495
Due in more than 5 years	0	1,000
Total	8,283	9,146

Other financial obligations chiefly comprise the rent agreements entered into for leased office buildings of EUR 5,873 k (prior year: EUR 6,972 k) as well as vehicle leases of EUR 1,438 k (prior year: EUR 1,702 k). The extension options and price adjustment clauses customary for the industry apply.

The company cars and communications equipment were leased by means of lease agreements in order to guarantee that these are always up to date and to avoid tying up liquidity. Renting office space also avoids tying up cash and cash equivalents. These agreements result in cash outflows in future periods that are included in the above list.

3. Corporate boards

During the fiscal year the following persons were **members of the Management Board**:

Dipl.-Ing. Kurt Bengel, Waiblingen, spokesman of the Management Board of CENIT AG, Responsible for: operations, investor relations and marketing.

Dipl.-Wirt.-Inf. Matthias Schmidt, Bad Liebenzell, member of the Management Board of CENIT AG, Responsible for: finance, organization and personnel.

The following members make up the **Supervisory Board**:

- Dipl.-Ing. Andreas Schmidt (independent management consultant), Ahrensburg, chairman
- Dipl.-Kfm. Hubert Leyboldt (independent German public auditor, tax advisor, legal counsel), Dettingen/Erms, deputy chairman
- Dipl.-Ing. Andreas Karrer, Leinfelden-Echterdingen, employee representative

The members of the Supervisory Board did not belong to any other supervisory boards or control bodies during the business year.

In the reporting period, the remuneration of the Management Board members was as follows:

in EUR k	2016	2015
Kurt Bengel		
Fixed remuneration	267	267
Performance-based remuneration	176	157
Long-term incentive	180	161
Matthias Schmidt		
Fixed remuneration	236	232
Performance-based remuneration	176	157
Long-term incentive	180	161
Total	1,215	1,135

The employment contracts of Mr. Schmidt and Mr. Bengel provide for compensation payments pursuant to Sec. 74 HGB for the term of a one-year ban on competition and full remuneration paid to the surviving dependents of deceased Management Board members for a six-month period.

No promise was made for further pension obligations or benefits in the event of termination of service.

In accordance with Article 14 of the articles of incorporation and bylaws, the amounts paid to the Supervisory Board were as follows in 2016:

in EUR k	2016	2016	2015	2015
	Fixed remuneration	Performance-related remuneration	Fixed remuneration	Performance-related remuneration
Andreas Schmidt	30.0	0	30.0	0
Hubert Leypoldt	22.5	0	22.5	0
Andreas Karrer	15.0	0	15.0	0
Total	67.5	0	67.5	0

The D&O insurance was continued in 2016 for Management Board members and Supervisory Board members as well as other executives. The premiums of EUR 32 k (prior year: EUR 32 k) were borne by the Company.

The Management Board held 7,670 shares as of the balance sheet date (0.09%). The Supervisory Board members held 111,392 shares, i.e. 1.33% of the Company's capital stock.

4. Changes at shareholder level

Hauck & Aufhäuser Investment Gesellschaft S.A., Munsbach, Luxembourg, informed us on 28 June 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% of voting rights on 23 June 2016 and amounted to 3.30% on that date (corresponding to 276,236 voting rights).

Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany, informed us on 21 July 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% on 2 July 2016 and amounted to 3.43% on that date (287,000 voting rights).

Invesco Ltd., Hamilton, Bermuda, informed us on 5 September 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 5% on 30 August 2016 and amounted to 4.94% on that date (413,072 voting rights).

Hauck & Aufhäuser Investment Gesellschaft S.A., Munsbach, Luxembourg, informed us on 5 December 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 3% of voting rights on 1 December 2016 and amounted to 1.62% on that date (corresponding to 135,682 voting rights).

LOYS AG, Oldenburg, Germany, informed us on 12 December 2016 pursuant to Sec.21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% on 5 December 2016 and amounted to 3.06% on that date (255,795 voting rights).

Invesco Ltd., Hamilton, Bermuda, informed us on 14 December 2016 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, fell below the threshold of 3% of voting rights on 12 December 2016 and amounted to 2.90% on that date (corresponding to 242,427 voting rights).

E. Group relationships

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

The consolidated financial statements of CENIT AG are published in the Federal Gazette.

F Subsequent events

CENIT AG is carrying out contractual negotiations concerning the acquisition of all of the shares in Keonys S.A.S., Paris, one of the leading European reference partners for software integration in the areas of Product Lifecycle Management (PLM) and 3D design based on software products from Dassault Systèmes. Through a takeover, CENIT would obtain improved market access in France and in the Benelux countries. Keonys has roughly 160 employees and generated sales of approximately EUR 56 million in the fiscal year 2016. CENIT will finance the purchase price for the company shares of an expected figure in the region of EUR 5 million from existing cash and cash equivalents.

G Declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code

The Management Board and Supervisory Board of the Company have issued the declaration for 2016 required by Sec. 161 AktG and made it available on the Company's homepage (http://www.cenit.com/en_EN/investor-relations/corporate-governance.html).

Stuttgart, 3 March 2017

CENIT Aktiengesellschaft

The Management Board



Kurt Bengel
Spokesman, Management Board



Matthias Schmidt
Member, Management Board

Auditor's report

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 business year from January 1, 2016 to December 31, 2016. 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 shareholder agreement are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 [Article] of the 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 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 the 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 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 of the shareholder agreement and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report the CENIT group and the company is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 17, 2017

BDO AG

Wirtschaftsprüfungsgesellschaft

gez. Boris Weber
Wirtschaftsprüfer

gez. Stefan Anderer
Wirtschaftsprüfer

Accumulated amortization, depreciation and write-downs				Net book values	
As of 1 Jan. 2016	Additions	Disposals	As of 31 Dec. 2016	As of 31 Dec. 2016	As of 31 Dec. 2015
2,167,915.15	550,380.43	8,577.44	2,709,718.14	1,931,759.31	2,051,628.38
2,167,915.15	550,380.43	8,577.44	2,709,718.14	1,931,759.31	2,051,628.38
1,024,121.08	73,164.89	0.00	1,097,285.97	711,283.05	774,752.94
3,609,745.81	542,363.88	33,781.68	4,118,328.01	1,125,548.12	1,441,686.99
257,043.16	84,969.73	47,438.21	294,574.68	72,858.86	69,809.60
4,890,910.05	700,498.50	81,219.89	5,510,188.66	1,909,690.03	2,286,249.53
0.00	0.00	0.00	0.00	3,289,013.04	923,314.22
0.00	0.00	0.00	0.00	52,554.25	52,554.25
0.00	0.00	0.00	0.00	3,341,567.29	975,868.47
7,058,825.20	1,250,878.93	89,797.33	8,219,906.80	7,183,016.63	5,313,746.38

Responsibility Statement in the Annual Financial Report

(Financial 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



Kurt Bengel
Spokesman, Management Board



Matthias Schmidt
Member, Management Board

Glossary

AMS	<p>Abbreviation for Application Management Services</p> <p>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.</p>
BI	<p>Abbreviation for Business Intelligence</p> <p>Business intelligence denotes procedures and processes aimed at a systematic analysis (collation, evaluation and presentation) of data electronic form.</p>
CATIA	<p>PLM solution by Dassault Systèmes</p> <p>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.</p>
DELMIA	<p>PLM solution by Dassault Systèmes</p> <p>DELMIA offers manufacturers the means to digitally plan, develop, monitor and control manufacturing and service processes.</p>
Digital factory	<p>Three-dimensional graphic simulation of a factory by way of digitally integrated systems (e.g. DELMIA).</p>
Digital manufacturing	<p>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.</p>
ECM	<p>Abbreviation for Enterprise Content Management</p> <p>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.</p>
EIM	<p>Abbreviation for Enterprise Information Management</p> <p>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.</p>

EIM is a holistic data management concept that ensures a consistent, transparent and reliable information structure.

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.

ERP

Abbreviation for Enterprise Resource Planning

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.

Knowledgware

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

Control of machinery or processes via numerical control commands.

PLM

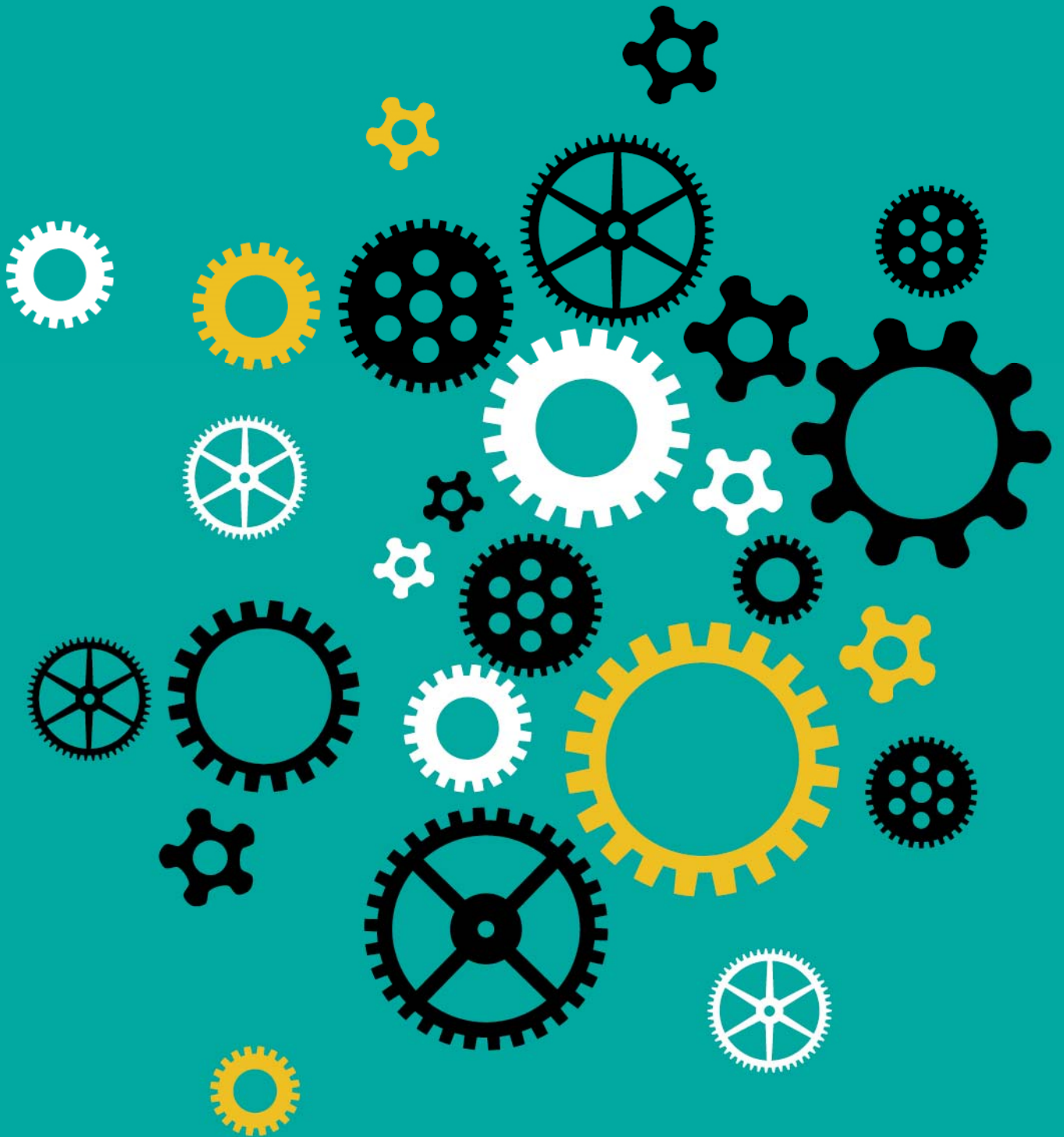
Abbreviation for Product Lifecycle Management

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.

SLA

Abbreviation for Service Level Agreement

SLAs define the qualitative and quantitative customer-specific objectives in the field of AMO, with the aim of achieving long-term, successful cooperation.



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